

YEARBOOK 2008

INTERNATIONALIZATION OF SPANISH COMPANIES



Círculo de Empresarios



Wharton
UNIVERSITY OF PENNSYLVANIA



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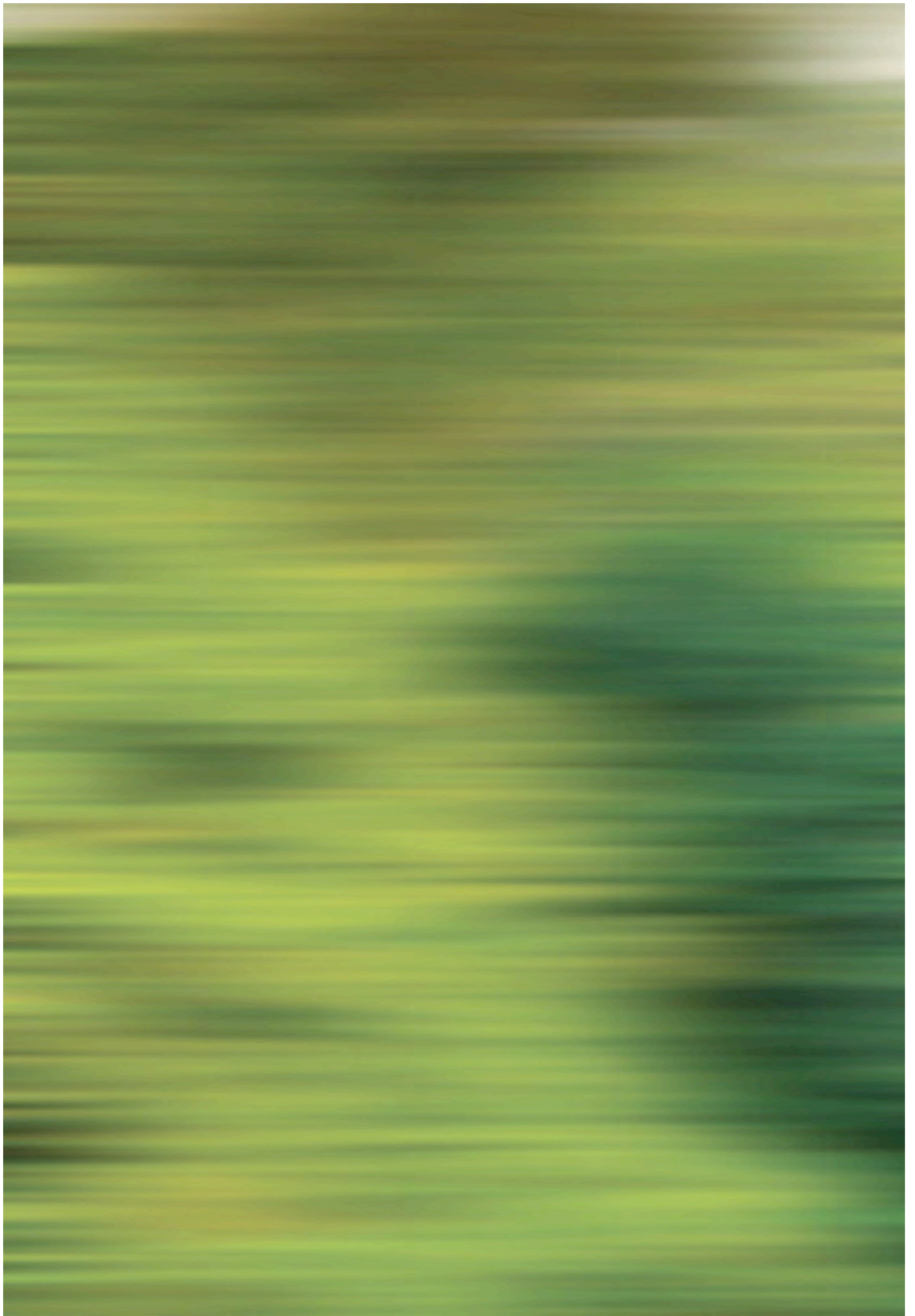
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Presentation

It is only a year since the *Círculo de Empresarios*, in collaboration with the prestigious Wharton School of the University of Pennsylvania, publicly presented the first issue of the Yearbook on the Internationalization of Spanish Companies. This Yearbook was launched with the goal of keeping permanent tabs on the situation of our companies abroad, in an ever more demanding global context. We understood it to be a useful tool, not just as an overview of the activities of Spanish companies abroad, but also to foster the necessary internationalization of companies which had not yet dared to take this step or were doubtful as to the convenience of doing so.

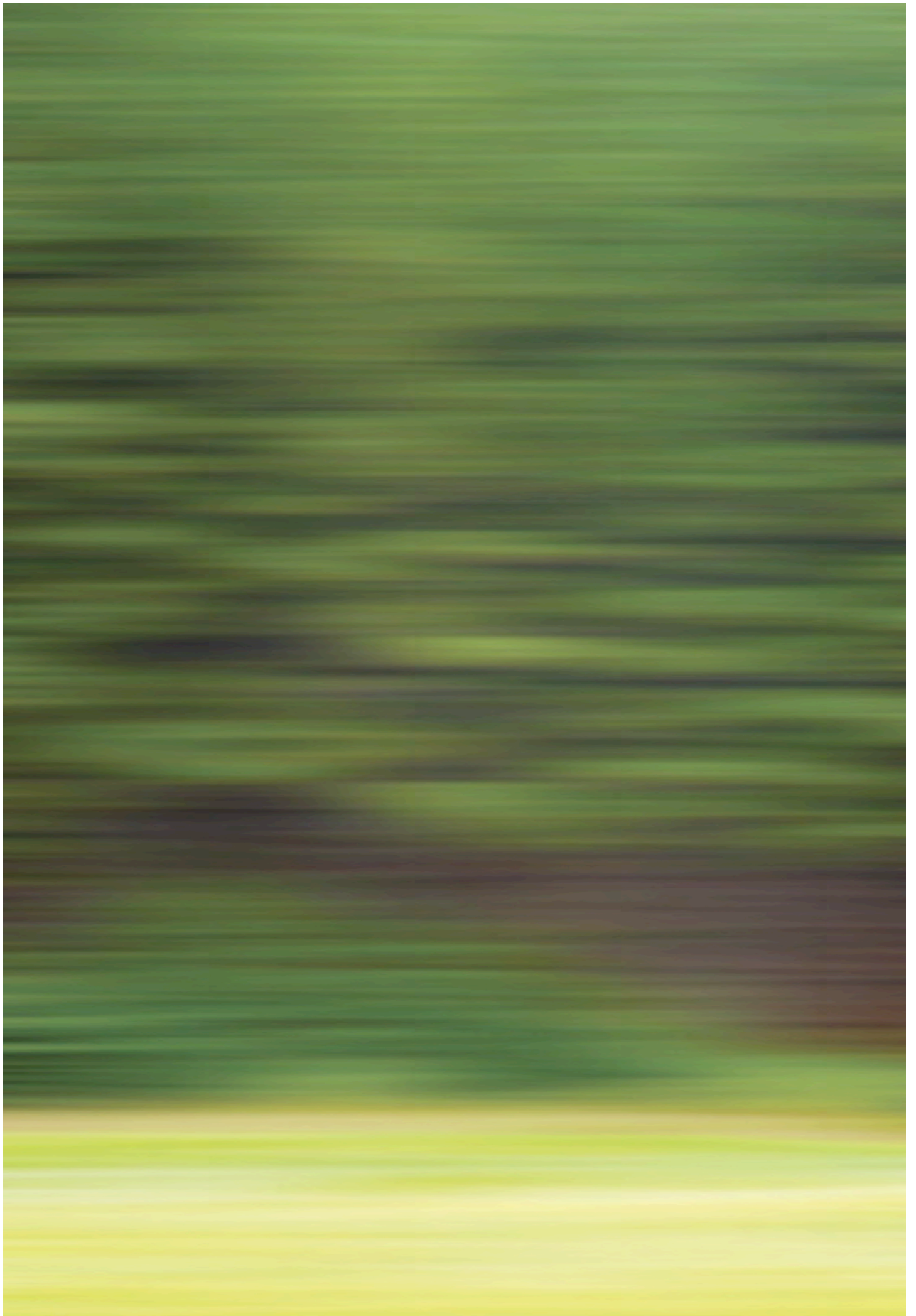
Few initiatives in the history of our association have been so immediately successful, and have been so clearly justified as to suitability and timeliness. The Yearbook has undoubtedly made a space for itself as a necessary reference to those within the business, public policy, or academic environments, and generally within society as a whole, who are interested in the present and future of our companies abroad.

The key to its success has a lot to do with Wharton School, one of the most internationally prestigious academic institutions in the business world. This success is also linked to the fact that the Yearbook distinguishes the most relevant transactions undertaken by Spanish companies abroad, thus underscoring the essential acknowledgement that, although there is still a long way to go as far as internationalization is concerned, there are clear and conclusive examples of companies with a solid track record of success beyond our borders.

The competitiveness of the Spanish economy is at the core of all reflections undertaken by the *Círculo de Empresarios* in the past few years. Within this context, the internationalization of Spanish companies is, in many cases, among the best strategies to achieve and enhance their competitiveness. We are currently experiencing the consequences of a global crisis which is a harsh demonstration of the absence of borders in the world today. Acting on this conviction will be the best way to overcome this crisis and to build on solid foundations the future of our companies.



Claudio Boada Pallerés,
Chairman of the *Círculo de Empresarios*



Prologue

Worldwide globalization, on the increase since the early 1990s, has acted as a major driver of the intense internationalization of the Spanish economy and of Spanish companies. Several Spanish of them may now be defined as transnational undertakings, occupying leading positions in European and even global ranking lists of the most international companies.

Unfortunately, continuing global economic growth, which showed great strength in the past few years in the wake of the aforesaid integration, is now at stake in the extremely complex international scenario. While until a few months ago the economic scene was characterized by the expansion of the global economy, we now face a radical change in circumstances. The convergence of several different forces has precipitated the start of a prolonged period of instability and uncertainty. The principal cause must of course be sought in the problems originated by the US subprime mortgage market collapse, whose communication to the world financial markets has triggered a global crisis. To this we must add the inflationary pressures resulting from the substantial rise of oil and food prices, and the cumulative

macro-economic and balance of payment imbalances in different global regions. The situation has been gradually becoming more complicated, requiring public intervention in financial markets at an unprecedented scale. The intense financial turbulence has further resulted in a serious impairment of the macro-economic situation and forecasts, which are already anticipating a recession in economies such as Italy, UK and Spain.

One of the distinctive features of deepening globalization has been an increase in Foreign Direct Investment (FDI) and an intense mergers and acquisitions activity by transnational companies. However, as could not be otherwise, the wave of distrust currently sweeping the financial markets and the economy as a whole has also been strongly felt in these transactions. There has been a marked drop in global mergers and acquisitions since the third quarter 2007. As reported by the United Nations in its recent *World Investment Report 2008*,¹ the value of mergers and acquisitions transactions worldwide in the first half of 2008 was 29% below the figure for the second half of 2007. This confirms the negative trend detected in the information available for the first

¹ This UN publication foresees a 10% decrease in total global FDI flows compared to 2007.

quarter 2008, in which period the aggregate value of these transactions dropped by more than 50% compared to the second quarter 2007.

The Spanish economy in its turn is not immune to the perverse effects of the latest international economic instability. Indeed, several institutions are predicting a recession in 2009. However, 2007, the year under report, saw certain continuity in the trends observed in 2006. Thus, a significant number of foreign transactions were undertaken by Spanish companies favoring the geographical diversification of their businesses, achieving a new record in Spanish FDI in the rest of the world.

These foreign transactions undertaken by Spanish companies, as well as the major economic events of 2007 relating to corporate internationalization, are included in the present issue of the "*Yearbook on the Internationalization of Spanish Companies*". As announced in the first issue, the goal of this publication is to provide on an annual basis a tool to improve awareness of the international activities of Spanish companies and to identify the most significant challenges they face looking forward. As a result, the Yearbook is structured into two main sections:

- The first analyzes the evolution and the current condition of the main variables and figures affecting the internationalization of Spanish companies, which can provide insight on the importance of the phenomenon.

Chapter one provides a brief overview of the general global macro-economic framework and the main features of international trade and foreign direct investment during the 2007-2008 period.

The second chapter analyzes from a global standpoint the degree of success achieved by Spanish companies in 2007 and their perception by major global financial players and decision makers. Three aspects are dealt with: shareholder returns in a European and global context, interest towards Spanish companies shown by investment banks, and their presence in the international financial press. In this regard, unstable market conditions from mid 2007 have adversely affected corporate returns, although the other two aspects continue to show a positive evolution.

This first section concludes with the analysis in the third chapter of the most important developments relating to the performance of the Spanish economy in the fields of foreign trade and investment. Furthermore, it describes in greater detail the corporate transactions undertaken by Spanish companies in the inter-

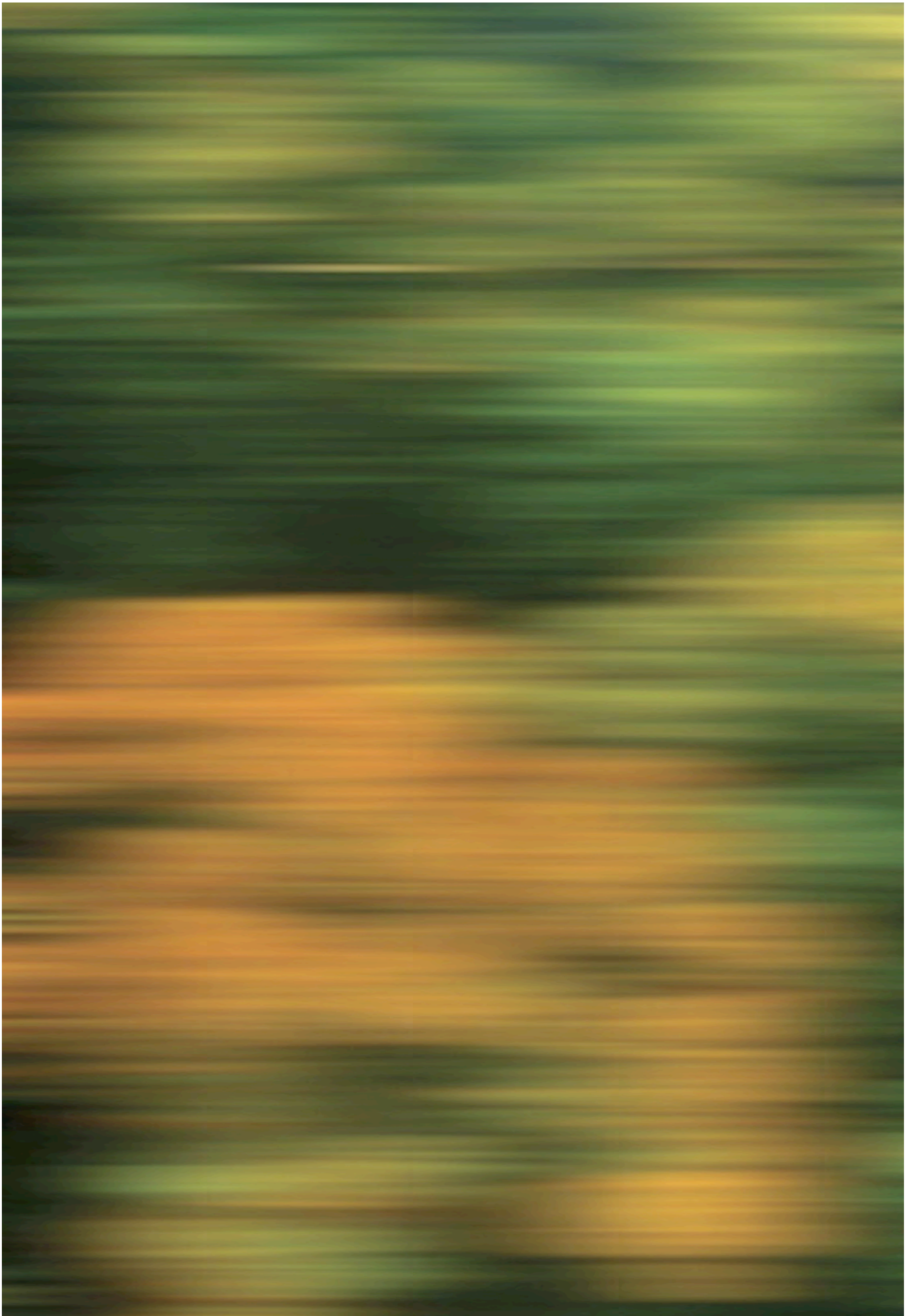
national arena considered to be particularly significant by the members of the *Círculo de Empresarios*.

- The second section of the Yearbook consists of chapter four, dedicated to analyzing the **management of persons in Spanish multinational companies**, a subject which directly relates to the internationalization of Spanish companies. The author of this chapter is Francisco González, Chairman of BBVA.

The starting point of his analysis is the idea that economic globalization has altered the corporate management model. In particular, in the area of human resources, the gradual fading of barriers to circulation of human capital has made its management more complex, mainly as a result of the increased heterogeneity of the staff. In this context, the quality of a company's human capital, especially of its management talent, is revealed as a significant competitive advantage, as people are the true value creators. Thus, suitable and efficient personnel management becomes of the essence for any company. Defining corporate cultures and human resources policies adapted to an increasingly diverse staff, and attracting and retaining people capable of operating and managing a transnational environment is a key challenge for a growing number of Spanish companies.



Pedro Morenés Eulate,
General Secretary of the *Círculo de Empresarios*



1

The world economy in 2007-08

Since the second half of 2007 the international economic environment has felt the beginnings of a protracted period of instability and uncertainty caused by the convergence of several phenomena: firstly, the problems triggered by the US sub-prime mortgage market crisis and its contagion to other world financial markets via the complex set of instruments and financial practices developed in recent years; secondly the unrelenting rise in oil and food prices has had a direct impact on inflation rates; and lastly, the build-up of serious macroeconomic and balance of payments imbalances in several regions of the world, along with the necessary corrections to these.

The concurrence of all these circumstances threatens to spark what certain economists have termed “the perfect storm”, in other words, the combination of financial crisis, recession and inflation, all on a global scale. Such a combination can make international movements of goods, services and capital experience a large-scale downturn. In the light of similar episodes historically, one would even have to fear the appearance of protectionist trends, and something of a meltdown in the world economy. One may expect that, given past experience, governments and international organisations can manage to tackle it. Moreover, the emerging countries have behaved well, and also, for the time being, trade in goods and services and flows of Foreign Direct Investment (FDI) have continued to grow, although there are certain noteworthy risks for the more immediate future.

1.1

The global macroeconomic context

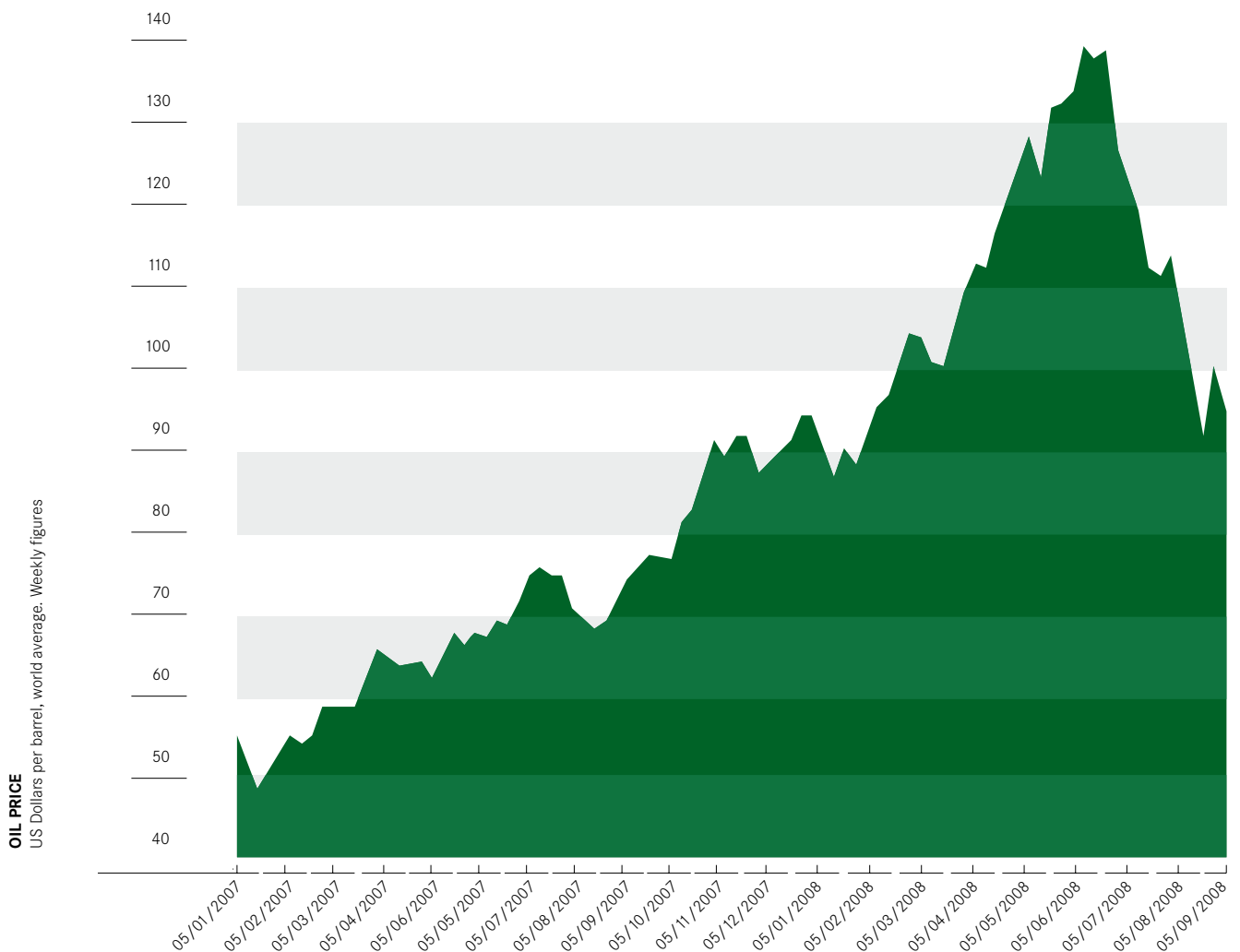
There is no doubt that 2007 will be remembered from an economic standpoint for the outbreak in the US of the crisis in the market for sub-prime mortgages (those with a high default risk), triggered by the end of the property boom begun five years earlier following the cut in interest rates by the Federal Reserve in response to the dot-com bust. The securitisation of high-risk mortgages in asset-backed securities, the purchase of such assets by banks all over the world, and the intricacies of the financial engineering which fuelled innovation on capital markets all led to the local crisis spilling over into global financial markets, essentially in the form of jitters, and consequently, in a shortage of credit and liquidity.

Other elements have contributed to a darkening of the market outlook. This is true of the behaviour of oil, commodity and food prices (see Box 1). Despite their recent decline, the price of a barrel of crude oil virtually tripled between the start of 2007 up to the middle of 2008 and food commodity prices rose 60% in this period (see Charts 1 and 2). These price increases were essentially due to demand pressure from emerging countries.

Chart 1

Oil price

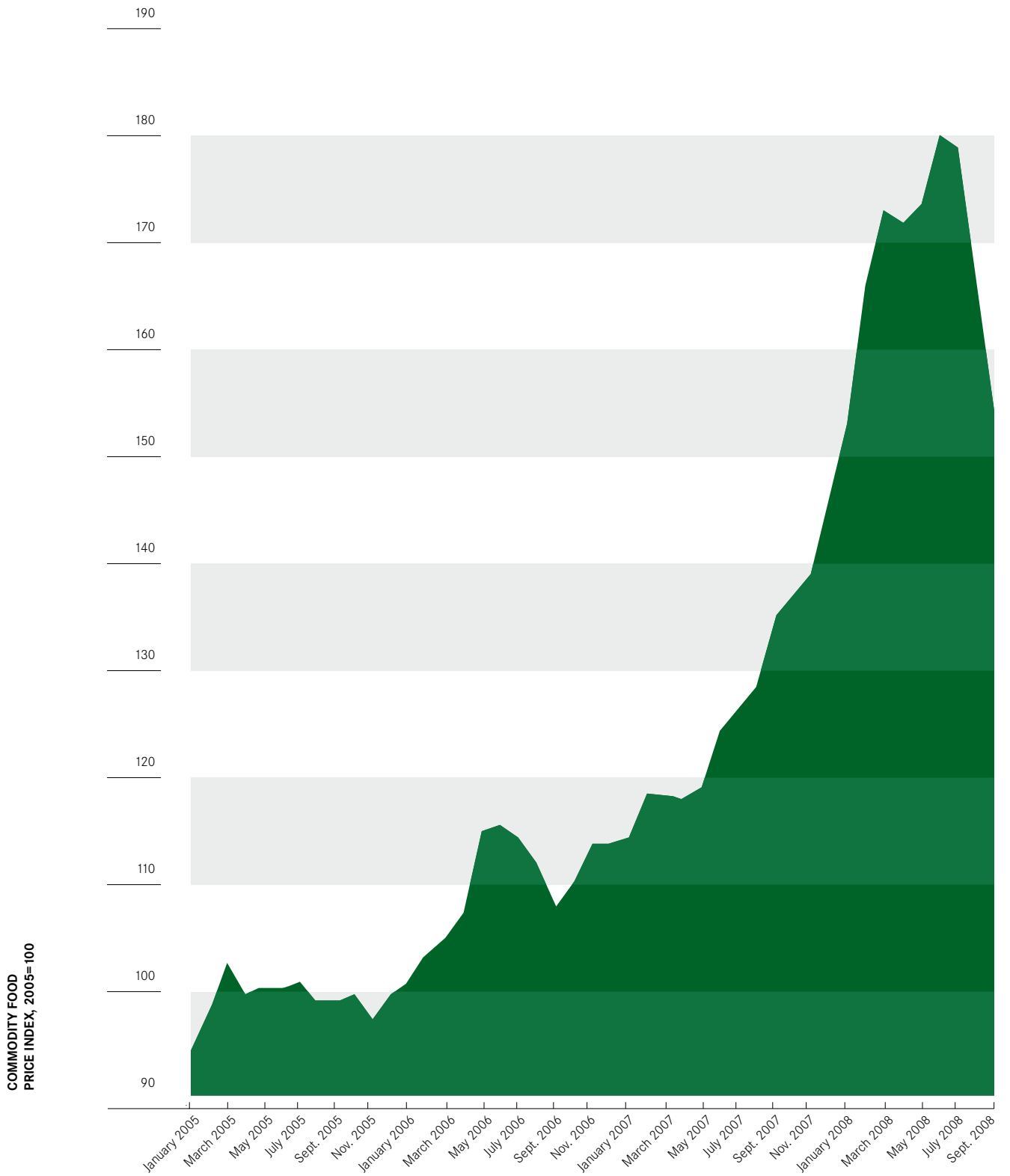
Source: EIA



Non-processed food prices

Chart 2

Source: IMF



In recent times, the volatility of oil and other commodities has climbed spectacularly. Over 2007 oil prices soared by around 54%, the largest rise since 1999. This increase, and concerns over climate change, have sparked a debate about the need to safeguard energy supplies and to diversify energy sources and suppliers.

Prominent among the causes for such price surges is increasing demand from emerging countries, especially the giants China and India. Other triggers are the worsening geo-political situation in the Middle East and production disruptions as a result of weather conditions or lack of refining capacity. The Fed's and the ECB's diverging monetary policies have also been a factor in the soaring dollar price of oil.

Nonetheless, this price rise is not affecting all players equally. If measured in Euro and SDRs (special drawing rights), the increase has not been as sharp, owing to a weaker US dollar. In Europe, the strength of the Euro, which has rallied notably against the US dollar since early 2007, has benefited oil imports denominated in US dollars on the world market, although this has adversely affected exports of European goods into countries with weakened currencies.

Added to the oil price rise is the surge in the prices of other commodities and raw materials. Such price increases can create, and have actually done so, problems in ensuring a supply of food and speculation.

Such rises favour a build-up of liquidity in producer countries, which in turn to some extent seems to be underpinning world stability through the investments they make. On the other hand, in doing so, they also give rise to inflationary pressures. Inflation worldwide has thus climbed since mid 2007, both in the most advanced economies and in emerging markets. Core inflation has also stuck to a rising trend.

Despite such tensions, the US Federal Reserve has cut interest rates substantially to head off a growing risk of a slowdown in economic activity, whereas in the Euro area and Japan monetary policy has remained expectant in the face of inflation risks. On the other hand, the Central Banks continue to tighten monetary policy in many emerging countries, where food and energy represent a larger proportion of the consumption basket and economic overheating arouses greater concern.

The global economy's growth is losing pace due to the financial crisis and the sharp upturn in inflation worldwide. Forecasts for 2008 predict a slowdown and even a recession in some economies. Despite this, global GDP measured in purchasing power parity terms grew by nearly 5% in 2007, 4.9% to be precise, which makes this rate ahead of the trend for the fourth year running (IMF, 2008).

After a stronger-than-expected third quarter, economic activity was hit by an abrupt slowdown in the fourth quarter of the year. The drop in growth was more pronounced in developed countries, especially in the US, where the correction in the property market continues to put financial conditions under strain. On the other hand, emerging and developing economies were less

affected by the financial turmoil and continued to grow at a sound pace, with China and India leading the way with growth rates of 11.4% and 9.2% respectively. Such a brisk growth clip was above all due to major progress in productivity (see Box 2) as these countries became more integrated within the world economy. In spite of their positive performance of late, it should be pointed out that such countries are starting to exhibit signs of economic slowdown.

Whatever the case, the fact is that the emerging and developing economies are proving more resistant to the financial crisis and its consequences; besides keeping up high real growth rates, they continue to record significant increases in international reserves and are still receiving substantial inflows of direct investment, as ex-

Productivity reflects efficiency in the use of inputs (human resources, capital, know-how, energy, etc.) to produce goods and services with market value. Its importance at present lies in the need for countries to harness productive resources efficiently and rationally to create greater value and thereby adapt to the new, more globalised and competitive international context.

A whole raft of factors exerts an influence on an economy's productivity: the quality of human capital, the capital employed/employee ratio, innovation, scientific and technological research and development, the characteristics of machinery and equipment, capacity utilisation, or the production and use of information and communications technologies (ICTs), among many others.

In quantitative terms, productivity is usually expressed as the relationship between resources employed and the market value of the output obtained. There are very different partial measurements, though the most commonly used is labour productivity, which relates output (normally approximated using GDP or value added) to labour (number of people employed or hours worked).

Unlike in the previous decade, since 1993 labour productivity for the European Union has seen annual growth rates lower than the United States', where growth has been sustained for the last two decades. This gap has further widened in recent years. US labour productivity has in fact gone on growing, whereas in Europe it has slowed to a standstill, above all due to the scant progress of productivity in Italy, Spain, Portugal and Holland. The main reasons for such stagnation are the inflexibility of product and input markets and delays in incorporating new information and communications technologies into the European productive system.

Spain has recently seen the highest growth of all developed countries, at an annual rate of 3.3% in the last decade. This growth was primarily based on the increase in the labour force from the incorporation of women and immigrants, as well as on the sharp rate of job creation. However, growth in output per hour worked has slowed down compared to the early 90s, meaning that Spain currently has one of the worst rates in Europe in terms of this indicator: Spanish output per hours worked is 24% lower than in the USA and 12% lower than in the Euro area. This is a discouraging figure because, as the ECB points out, since 1995 the average rate of labour productivity growth for the Euro area has held unchanged at around 1.3% a year.

For the 1985 to 2006 period, productivity's contribution to Spanish GDP growth was the lowest in all OECD countries, showing an average annual increase of 0.21 percent. This figure was below the comparable rates of 0.45% for Switzerland, 0.51% for Canada, 0.60% for Italy and 0.63% for New Zealand, the countries where productivity contributed the least. The gap was even wider compared to member countries where productivity contributed the most to economic progress: Ireland was notably out in front with an annual increase of 3.21%, followed by Finland (1.96%), Japan (1.61%), Belgium (1.34%), Portugal (1.25%) and France (1.24%).

Similarly noteworthy was the lower relative contribution of Spain's total input productivity or multi-input productivity. This productivity measurement encompasses increases in an economy's productive capacity that are not attributable to the direct contribution of capital and labour inputs, but to the manner in which these are organised and employed.

In regional terms, according to Eurostat data, all autonomous regions except Melilla (with an increase of 8.3%) have been losing ground with respect to productivity between 1999 and 2005. The most conspicuous falls were for La Rioja, Madrid, the Balearic Islands, Valencia and the Canary Islands. The gentlest drops occurred in Galicia, the Basque Country, Extremadura, Asturias, Navarre, and Castilla y León.

This inauspicious productivity performance is also evident in the levels displayed by the major branches of business activity, with the very positive exceptions of telecommunications and transport, financial intermediation and electricity, gas and water utilities. The only positive contribution to Spanish productivity in 2007 was from the manufacturing sector, whereas it remained at standstill in wholesale and retail trade and dropped in construction.

The causes underlying the meagre growth in Spanish labour productivity can be summarised as follows: the Spanish economy's inefficient structure, the small size of businesses, low levels of investment in ICTs and in know-how, insufficient quality of human capital, imbalances between labour supply and demand, globalisation and corporate migration, and barriers to market entry and exit.

Breakdown of GDP growth according to inputs of labour,
capital (ICT and non ICT) and TFP (% 1995-2003)

Source: OECD

	France	Germany	Italy	Spain	UK	Japan	USA
<i>Labour inputs</i>	0.21	-0.24	0.74	2.16	0.49	-0.70	0.65
<i>ICT Capital</i>	0.36	0.38	0.46	0.52	0.65	0.57	0.80
<i>Non ICT Capital</i>	0.43	0.43	0.61	0.78	0.36	0.57	0.29
<i>TFP</i>	1.35	0.64	0.07	0.14	1.23	0.56	1.50
<i>GDP growth</i>	2.35	1.22	1.88	3.60	2.73	1.00	3.24

An important factor is human capital contributed by new workers arriving in Spain, which is relatively low, and whose impact has been magnified due to the low levels of qualifications needed for the jobs such workers take up. Thus the immigrants who have joined the Spanish labour market have given impetus to economic growth, but the fact that they are employed in sectors where required qualifications are low has not boosted productivity growth.

Potential solutions differ, and must be implemented to complement each other, and be sustained over time. They are required to change the pattern of specialisation and the competitive model of the Spanish economy, and include, most notably, the following: greater investment in R&D&I, in ICTs and in basic, higher and further training, the removal of barriers to market entry and exit, the fostering of competition and an entrepreneurial spirit, flexibilization of the labour market, and adapting to a changing environment as required, while respecting European requirements at all times.

plained below. In addition, these countries are still showing dynamic trade levels, with major increases in exports and imports. The worst indicator is inflation, which has picked up in virtually all of the emerging economies.

Two factors would appear to explain most of this resilience. Firstly, solid economic growth, based on gains in productivity associated with these countries' integration into global economic, financial and trade trends. Secondly, the adoption of macroeconomic political frameworks that encourage stability. These economies are thus playing a higher-profile role with each passing day in a world which is increasingly multipolar and less reliant on the US to act as the economic driving force. This has substantial implications when it comes to analysing what we might expect from the world economy in the coming years and what policies the economic authorities ought to apply. In the opinion of the IMF (2008) there are three elements of particular interest: (1) the powerful pull of demand from these countries has come to absorb trade shocks by allowing US exports to grow at a time when US domestic demand has been on the wane; (2) the increase in savings in these countries as a

group has helped raise the availability of funds that can be lent worldwide, thereby curbing any upward pressure on real interest rates; (3) the processes of adjusting external imbalances and coordinating policies have become more complex and multifaceted.

In this situation, where some analysts have even posited a de-coupling in the cycles of the developed countries vs. emerging nations, the prognoses do not augur well. In 2008 world growth is set to slacken by over one percentage point to 3.91%. Forecasts suggest that the difficulties will persist until 2009. In 2010 growth rates might begin to recover, with developing countries and emerging markets once again spearheading global growth (see Table 1).

The slowdown in growth will be accompanied by inflationary pressures, which will be more acute in countries showing greatest growth rates, namely in developing and emerging economies. Such pressures will not abate until 2009 (see Table 2).

Real GDP growth (annual %)

Table 1

Source: IMF (WEO, October 2008)

	2007	2008	2009	2010	2011	2012	2013
<i>World</i>	4.99	3.91	3.03	4.21	4.78	4.80	4.71
<i>Developed economies</i>	2.63	1.51	0.47	2.01	2.89	2.77	2.52
<i>Emerging and developing economies</i>	8.03	6.87	6.05	6.72	6.86	6.92	6.92
<i>G7</i>	2.17	1.23	0.14	1.74	2.74	2.54	2.21
<i>European Union</i>	3.11	1.65	0.55	1.88	2.55	2.70	2.76

Inflation, consumer prices (annual %)

Table 2

Source: IMF (WEO, October 2008)

	2007	2008	2009	2010	2011	2012	2013
<i>World</i>	3.97	6.18	4.62	3.84	3.60	3.46	3.39
<i>Developed economies</i>	2.15	3.65	2.02	1.82	1.99	2.00	2.02
<i>Emerging and developing economies</i>	6.37	9.40	7.79	6.18	5.38	5.01	4.79
<i>G7</i>	2.15	3.48	1.73	1.67	1.91	1.92	1.93
<i>European Union</i>	2.38	3.88	2.41	2.09	2.02	2.03	2.06

1.2

International trade

In 2007, the pace of world trade growth eased due to weaker demand in developed countries. According to the latest estimates from the World Trade Organisation (WTO, 2008) real export volume was up by 5.5% in 2007, compared with the 8.5% 2006 figure. 2008 may bring even lower growth, at around 4.5%, as the sharp brake on the economy in the major developed countries is only partly offset by continued robust growth in the emerging economies¹ (see Table 3).

As has become the norm in recent years, the growth of trade in goods has outstripped real GDP growth. Even so, this growth has been highly uneven among regions

and countries, an understandable consequence of the major differences in economic activity and in the terms of trade (the relative prices of exports and imports). Thus, countries which are net exporters of minerals and oil (plus food exporters) have benefited from sizeable gains in their terms of trade, which has meant greater growth and enhanced their international purchasing power. This has led such economies to step up their real imports substantially, while their real export levels were growing at less than the world average. There has also been an effect from the rising presence of Sovereign Funds from the various producer and exporter countries of goods that have risen in price (see Box 3).

Table 3

GDP and goods trade by region 2005-07

Source: WTO

Annual change at constant prices

	GDP			Exports			Imports		
	2005	2006	2007	2005	2006	2007	2005	2006	2007
<i>WORLD</i>	3.3	3.7	3.4	6.5	8.5	5.5	6.5	8.0	5.5
<i>NORTH AMERICA</i>	3.1	3.0	2.3	6.0	8.5	5.5	6.5	6.0	2.5
<i>United States</i>	3.1	2.9	2.2	7.0	10.5	7.0	5.5	5.5	1.0
<i>South America,</i>									
<i>Central America and the Caribbean</i>	5.6	6.0	6.3	8.0	4.0	5.0	14.0	15.0	20.0
<i>EUROPE</i>	1.9	2.9	2.8	4.0	7.5	3.5	4.5	7.5	3.5
<i>European Union-27</i>	1.8	3.0	2.7	4.5	7.5	3.0	4.0	7.0	3.0
<i>Commonwealth</i>									
<i>of Independent States</i>	6.7	7.5	8.4	3.5	6.0	6.0	18.0	21.5	18.0
<i>AFRICA AND THE NEAR EAST</i>	5.6	5.5	5.5	4.5	1.5	0.5	14.5	6.5	12.5
<i>ASIA</i>	4.2	4.7	4.7	11.0	13.0	11.5	8.0	8.5	8.5
<i>China</i>	10.4	11.1	11.4	25.0	22.0	19.5	11.5	16.5	13.5
<i>Japan</i>	1.9	2.4	2.1	5.0	10.0	9.0	2.5	2.5	1.0
<i>India</i>	9.0	9.7	9.1	21.5	11.0	10.5	28.5	9.5	13.0
<i>Hong Kong, Korea,</i>									
<i>Singapore and Taiwan</i>	4.9	5.5	5.6	8.0	12.5	8.5	5.0	8.5	7.0

¹ On the assumption of real global GDP growth between 2.5% and 3%, global trade would fall to the aforementioned growth rate of 4.5% in 2008, one point below the 2007 rate. This estimate is consistent with the WTO growth forecasts for imports and exports of goods and services for the OECD whereby the annual rate of change is expected to be 3%, a point and a half below the 2007 rate.

Sovereign Wealth Funds are investment vehicles controlled by governments and funded from balance of payments surpluses (especially of emerging economies) whose assets are managed differently from official reserves in the hands of the monetary authorities. Their managers are more risk-tolerant but, as is to be expected, they also expect a better return. Such funds have existed for decades, but have taken on more relevance lately and feature among the shareholders of major Western companies.

There is a whole raft of reasons behind such a flurry of investment: the growth and dynamism of emerging economies, the low yield on US Treasury Bonds, better qualified managers in Asia (they have made the financial industry an attractive target), the impossibility of investing in sectors other than the financial industry (energy or arms), increased liquidity from the rise in the price of oil and exports from Asian countries, or the growth of cross-border companies.

Not all funds are the same. One can distinguish between two types. On the one hand are commodities-based funds (two thirds of the total), which draw their funds from the country's natural wealth. They can have two objectives: to create long term wealth or stabilise revenue streams by trying to avoid indiscriminate and undue spending of the extraordinary earnings obtained. The recent rise in oil prices has worked in favour of setting up and increasing the size of such funds. On the other hand are funds based on the existence of a balance of payments surplus not generated by commodities. In such case, the funds come from international reserves built up from export revenues or foreign direct investment.

Sovereign funds finance part of the huge external deficit run up by the United States and, to a lesser extent, other Western economies. They also represent a new means for developing countries to invest their unexpected gains for future use. Their goals may actually be of varying kinds, from safeguarding a country's pensions (such as for Norway and Kuwait) to funding infrastructure projects or proofing volatile budgets against fluctuations. In this respect, please note that the IMF classifies sovereign funds according to their aims. It distinguishes, among others, between stability funds, savings funds, development funds and pension funds.

Even though the slowdown in the US, the financial industry crisis and the weaker dollar have reduced global imbalances and thus the macro-economic need for funding, financial systems in Europe and the US today face a shortage of liquidity. Certain countries in Asia and the Middle East steer part of their wealth towards economies going through hard times. They do this via sovereign wealth funds with the aim of finding investments that are profitable in the long term ("bargains") and boosting the system's liquidity as they do so. For example such funds have bailed out investment banks (UBS, Merrill Lynch, Citigroup or Morgan Stanley), property companies, private equity firms, infrastructure managers and even soccer clubs who could not find other sources of financing.

Sovereign funds arouse suspicion in host countries due to the belief that the motives behind investments might be more politically founded than economic, which prompts the resurgence of protectionist and nationalistic pressures. In the last three years, however, they have only accounted for 10-20% of total public sector financing of Western economies by emerging economies.

Table 4

Exports of commercial services by region and country 2007

Source: WTO

Billion US dollars and percentages

	Exports					Imports				
	Value		Annual change			Value		Annual change		
	2007	2000-07	2005	2006	2007	2007	2000-07	2005	2006	2007
<i>WORLD</i>	3,260	12	12	12	18	3,060	11	11	11	16
<i>NORTH AMERICA</i>	533	7	11	9	13	440	7	9	9	9
<i>United States</i>	454	7	11	10	14	336	7	9	9	9
<i>Canada</i>	61	7	11	7	6	80	9	11	11	11
<i>Mexico</i>	17	4	15	2	6	24	5	9	7	9
<i>SOUTH AMERICA</i>	91	10	20	13	16	97	8	22	15	18
<i>Brazil</i>	23	14	28	21	25	34	12	39	21	24
<i>EUROPE</i>	1,662	13	10	10	19	1,434	12	9	9	17
<i>EU-27</i>	1,512	13	9	10	19	1,337	12	9	9	17
<i>United Kingdom</i>	263	12	6	10	17	193	10	10	7	13
<i>Germany</i>	197	14	10	12	18	245	9	6	6	15
<i>France</i>	130	7	5	0	11	120	11	8	2	12
<i>Italy</i>	109	10	6	10	12	117	11	8	11	19
<i>Spain</i>	127	14	10	12	21	97	17	13	17	24
<i>Commonwealth of Independent States</i>	64	20	20	23	25	90	21	18	17	29
<i>Russia</i>	38	22	21	24	25	57	20	18	15	30
<i>AFRICA</i>	84	15	13	19	21	97	15	21	14	19
<i>Egypt</i>	18	10	3	10	16	12	7	27	8	15
<i>South Africa</i>	13	15	15	7	8	16	16	18	18	14
<i>NEAR EAST</i>	79	13	17	16	15	125	14	20	19	17
<i>Israel</i>	21	5	9	10	10	18	6	7	9	24
<i>ASIA</i>	745	13	15	17	19	778	11	12	14	17
<i>Japan</i>	136	9	14	14	11	157	5	2	9	9
<i>China</i>	127	...	19	24	...	129	...	16	21	...
<i>India</i>	86	...	...	35	15	78	...	...	33	24
<i>Hong Kong, Korea, Singapore and Taiwan</i>	243	11	11	13	15	230	11	11	13	15

The pattern of international trade in Europe in 2007 is striking. The slight slowdown of real growth was accompanied by a drastic slowdown in export growth. This has accentuated the trend whereby the real expansion of trade in Europe has fallen well behind world growth. However, within the old continent itself significant differences have also been occurring. A first group, comprising Turkey and the countries that have recently joined the enlarged EU-27, has seen double-digit growth in real exports. A second group, made up of Germany, Holland, Austria, Belgium and Switzerland has lifted its sales abroad by about 5%. Lastly a third group containing Spain, France and Ireland, among others, has scarcely changed its export volumes.

As far as trade in services is concerned, in 2007 there was an 18% rise in exports of commercial services in

current US dollar terms. This means a pick-up in the pace of growth, which is observable in all regions and in the three categories of commercial services, namely transport, travel and others (WTO, 2008) (Table 4).

A substantial part of this greater increase is due to exchange rate movements. Specifically the fall in the value of the US dollar against the European currencies, headed by the Euro, clearly goes a long way to explaining the phenomenon, as Europe has a high share of global exports of services (larger than for goods). In 2007 European exports of services grew at double the rate as the preceding year.

Foreign Direct Investment

1.3

Despite the negative consequences of the scarcity of credit to fund investment transactions such as mergers and acquisitions, world flows of FDI continued to increase last year. According to provisional estimates from UNCTAD, net inflows of FDI worldwide rose by almost 18% in 2007, meaning that they reached a total value of over 1.5 trillion US dollars, a historic record. The rise occurred across the board in all the main groups of countries (Table 5).

In 2007, inflows of FDI into developed countries were up 17%, totalling 1.0 trillion US dollars, yet, though this figure tripled 2003 figures, it did not manage to beat the record achieved in 2000. Once again the US was the chief recipient of such investment, even though Europe managed to draw in over 40% of the total. Japan, the third member of the Triad, saw a shift from negative amounts to a positive balance of 29 billion US dollars.

Among the developing countries we underscore the excellent showing of several African countries, which kept up the record levels of FDI seen in 2006 thanks to the rise in the prices of fuel and minerals in which they are rich. The Asia and Oceania region stuck to its upward trend, receiving 277 billion dollars in FDI inflows, although its share of total FDI inflows among the developing countries dropped 6 percentage points. Latin

America also bounced back to historically high levels following some poor years, above all thanks to the impetus provided by Brazil, Chile and Mexico, where FDI inflows doubled. Their robust economic growth and high corporate earnings, stemming from the boom in the prices of raw materials and other commodities have been decisive factors in such positive progress.

Finally, FDI inflows increased again in transitional economies for the seventh year running, doubling in the case of Russia, the largest economy in this group.

As regards forecasts for the year in progress, UNCTAD (2008) predicts that, even despite the gloomy projections for economic growth, buoyant world demand for natural resources will probably fuel FDI over 2008 in the extractive industries, a sector where major cross-border companies from the emerging economies are coming forward (see Box 4). Nonetheless, lopsided balances of payments, the resulting exchange rate fluctuations and volatile inflation, more than anything due to patterns in the behaviour of certain goods, are jeopardising the continued expansion of foreign direct investment flows. In fact, cross-border merger and acquisition activity has been dampening since the second half of 2007.

We are moving into an era where multinationals from emerging countries are present in the most important industries, thereby forcing established companies to improve their competitive strategies. In its annual report on global direct investment, the World Investment Report, the United Nations has for the last five years published a list of the 100 largest cross-border companies from developing countries. This is not the only list of such companies. A recent report by Boston Consulting Group lists the 100 emerging multinationals that it considers to be the most interesting. These come from 14 countries (17.3% of world GDP in 2006): Argentina, Brazil, Chile, China, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Poland, Russia, Thailand and Turkey. They also have a growing share of the world market. The great majority are based in Asia (66), followed by Latin America (22). In 2006 China actually overtook the United States as the world's second-largest exporter, behind Germany alone. If its exports keep growing at the same rate (27% in 2006) it could become the leading exporter in 2008. These economies have moreover made inroads into strengthening ties with each other. For example trade between China and India was up by 38% in 2006. The type of goods sold has also shifted towards an increasing share of high-added value products (telecommunications, IT services etc.).

Such multinationals operate within a broad range of sectors: industry, resource extraction, consumer durable goods, food, beverages and cosmetics... and several of them are in various sectors at the same time. Although they are active in highly differing countries and industries, they all share the desire to become global operations and they are rapidly heading in this direction. Chief among the reasons for this is that they seek growth and access to more substantial profits. They have realised that being big fish in their own countries is not enough if they are to remain viable in the long term. They have to go abroad to continue growing and attain the critical mass necessary to compete with other global players. There are also additional reasons for doing so, such as, for example, developing new skills, acquiring intangible assets, adopting new business models or ensuring long-term access to natural resources.

As concerns how mature is their bid to globalise, Boston Consulting Group draws a distinction among three groups of cross-border companies from emerging countries. First, there is a small group of 10 companies that are globalisation pioneers, and have managed to become world leaders in their industries ("the early movers"). A second group comprises 46 companies that are making notable headway in terms of globalising ("the fast followers"). Finally, there is a group consisting of 44 companies that are at the first stage of globalising or have aspirations that have thus far been more regional than global ("the up-and-comers").

Their expansion process is basically achieved via exports and international operations (above all through joint-ventures). Acquisitions only account for 20%. Its success depends on competitive advantages. Among these are: access to cheap resources, modern and efficient plants and production equipment and access to talent. On the other hand, the barriers that multinationals can face are the lack of a close relationship with foreign clients and customers, a slow innovation rate, a shortage of effective brands, lack of intellectual property and a dearth of distribution channels. These companies are in fact aware of the advantages they have and how best to exploit them, make efforts to overcome their shortcomings, and even receive financial assistance from their governments, thereby coming to represent a genuine challenge to companies from developed countries².

² Source: The 2008 BCG 100. New Global Challengers. How top companies from rapidly developing economies are changing the world. Boston Consulting Group.

Inflows of FDI by region and host economy, 2006-07

Table 5

Source: UNCTAD

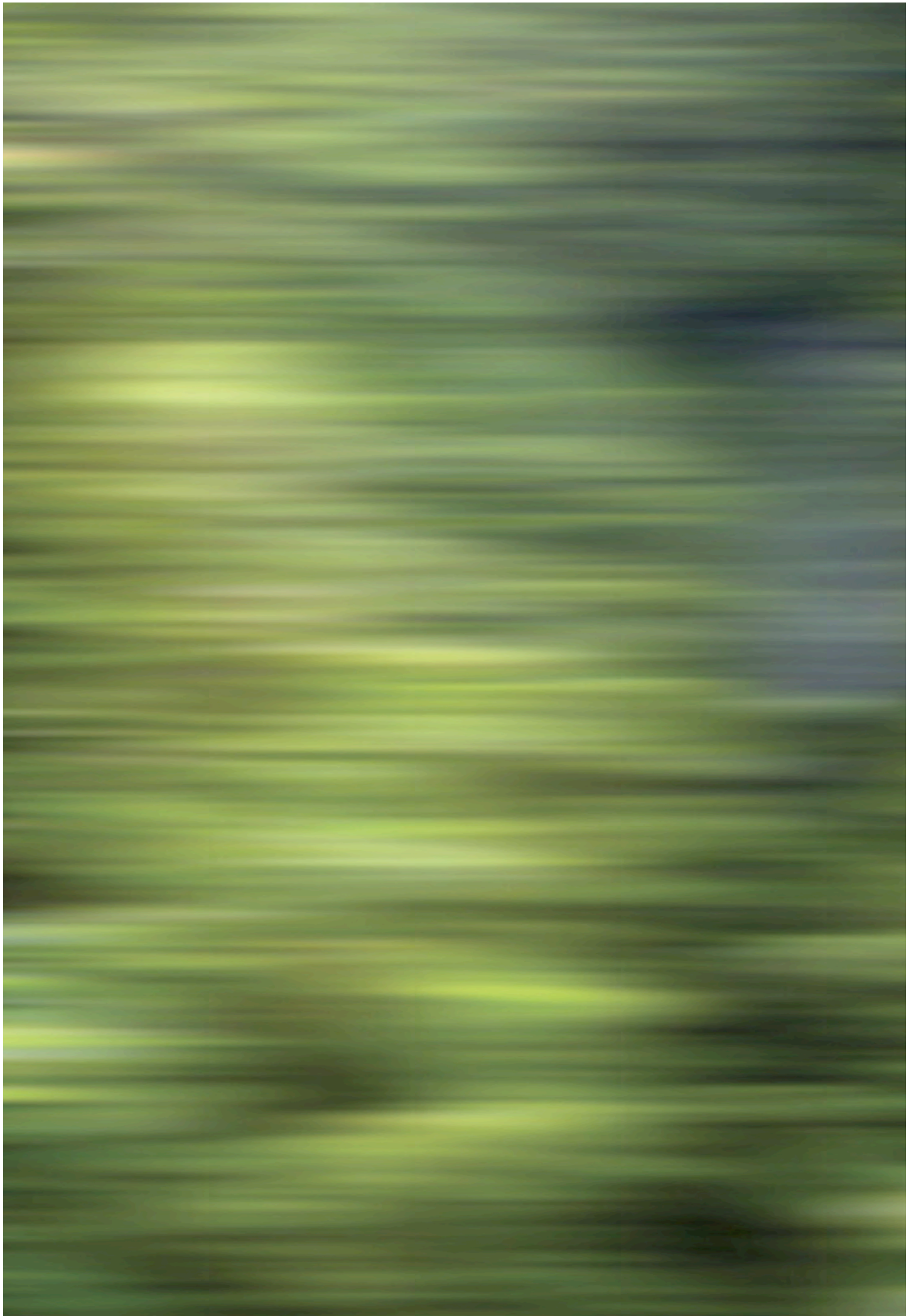
Billion US dollars	2006	2007	Change (%)
<i>WORLD</i>	1,305.9	1,537.9	17.8
<i>DEVELOPED COUNTRIES</i>	857.5	1,001.9	16.8
<i>Europe</i>	566.4	651.0	14.9
<i>European Union</i>	531.0	610.0	14.9
<i>EU-15</i>	492.1	572.0	16.2
<i>France</i>	81.1	123.3	52.1
<i>Germany</i>	42.9	44.8	4.4
<i>Italy</i>	39.2	28.1	-28.1
<i>Netherlands</i>	4.4	104.2	2,285.1
<i>United Kingdom</i>	139.5	171.1	22.6
<i>New EU members (10)</i>	38.9	38.0	-2.3
<i>Czech Republic</i>	6.0	7.6	27.3
<i>Hungary</i>	6.1	-0.3	...
<i>Poland</i>	13.9	18.1	30.3
<i>United States</i>	175.4	192.9	10.0
<i>Japan</i>	6.5	28.8	...
<i>DEVELOPING ECONOMIES</i>	379.1	438.4	15.7
<i>Africa</i>	35.5	35.6	0.1
<i>Egypt</i>	10.0	10.2	1.6
<i>Morocco</i>	2.9	5.2	78.6
<i>South Africa</i>	-0.3	5.0	...
<i>Sudan</i>	3.5	2.2	-37.9
<i>Tunisia</i>	3.3	1.0	-69.1
<i>Latin America and the Caribbean</i>	83.8	125.8	50.2
<i>Argentina</i>	4.8	2.9	-39.6
<i>Brazil</i>	18.8	37.4	99.3
<i>Chile</i>	8.0	15.3	92.2
<i>Colombia</i>	6.3	8.2	30.5
<i>Mexico</i>	19.0	36.7	92.9
<i>Venezuela</i>	-0.5	0.4	...

Table 5

(continuation)

Source: UNCTAD

Billion US dollars	2006	2007	Change (%)
<i>Asia and Oceania</i>	259.8	277.0	6.6
<i>West Asia</i>	59.9	52.8	-11.9
<i>Lebanon</i>	2.8	2.1	-25.5
<i>Turkey</i>	20.1	19.4	-3.7
<i>South, East and Southeast Asia</i>	199.5	224.0	12.3
<i>China</i>	69.5	67.3	-3.1
<i>Hong Kong</i>	42.9	54.4	26.9
<i>India</i>	16.9	15.3	-9.4
<i>Indonesia</i>	5.6	5.9	6.3
<i>Malaysia</i>	6.1	9.4	54.4
<i>Philippines</i>	2.3	2.5	4.6
<i>Singapore</i>	24.2	36.9	52.6
<i>Thailand</i>	9.8	10.0	2.3
<i>TRANSITION ECONOMIES</i>	69.3	97.6	40.8
<i>Kazakhstan</i>	6.1	8.3	34.4
<i>Romania</i>	11.4	9.0	-21.3
<i>Russia</i>	28.7	48.9	70.3



2

Spanish companies
from an international
perspective

The globalization of the economy continues to offer Spanish companies opportunities to raise funds, to achieve growth and to increase returns. Not only the larger companies, but also many other medium-sized companies operate in a competitive environment that extends beyond the dynamics of the Spanish context. This chapter outlines and examines the degree of success enjoyed by Spanish companies in 2007 from an international standpoint, and their perception in the eyes of the world's foremost economic and financial players and decision-makers. Such perceptions have a direct effect on the ability of Spanish companies to raise funds, to grow and to compete in the market. Several considerations must be borne in mind. Firstly, **international investors** will normally be more inclined to finance the growth of Spanish companies to the extent that their financial return, stock market analyst recommendations and coverage in the international financial press compare favorably to other companies in Europe or the rest of the world. Secondly, a positive perception or image of Spanish companies in Europe and over the world multiplies their **business opportunities**. Finally, **current or potential** buyers of goods and services offered by Spanish companies can also become positively influenced by a thriving perception or image.

As on macroeconomic and financial issues, 2007 has meant a change of trend for certain aspects relating to the progress of Spanish companies compared to their European and worldwide counterparts. This is the case of **shareholder returns**, which showed a significant drop, even though this varied depending on the industry. Nonetheless, in 2007 other indicators of Spanish companies' international drive kept to the same upward course as in recent years, which is undoubtedly a cause for satisfaction and optimism looking ahead to the future. For example **international investment banks** still rate Spanish companies highly. On the other hand the **international financial press** stepped up its coverage yet another year. We will begin by analyzing shareholder returns within the context of Europe and the world, and then go on to examine investment banks' recommendations, and the coverage of Spanish companies in the international financial press.

2.1

Shareholder returns in a European and global context

Any analysis of shareholder return should take into account not only outright rates of return, but also their relative size compared to other, similar companies with which they compete in raising equity capital. For this reason, the shareholder returns of Spanish companies should be studied within European and global contexts, to afford a way of determining whether Spanish companies have gained or lost ground. Given that, generally speaking, 2007 was marked by a shift in trends in financial and stock markets around the world, this comparative analysis takes on even greater significance; it is very illuminating, because it allows one to ascertain whether Spanish companies have been affected to a greater or lesser extent than those from other countries.

Figures for 2007 corroborate that there was actually a notable decrease in shareholder return of Spanish com-

panies, although certain manufacturing and services sectors continued to report excellent results, both in absolute terms and relative to other companies in the Euro area and the rest of the world. While the general trend may not be the most desirable, its distribution and the comparison with companies from other countries have provided more than enough reasons to be optimistic, above all because several of the companies that excelled in 2007 in shareholder return operate in sectors that are technology or know-how-intensive. Before discussing the figures in detail, it is worth pointing out that the comparative analysis of shareholder returns for Spanish companies has been carried out using a very complete indicator known as total shareholder return rate, which takes into account not only company share prices but also other cash flows that might arise over the year between a company and its shareholders (see Box 5).

Box 5

Total shareholder return

The total shareholder return (TSR) rate is an indicator often used to evaluate the return obtained by a company's owners over a year in exchange for the capital they provide. In measuring shareholder remuneration, we have calculated an annual rate expressed as a percentage using the following formula:

$$TRTA = \frac{\Delta V + D + R + \Delta AutoC - AC - CBC}{V_{t-1}} \times 100 \quad \text{where:}$$

ΔV is the increase in the total market value of company stock between the beginning and end of each year,

D are dividend payments,

R are payments as a result of reductions in the nominal value of shares,

$\Delta AutoC$ is the increase in treasury stock (share buybacks),

AC are earnings from stock issues,

CBC are earnings from the exercise of convertible bonds, and

V_{t-1} is the total market value of company stock at the end of the previous year.

A standardized rate can be calculated to compare TSR from different business sectors by subtracting the sector average and dividing it by the sector's standard deviation.

The data source is Datastream International. International fund managers and stock market analysts refer to this information and examine it in detail. Although certain companies are not sorted within the most appropriate sector (for example, Logista features in "tobacco"), this classification has consequences in decision-making processes. Thus the data shown in table 10 have been calculated using the information directly available from Datastream International without any corrections by us, since this would entail distorting the information used by fund managers and stock market analysts.

Table 6 shows the top 25 listed Spanish companies by shareholder return in 2007. In drafting it we have considered the returns reported by the 120 listed Spanish companies included in Datastream International. The largest group is in manufactured goods, with twelve companies that operate in activities ranging from processing of agricultural and livestock products through to electrical machinery and metallurgy. Eight companies managed shareholder return rates of over 50 percent, and one, Construcción y Auxiliar de Ferrocarriles, had over 100 percent. The companies with the largest shareholder return rates were CAF, Acciona, Gamesa, GAM, Grifols, Bolsas y Mercados Españoles, Técnicas Reunidas and Pescanova. These companies operate in sectors as diverse as railway equipment, construction and infrastructure management, machinery leasing, biotechnology, financial services, turn-key plant facilities and fishing and processing of fish products. These are technology or know-how intensive sectors, which provides an added reason to be optimistic about the future. Moreover, several of these companies are recent newcomers to stock-market listings. Though high, the return rates of these companies are substantially lower than those obtained by some companies in 2006, which at times nudged 400 percent.

Perhaps the most notable and predictable change between 2006 and 2007 was the drop in returns of construction and real estate companies. While in 2006 ten of the 25 top-ranked companies by return rates were classified by Datastream as operating in the construction sector, in 2007 only three construction companies feature among companies with the highest return rates. One of these, Acciona, is a highly diversified company, with sales and earnings in sectors such as infrastructure management or alternative energy sources that are

not dependent on the same cyclical fluctuations as construction. On the other hand, Técnicas Reunidas, though classified by Datastream under the heading of construction, is in fact a supplier of turn-key plant facilities.

Twelve of the 25 companies with the best shareholder financial return rates in 2007 are in the IBEX-35, while in 2006 only seven of them were. 2007 was thus marked by the rise of companies with a higher market capitalization. Within the IBEX-35, the companies which obtained the highest total shareholder return rates in 2007 were in service sectors such as infrastructure management, telecommunications and electricity. It is important to stress again the strength of manufacturing companies such as Gamesa in the field of wind energy equipment and Grifols in biotechnology and pharmaceuticals (see Table 7). In 2007 the IBEX-35 had an average shareholder return of 10.7 percent, far below the rate achieved in 2006 (36%) and lower than that of the DAX 30 in Germany and the global market as a whole. The companies displaying the worst shareholder returns in 2007 were real estate companies, followed by construction companies and banks. The latter were hit hard by the credit crisis that set in over summer 2007 (see Table A1).

The changes in sector trends over 2007 have not distorted the trends witnessed since the mid 1990s. Of the larger listed companies over the thirteen-year period between 1995 and 2007, the best shareholder return rates were obtained, in descending order by the following companies, ACS, Acciona, Indra, Unión Fenosa and Altadis (see Table 8 and, in the annex, Table A2). The IBEX-35 also offered a larger return in this period than the leading indexes of the world's major stock markets or the global securities market as a whole.

Table 6

Top 25 Spanish companies by total shareholder return in 2007^a

Source: Datastream International via Wharton Research Data Services

Company	Sector	Rate of Return (%)	Market capitalisation (million Euro)
<i>Construcción y Auxiliar de Ferrocarril</i>	<i>Transport equipment</i>	105.5	941.3
<i>Acciona</i> *	<i>Construction</i>	55.8	13,686.2
<i>Gamesa</i> *	<i>Machinery</i>	54.3	7,727.3
<i>General de Alquiler de Maquinaria</i>	<i>Machinery</i>	53.9	681.9
<i>Grifols</i>	<i>Biotechnology</i>	53.0	3,260.8
<i>Bolsas y Mercados Españoles</i> *	<i>Investment services</i>	52.8	3,869.7
<i>Técnicas Reunidas</i>	<i>Construction</i>	52.3	2,430.3
<i>Pescanova</i>	<i>Agricultural and livestock</i>	51.2	522.4
<i>Elecnor</i>	<i>Electricity</i>	49.3	1,769.8
<i>Telefónica</i> *	<i>Telecoms</i>	41.7	105,338.9
<i>Tubacex</i>	<i>Steel</i>	36.8	882.2
<i>Gas Natural</i> *	<i>Gas</i>	36.3	17,797
<i>Red Eléctrica de España</i>	<i>Electricity</i>	36.1	5,808.9
<i>Iberdrola</i> *	<i>Electricity</i>	28.5	51,578.4
<i>Altadis</i> *	<i>Tobacco</i>	27.8	12,462.5
<i>Unión Fenosa</i> *	<i>Electricity</i>	25.9	13,976.5
<i>Uralita</i>	<i>Construction materials</i>	23.7	1,176.9
<i>Vidrala</i>	<i>Containers and packaging</i>	21.7	570.9
<i>Cepsa</i> *	<i>Oil and gas</i>	21.3	18,867.4
<i>Compañía Vinícola del Norte de España</i>	<i>Wines</i>	19.4	250.8
<i>Duro Felguera</i>	<i>Machinery</i>	19.1	880.4
<i>Acumulador Tudor</i>	<i>Batteries</i>	18.1	286.1
<i>Enagas</i> *	<i>Gas</i>	16.0	4,739.5
<i>Cleop</i> ^b	<i>Construction</i>	14.1	194.4
<i>Sos Cuétara</i>	<i>Foods</i>	12.1	1,911.0

NOTE: * Belongs to the IBEX-35 at 31 December 2007.

^a Calculations include a total of 120 companies listed over the whole of 2007.^b Compañía Levantina de Edificación y Obras Públicas.

Top 10 IBEX-35 companies by total shareholder return
(companies and rates ranked according to 2007 figures)

Table 7

Source: Datastream International via Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002
<i>Acciona</i>	-26.2	52.1	152.1	182.1	-19.2	-29.7	6.4	-3.0
<i>Gamesa</i>	...	...	...	...	...	...	-39.8	1.4
<i>Grífols</i>	...	...	...	...	...	...	...	...
<i>Bolsas y Merc. Españoles</i>	...	...	...	...	...	...	...	...
<i>Telefónica</i>	11.4	84.4	46.8	54.0	104.3	-29.0	-11.1	-41.0
<i>Gas Natural</i>	68.4	60.9	5.3	96.8	-25.7	-14.3	-2.5	-2.0
<i>Red Eléctrica</i>		...	...	...	...	70.0	7.5	-4.5
<i>Iberdrola</i>	44.2	72.6	12.2	35.7	-11.8	0.0	13.0	-5.6
<i>Altadis</i>	34.2	24.1	124.9	46.6	-33.0	19.4	19.4	16.5
<i>Unión Fenosa</i>	41.8	100.6	8.0	72.4	19.7	14.7	-5.3	-29.4
<i>DAX 30^a</i>	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9
<i>World Market^a</i>	16.8	13.1	13.4	21.7	32.5	-15.3	-16.2	-16.8
<i>Ibex-35^a</i>	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5
<i>Dow Jones^a</i>	36.9	28.7	24.9	18.1	27.2	-4.8	-5.4	-15.0
<i>FTSE 100^a</i>	26.0	16.9	28.7	17.5	20.6	-8.2	-14.1	-22.2
<i>S&P 500^a</i>	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1
<i>CAC-40^a</i>	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9
Company	2003	2004	2005	2006	2007	1995-2007 Average ^b	2003-2007 Average ^b	
<i>Acciona</i>	26.0	38.1	48.0	52.0	55.8	29.4	43.6	
<i>Gamesa</i>	70.0	21.1	22.7	70.4	54.3	22.1	46.0	
<i>Grífols</i>	...	...	...	...	53.0	53.0	53.0	
<i>Bolsas y Merc. Españoles</i>	...	...	...	...	52.8	52.8	52.8	
<i>Telefónica</i>	46.6	22.7	-1.2	31.2	41.7	20.8	27.0	
<i>Gas Natural</i>	4.6	26.0	6.7	30.6	36.3	17.9	20.1	
<i>Red Eléctrica</i>	40.1	31.4	62.7	27.1	36.1	31.7	39.0	
<i>Iberdrola</i>	21.7	23.5	27.5	47.8	28.5	21.8	29.5	
<i>Altadis</i>	6.4	53.9	16.4	5.9	27.8	23.6	20.8	
<i>Unión Fenosa</i>	22.5	33.8	66.2	21.9	25.9	26.1	33.1	
<i>DAX 30^a</i>	37.1	7.3	27.1	22.0	22.3	10.9	22.8	
<i>World Market^a</i>	37.8	17.9	13.6	23.8	15.1	10.7	21.3	
<i>Ibex-35^a</i>	32.2	21.1	22.0	36.0	10.7	16.1	24.1	
<i>Dow Jones^a</i>	28.3	5.3	1.7	19.0	8.9	12.3	12.2	
<i>FTSE 100^a</i>	17.9	11.2	20.8	14.4	7.4	9.4	14.2	
<i>S&P 500^a</i>	28.7	10.9	4.9	15.8	5.5	11.3	12.8	
<i>CAC-40^a</i>	19.9	11.4	26.6	20.9	4.2	11.7	16.3	

NOTE: ^a Market indices were calculated using the companies included in them in each year.^b Calculated as a geometric mean.

Table 8

Top 10 IBEX-35 companies by total shareholder return
(companies and rates ordered according to the 1995-2007 average)

Source: Datastream International via Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002
<i>Grífols</i>	...	...	...	...	...	...	...	...
<i>Bolsas y Merc. Españoles</i>	...	...	...	...	...	...	...	...
<i>Red Eléctrica</i>	...	...	...	...	...	70.0	7.5	-4.5
<i>Enagas</i>	...	...	...	...	...	...	...	...
<i>ACS</i>	5.7	12.9	312.6	53.0	-28.0	7.7	10.6	13.5
<i>Acciona</i>	-26.2	52.1	152.1	182.1	-19.2	-29.7	6.4	-3.0
<i>Indra Sistemas</i>	-42.1	14.4	445.4	121.5	40.8	8.0	-4.8	-31.4
<i>Abengoa</i>	...	...	63.8	68.4	0.0	61.4	-17.7	-17.6
<i>Unión Fenosa</i>	41.8	100.6	8.0	72.4	19.7	14.7	-5.3	-29.4
<i>Altadis</i>	34.2	24.1	124.9	46.6	-33.0	19.4	19.4	16.5
<i>Ibex-35^a</i>	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5
<i>Dow Jones^a</i>	36.9	28.7	24.9	18.1	27.2	-4.8	-5.4	-15.0
<i>CAC-40^a</i>	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9
<i>S&P 500^a</i>	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1
<i>DAX 30^a</i>	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9
<i>World Market^a</i>	16.8	13.1	13.4	21.7	32.5	-15.3	-16.2	-16.8
<i>FTSE 100^a</i>	26.0	16.9	28.7	17.5	20.6	-8.2	-14.1	-22.2
Company	2003	2004	2005	2006	2007	1995-2007 Average ^b	2003-2007 Average ^b	
<i>Grífols</i>	...	...	...	...	53.0	53.0	53.0	
<i>Bolsas y Merc. Españoles</i>	...	...	...	...	52.8	52.8	52.8	
<i>Red Eléctrica</i>	40.1	31.4	62.7	27.1	36.1	31.7	39.0	
<i>Enagas</i>	52.6	46.0	32.3	13.9	16.0	31.3	31.3	
<i>ACS</i>	28.4	32.5	64.5	59.6	-2.6	30.5	34.2	
<i>Acciona</i>	26.0	38.1	48.0	52.0	55.8	29.4	43.6	
<i>Indra Sistemas</i>	58.4	25.3	35.3	15.2	3.3	28.3	26.1	
<i>Abengoa</i>	5.4	28.1	72.7	125.6	-12.7	27.0	35.6	
<i>Unión Fenosa</i>	22.5	33.8	66.2	21.9	25.9	26.1	33.1	
<i>Altadis</i>	6.4	53.9	16.4	5.9	27.8	23.6	20.8	
<i>Ibex-35^a</i>	32.2	21.1	22.0	36.0	10.7	16.1	24.1	
<i>Dow Jones^a</i>	28.3	5.3	1.7	19.0	8.9	12.3	12.2	
<i>CAC-40^a</i>	19.9	11.4	26.6	20.9	4.2	11.7	16.3	
<i>S&P 500^a</i>	28.7	10.9	4.9	15.8	5.5	11.3	12.8	
<i>DAX 30^a</i>	37.1	7.3	27.1	22.0	22.3	10.9	22.8	
<i>World Market^a</i>	37.8	17.9	13.6	23.8	15.1	10.7	21.3	
<i>FTSE 100^a</i>	17.9	11.2	20.8	14.4	7.4	9.4	14.2	

NOTE: ^a Market indices were calculated using the companies included in them in each year.^b Calculated as a geometric mean.

Table 9 shows a ranking list of average shareholder return rates over the last four years (2003 to 2007), which could prove of interest to investors focusing on the medium-term. Over this period, Inmobiliaria Colonial (whose return rates have historically been highly volatile and which plummeted by 62.3% in 2007, having surged by 390.3% in 2006), Gamesa, Acciona and Red Eléctrica took the top four places. The IBEX-35 as whole yielded a rate higher than the leading indexes of the most important securities markets globally. Moreover, between 2003 and 2007 all stocks weighted in the IBEX-35 have had higher returns than the FTSE 100, S&P 500 and the Dow Jones, except for the Banco Popular Español (see also the full ranking for the 35 stocks in Table A3). Shareholders in Spanish listed companies thus have a lot of reasons to be pleased, even though returns

fell in 2007. In recent years, the total return rate has by and large been higher than those offered by companies from other countries.

Given that investors want to diversify their portfolios, and often do this by investing in different sectors of activity, it seems advisable to analyze shareholder returns within each sector and compare them with comparable figures relating to other countries. Table 10 shows a ranking list for the top ten listed companies in total shareholder return rate in 2007, comparing it with the figures corresponding to the same sector of activity within the Euro area (the full ranking list appears in Table A4). Also shown are the same data compared to the sector worldwide. In both cases, a standardized rate of return is used (see Box 5).

Top 10 IBEX-35 companies by total shareholder return
(companies and rates ordered according to the 2003-2007 average)

Table 9

Source: Datastream International via Wharton Research Data Services

Company	2003	2004	2005	2006	2007	1995-2007 Average ^b	2003-2007 Average ^b
<i>Inmobiliaria Colonial</i>	213.3	-1.4	67.5	390.3	-62.3	2.5	57.1
<i>Grifols</i>	...	...	...	...	53.0	53.0	53.0
<i>Bolsas y Merc. Españoles</i>	...	...	...	...	52.8	52.8	52.8
<i>Gamesa</i>	70.0	21.1	22.7	70.4	54.3	22.1	46.0
<i>Acciona</i>	26.0	38.1	48.0	52.0	55.8	29.4	43.6
<i>Red Eléctrica</i>	40.1	31.4	62.7	27.1	36.1	31.7	39.0
<i>Abengoa</i>	5.4	28.1	72.7	125.6	-12.7	27.0	35.6
<i>ACS</i>	28.4	32.5	64.5	59.6	-2.6	30.5	34.2
<i>Unión Fenosa</i>	22.5	33.8	66.2	21.9	25.9	26.1	33.1
<i>Endesa</i>	43.0	17.8	33.0	74.7	5.1	15.9	32.7
<i>Ibex-35^a</i>	32.2	21.1	22.0	36.0	10.7	16.1	24.1
<i>DAX 30^a</i>	37.1	7.3	27.1	22.0	22.3	10.9	22.8
<i>World Market^a</i>	37.8	17.9	13.6	23.8	15.1	10.7	21.3
<i>CAC-40^a</i>	19.9	11.4	26.6	20.9	4.2	11.7	16.3
<i>FTSE 100^a</i>	17.9	11.2	20.8	14.4	7.4	9.4	14.2
<i>S&P 500^a</i>	28.7	10.9	4.9	15.8	5.5	11.3	12.8
<i>Dow Jones^a</i>	28.3	5.3	1.7	19.0	8.9	12.3	12.2

NOTE: ^a Market indices were calculated using the companies included in them in each year.

^b Calculated as a geometric mean.

Table 10

Top 10 IBEX-35 companies by total shareholder return in 2007 compared to companies in the same sector within the Euro area

Source: Datastream International via Wharton Research Data Services

Company	Absolute rate		Standardized rate		Standardized rate	
	Position	%	Position	Euro area	Position	World
<i>Construcción y Aux. de Ferrocarril</i>	1	105.5	1	2.27	2	0.45
<i>Uralita</i>	17	23.7	2	1.79	14	0.11
<i>Iberia</i>	28	9.5	3	1.53	32	-0.11
<i>Telefónica</i>	10	41.7	4	1.44	21	0.03
<i>Grífols</i>	5	53.0	5	1.40	1	0.53
<i>Acumulador Tudor</i>	22	18.1	6	1.28	3	0.44
<i>Gas Natural</i>	12	36.3	7	1.23	20	0.04
<i>Bolsas y Mercados Españoles</i>	6	52.8	8	1.01	5	0.35
<i>Banco de Valencia</i>	26	9.8	9	0.94	13	0.11
<i>Acciona</i>	2	55.8	10	0.89	6	0.30

In 2007 only 40 of the 105 Spanish listed companies monitored by Datastream managed a shareholder return rate above the average for Euro area companies within their respective sectors. In 2006, this figure amounted to 59 out of a total of 109, which means that there has been a decline in returns relative to Euro area companies in the same sector. In 2007 Construcción y Auxiliar de Ferrocarriles showed the highest standardized rate of return relative to the companies in its sector in the Euro area (2.27 standard deviations above the mean). In 2007, there were seven other Spanish companies with a standardized rate significantly above the sector average in the Euro area: Uralita, Iberia, Telefónica, Grífols, Tudor, Gas Natural, and Bolsas y Mercados Españoles. These outstanding stocks in terms of their rates of return relative to their European competitors operate in diverse sectors: transport equipment, construction equipment, airlines, telecommunications, pharmaceuticals, batteries, gas and financial services. It is striking that there are no real estate, construction companies or banks in the list of companies with exceptionally high rates relative to their sector counterparts in the Euro area.

The standardized rate that takes into account companies in the same sector worldwide, throws up a rather different set of findings. The differences that exist are due to the fact that the rates of return for each sector diverge in certain cases depending on whether one looks at the Euro area or the world as a whole. The biggest discrepancies are above all to be found in sectors such as air-

lines, telecoms and gas (see Table A4). In general, Spanish companies with the largest relative rates of return in the Euro area do not excel as much within the context of the global securities market because of the good results posted by their competitors from emerging economies. This is why, while CAF, Uralita, Iberia, Telefónica, Grífols, Tudor, Gas Natural, and Bolsas y Mercados Españoles stood at least one standard deviation above the companies from their sector in the Euro area, in a global context only one of them, Grífols, surpassed the average standard deviation, doing so by a narrow margin (0.53). To summarize, Spanish companies have produced better results for shareholders relative to the Euro area than compared to the global market as a whole.

The variation between sectors is very pronounced. Electricity companies (Iberdrola, Unión Fenosa, Red Eléctrica), biotechnology companies (Grífols), glass companies (Vidrala) and suppliers of corporate services (Service Point, Prosegur), IT solutions (Indra) and financial services (Bolsas y Mercados Españoles) achieved the best results in 2007 compared with their European counterparts, while companies in food, construction, real estate and telecoms equipment posted the worst comparative results (Table A5). In the banking sector, only five companies, including BBVA and Santander, produced better shareholder returns than their opposite numbers in Europe. In other sectors, only certain companies showed particularly attractive relative rates of return, among them Gas Natural, CAF, Gamesa, Tu-

bacex, Uralita and Inditex. Telefónica produced a rate of return far higher than that of its European competitors, though it was average in the context of all companies in the sector worldwide (Table A5).

To sum up, in 2007 Spanish listed companies in general offered attractive shareholder returns, even though these were below the highs recorded the previous year.

From a sector standpoint, the highlight of the year was the renewed vigor of certain companies in technology or know-how intensive sectors, such as biotechnology, mechanical construction, turn-key plant facilities, financial services and IT solutions.

Investment banks' mounting interest in Spanish companies

2.2

A second aspect concerning how Spanish companies stand relatively within the context of the global economy is the level of coverage and recommendations by investment banks. The stock market analysts who work at such banks issue recommendations throughout the year on whether to buy, hold or sell shares in the listed

companies. These recommendations can and usually do have a great impact on the future prospects of companies, as they build up a feeling as to whether it is or isn't worthwhile to include, or keep, a certain listed company's stock in investment fund portfolios (see Box 6).

Stock market analysts' recommendations

Box 6

The data source used to gauge recommendations from stock market analysts is I/B/E/S (Institutional Brokers Estimates System), which takes recommendations made by analysts mainly from foreign investment banks, although it does include one or two Spanish ones. The data provided reflects all of these recommendations. For each year, the opening and final recommendation made by each investment bank was used. While every investment bank has its own classification system, the standard recommendations employed on the I/B/E/S database are "strong buy", "buy", "hold", "underperform", and "sell." Average recommendations were also calculated using a scale of 1 ("strong buy") to 5 ("sell"), and these are included in the I/B/E/S too.

It should be noted that from April 2003 a new regulatory framework in the United States aimed at avoiding conflicts of interest and financial scandals obliged stock market analysts to provide more information regarding their recommendations and other aspects of their activities. The outcome of this was a shrinking in the number of positive recommendations relative to negative. For this reason, data from after the enactment of this new regulatory framework is not strictly comparable with figures from beforehand.

While in the case of shareholder return rates 2007 involved a departure from several trends from previous years, recommendations from investment banks generally stuck to the same course as regards level of coverage and the caliber of ratings, even with a slight improvement on 2006. Table 11 shows the recommendations published between 1995 and 2007 for companies belonging to the IBEX-35 index in each of those years. One can see that, in spite of modest fluctuations, over those years the number of investment banks that follow Spanish companies and issue recommendations on them has increased, which is undoubtedly an additional illustration of the increase in standing and higher international profile of Spanish companies. Whereas in

1995 only 340 recommendations were published relating to the different companies in the IBEX-35, in 2007 the figure had climbed to 586, from 572 the previous year, although the peak occurred in 2004 with 647 recommendations. Table A6 indicates the number of recommendations received by each listed Spanish company in 2007. Telefónica is at the top of the table with 40, followed by BBVA and Repsol with 35 each, Santander Central Hispano with 32, and Iberdrola with 30, which is hardly surprising given that it is companies with the largest market capitalizations which tend to attract the most attention from the analysts.

The most remarkable aspect of 2007 was that recommendations from investment banks for listed Spanish companies were noticeably better, despite the shift in the economic cycle and the fact that shareholder returns were substantially flatter, which goes to show that analysts perceive listed Spanish companies as a sound investment looking forward. 18.6 percent of the last few recommendations circulated in 2007 for each company were “strong buy”, compared to 17.3 in 2006, and 26.3 percent were “buy”, compared to 18.7 in 2006. The most signal shift between 2006 and 2007 related to the drop in negative recommendations, namely “underperform” and “sell” (see Table 11).

It is appropriate to place such an improvement in recommendations within the adequate time context. Please remember that investment banks react to the macroeconomic, financial and competitive situation by substantially altering their recommendations, as can be observed in Table 11. The 1996-1998 period saw a progressive worsening of recommendations relating to Spanish companies, though these improved between 1999 and 2001, which may be attributable to the generally sound progress made by the Spanish economy, having passed the test for admission into the European Monetary Union. 2002 witnessed a decline in the recommendations, due to the Argentine crisis and its fall-out effects on the rest of Latin America, a region where over half of the companies in the IBEX-35 had major investments. From 2003, recommendations perked up a bit, yet failed to reach the levels of the late 1990s, which could be because of the regulatory changes in the activities of stock market analysts in the wake of financial scandals in the United States (see Table 6). The mild improvement in recommendations in 2007 is therefore a highly favorable trend as, in a year fraught with economic and financial hardship, investment banks rated the future prospects of Spanish companies positively.

As with shareholder returns, investment banks’ recommendations should be placed in the context of the business sectors within which the companies operate. Table 12 offers a ranking list of the top ten Spanish listed companies in terms of stock market analyst recommendations in 2007, standardized according to the companies’ business sector in the Euro area (the full list appears in Table A6). The logic is the same as in table 10, in the sense that a potential investor would want to compare the recommendations given to Spanish companies with those obtained by companies in the same sector within the same monetary zone. Table 12 also shows standardized recommendations using data for all companies in each sector worldwide. Given that the I/B/E/S database gives a score of 1 for the best recommendation (“strong buy”) and one of 5 for the worst (“sell”), the companies with the best recommendations are those with lower standardized scores and, of course, negative scores, as they are below the average.

The companies with the best standardized average recommendations by sector in the Euro area in 2007 were Nicolás Correa, Grupo Catalana Occidente, Arcelor Mittal, La Seda de Barcelona, Unipapel, Pescanova, Prisa, Service Point, Almirall and Banco Santander. These companies also earned outstanding recommendations compared with companies in their sectors globally. One interesting aspect is that investment banks do not take the view that Spanish companies should receive worse recommendations than their counterparts in emerging economies although, as we pointed out above, shareholder return rates are not as high. In rating Spanish listed companies, investment banks have reacted with prudence, moderation and optimism in the face of the shift in the economic and financial situation.

Stock market analysts' recommendations for IBEX-35 companies
1995-2007 (vertical percentages)

Table 11

Source: I/B/E/S (Institutional Brokers Estimates System) via Wharton Research Data Services

Recommendation	1995		1996		1997		1998		1999	
	First	Last	First	Last	First	Last	First	Last	First	Last
<i>"Strong buy"</i>	30.6	32.6	26.3	26.8	24.7	21.8	22.4	18.2	23.7	27.0
<i>"Buy"</i>	16.5	16.2	17.9	17.9	24.1	26.5	27.6	29.5	32.1	33.0
<i>"Hold"</i>	37.6	37.1	38.9	35.5	36.0	37.5	34.1	36.9	31.4	28.8
<i>"Underperform"</i>	7.4	7.6	7.4	9.5	9.0	8.1	10.8	9.7	9.5	8.8
<i>"Sell"</i>	7.9	6.5	9.5	10.3	6.1	6.1	5.1	5.7	3.3	2.4
<i>Total IBEX-35</i>	100	100	100	100	100	100	100	100	100	100
<i>Number</i>	340	340	380	380	344	344	352	352	452	452

Recommendation	2000		2001		2002		2003		2004	
	First	Last	First	Last	First	Last	First	Last	First	Last
<i>"Strong buy"</i>	22.6	23.4	18.9	20.4	16.3	17.1	14.9	17.8	15.3	16.7
<i>"Buy"</i>	39.7	38.3	34.5	32.6	34.4	29.9	30.8	23.5	27.4	24.1
<i>"Hold"</i>	28.6	29.2	33.0	34.2	34.4	36.1	34.5	39.3	32.8	34.6
<i>"Underperform"</i>	7.7	7.4	12.2	11.3	11.9	13.9	13.7	14.1	17.8	19.0
<i>"Sell"</i>	1.4	1.7	1.5	1.5	3.0	3.0	6.0	5.3	6.7	5.6
<i>Total IBEX-35</i>	100	100	100	100	100	100	100	100	100	100
<i>Number</i>	416	418	476	476	596	596	562	562	646	647

Recommendation	2005		2006		2007		TOTAL (1995-2007)	
	First	Last	First	Last	First	Last	First	Last
<i>"Strong buy"</i>	14.1	16.3	17.7	17.3	16.6	18.6	21.6	
<i>"Buy"</i>	26.2	21.5	26.4	18.7	23.9	26.3	26.7	
<i>"Hold"</i>	32.3	32.0	33.2	35.0	33.6	32.8	34.6	
<i>"Underperform"</i>	18.2	23.3	15.2	20.3	19.3	17.1	12.6	
<i>"Sell"</i>	9.2	6.9	7.5	8.7	6.7	5.3	5.8	
<i>Total IBEX-35</i>	100	100	100	100	100	100	100	
<i>Number</i>	595	596	572	572	586	586	13,385	

NOTE: The figures before April 2003 are not comparable with those after such date, due to the regulatory change in the United States designed to head off conflicts of interest between investment banks and financial intermediaries. The figures were calculated using the companies included in the IBEX-35 in each year.

Top 10 Spanish companies by average recommendation
from stock market analysts in 2007 compared
to companies in the same sector within the Euro area

Table 12

Source: I/B/E/S (Institutional Brokers Estimates System) via Wharton Research Data Services

An average recommendation of 1 is the best, while one of 5 is the worst

Company	Number of recommendations			Average recommendations		
	Absolute	Euro area standardiz.	World standardiz.	Absolute	Euro area standardiz.	World standardiz.
<i>Nicolás Correa</i>	1	-1.03	-0.80	1.00	-1.57	-1.42
<i>Grupo Catalana Occidente</i>	6	-0.87	-0.49	1.50	-1.50	-1.16
<i>ArcelorMittal</i>	1	-0.73	-0.71	1.00	-1.44	-1.28
<i>La Seda de Barcelona</i>	7	-0.47	0.05	1.43	-1.41	-0.90
<i>Unipapel</i>	2	-0.89	-0.60	1.00	-1.32	-1.31
<i>Pescanova</i>	5	-0.21	-0.02	1.20	-1.25	-1.28
<i>Prisa</i>	17	1.08	1.58	1.53	-1.07	-0.98
<i>Service Point</i>	3	-0.54	-0.45	1.33	-1.01	-1.03
<i>Almirall</i>	10	0.32	0.65	1.60	-1.01	-0.75
<i>Banco Santander</i>	32	1.58	2.63	1.72	-0.98	-0.88

NOTE: The average recommendation was calculated by assigning the following values: "strong buy"=1. "buy"=2. "hold"=3. "underperform"=4 and "sell"=5. The Pearson correlation coefficient between the standardized average recommendation for the Euro area and the standardized average recommendation for the world is 97 percent.

Growing presence of Spanish companies in the international financial press

2.3

2007 was marked by the higher profile and improvement in the image of Spanish companies in the world financial press, keeping up the trend seen in recent years. The quantity and quality of media coverage are both hugely important variables, as investors, analysts, directors and politicians all over the world use publications such as the Financial Times, Wall Street Journal, Wall Street Journal Europe and The Economist to obtain information and insights on the economy and companies. The international financial, economic and political elites read such publications and arrive at decisions based on the information that appears in them. In other words, the world financial press helps to build corporate image and guides opinion trends. **Box 7** provides a description of the methodology used to gauge the presence of Spanish companies in the four most important printed media.

Chart 3 shows the number of mentions of Spanish companies since 1995. It is noteworthy that coverage of Spanish companies has risen from under 1,000 mentions a year before 1995 to an average of around 2,000 mentions for the ten years between 1997 and 2007. There have been three major peaks in absolute terms in the last decade: in 1997, 2000 and 2006, each of which was associated with certain substantial corporate activities on the part of some of the larger Spanish multinational companies, which we will go on to examine in more detail later. In 2007, there was a historic high for relative media coverage, at 3.2 percent (to be precise, 3,180 out of every 100,000 articles published in the four printed media). To put these figures into perspective, the Spanish GDP accounts for a little under 2 percent of the world economy, which means that Spanish companies

get 80% more attention from the media than the Spanish economy's weight in the world as a whole.

Table 13 provides a ranking list of the 25 most mentioned Spanish companies between 1995 and 2007. As is to be expected, Telefónica, Santander, BBVA, Endesa and Repsol-YPF head the classification in terms of international media coverage for this period. The year before, however, Ferrovial and Gas Natural had relegated BBVA and Repsol-YPF to a lower placing.

Generally speaking, media attention has focused on larger-sized companies and those from the more strategic sectors, reflecting either their international business endeavors or offensive or defensive moves in the case of takeover bids. **Chart 4** traces trends in the conspicuousness in the international press of Telefónica, Santander, BBVA, Endesa and Repsol-YPF over time. At the beginning of the recent period of international expansion, in 1997, Endesa, Santander and Telefónica received particularly strong coverage due to their business activities in Latin America. In 2000 Telefónica and BBVA gained prominence, the former within the context of the worldwide boom in telecoms companies, and the latter owing to its investments in Latin America. Finally, in 2004 Santander was the most-mentioned Spanish company, as a result of its pioneering acquisition of Abbey National Bank in the United Kingdom, the first major cross-border move to consolidate in European banking, which also served to pave the way for other companies such as Telefónica, Ferrovial and Iberdrola to go on to acquire O2, BAA and Scottish Power, respectively.

Methodology to search for company mentions in the international financial press

Box 7

Mentions of Spanish companies in the international financial press have been calculated by using a three-stage approach. In the first, a list was drawn up of the almost 200 companies that a priori stood a chance of appearing at least once in the Financial Times, Wall Street Journal, Wall Street Journal Europe or The Economist between 1995 and 2007. The second involved carrying out systematic searches in these four printed media for articles referring to any of these companies using the Factiva (Dow Jones) database. Finally, the results were systematically combed through to verify their accuracy. If the same company was referred to more than once in an article, this was counted as a single mention.

As with Chart 4, the information contained in Table 13 provides an explanation for the peak in coverage in 1997 (see Chart 3 again too), which, more than anything, was due to the attention aroused by the international deals achieved by Telefónica, Santander and Endesa, chiefly in Latin America. The peak in the year 2000 came about in the heyday of the technology bubble, with Telefónica being mentioned some 1,114 times in that year. BBVA was also in the limelight that year, partly due to the BBV-Argentaria merger announced late the previous year, and partly because of its expansion in Latin America.

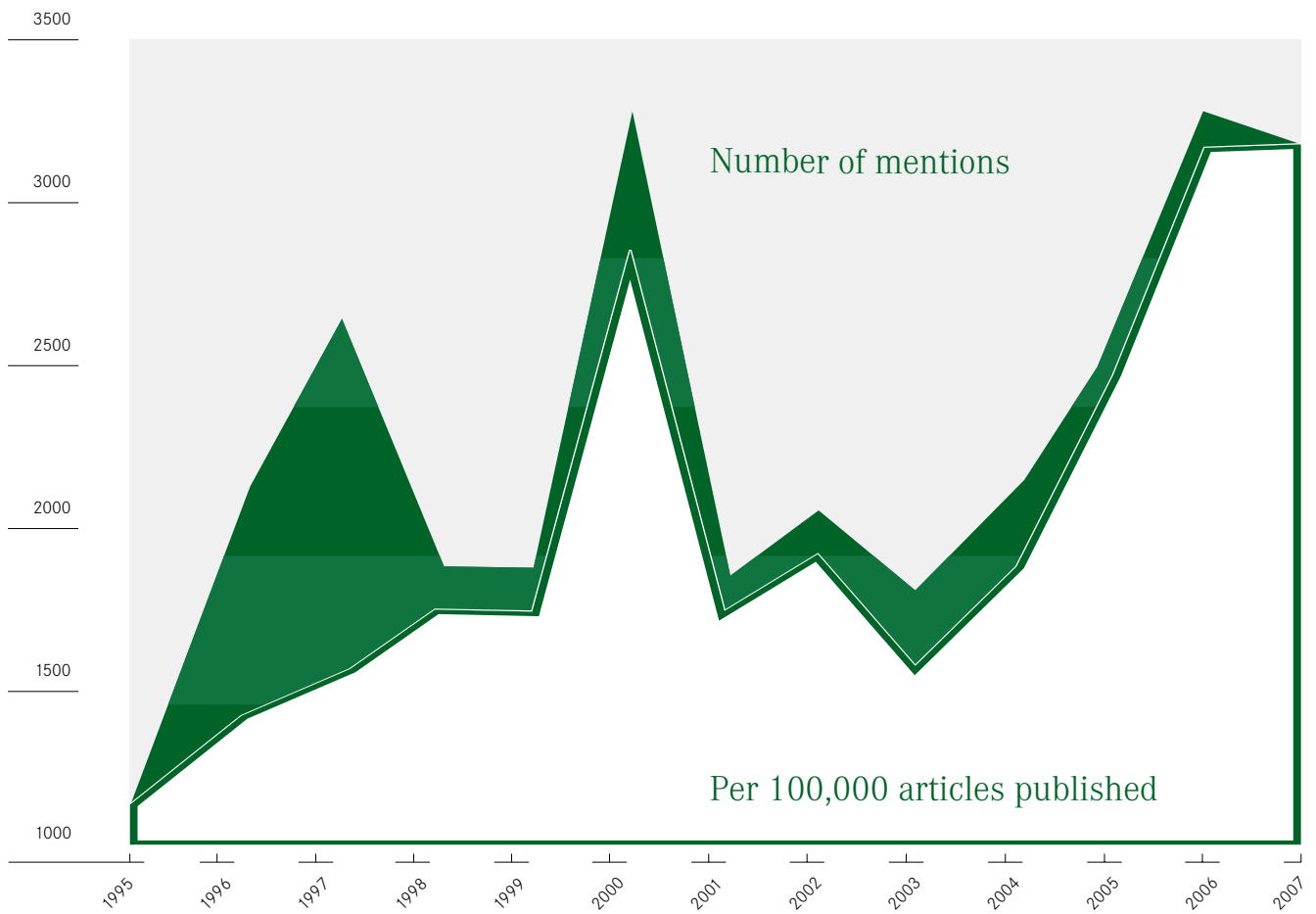
In 2007, several significant changes occurred in the coverage received by the various companies. The number of allusions to Santander, Iberia, Altadis, Acciona and Sacyr Vallehermoso rose considerably (Table 13). In the case of Santander, this was to do with its daring takeo-

ver of Dutch bank ABN-Amro, in collaboration with the Royal Bank of Scotland, and Fortis. Iberia and Altadis were subject to rumors of mergers with other groups, while Acciona and Sacyr Vallehermoso were involved in corporate moves in the energy sector. Further, in 2007 the international financial press gave less attention to companies such as BBVA, Endesa, Repsol-YPF, Gas Natural, Ferrovial and Abertis than it did in 2006, when they had taken part in acquisitions or other major corporate moves either as buyers or acquisition targets. 2007 thus confirmed that the attention given to Spanish companies by the world financial press was essentially due to their international expansion activities and corporate merger moves.

The period between 1995 and 2007 also served to confirm that Real Madrid is one of the most high-profile Span-

Chart 3 Number of mentions for Spanish companies in articles published in the international financial press, 1995-2007

Source: Factiva

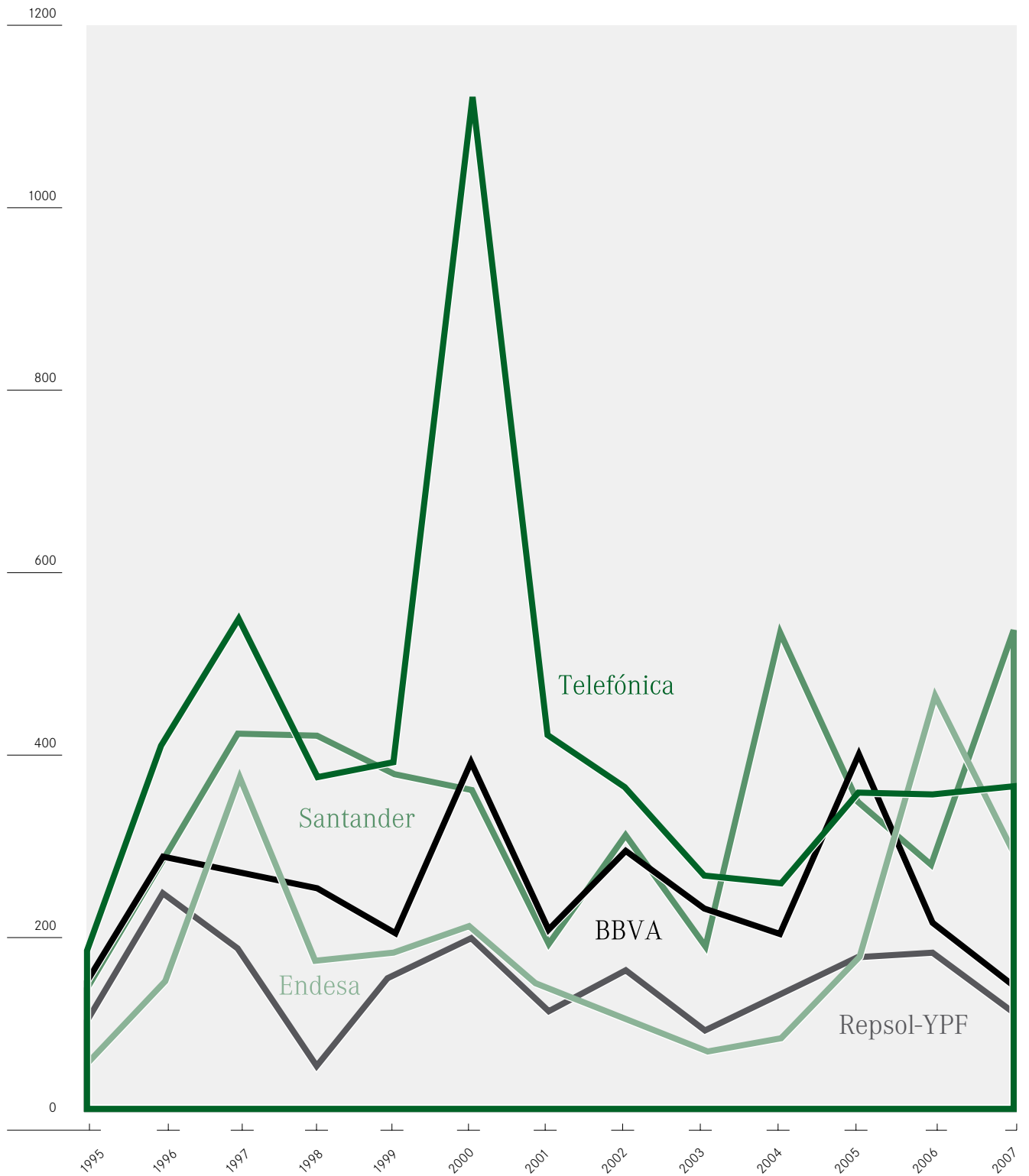


NOTE: The publications used in the analysis are *Financial Times*, *Wall Street Journal*, *Wall Street Journal Europe* and *The Economist*. The correlation between the two data sets is 0.89.

Top 5 Spanish companies by number of mentions in the international financial press, 1995-2007

Chart 4

Source: Factiva



NOTE: The publications used in the analysis are *Financial Times*, *Wall Street Journal*, *Wall Street Journal Europe* and *The Economist*

Top 25 Spanish companies by number of mentions
in the international financial press, 1995-2007

Table 13

Source: Factiva

Company	1995	1996	1997	1998	1999	2000	2001
<i>Telefónica</i>	177	400	538	362	382	1114	413
<i>Santander Central Hispano</i> ^b	136	264	414	405	378	347	191
<i>BBVA</i> ^c	142	288	273	242	201	389	207
<i>ENDESA</i>	64	148	381	175	182	207	147
<i>Repsol</i>	106	251	185	65	160	193	124
<i>Iberia</i>	94	117	131	83	90	67	125
<i>Iberdrola</i>	23	43	45	56	33	145	110
<i>Gas Natural</i>	14	45	31	19	14	54	14
<i>Ferrovial</i>	2	4	1	6	15	11	8
<i>Inditex</i>	3	0	14	7	14	17	54
<i>La Caixa</i>	29	55	70	48	47	70	9
<i>Unión Fenosa</i>	7	21	35	34	23	94	46
<i>Banco Español de Crédito</i>	78	48	62	34	21	8	1
<i>Altadis</i> ^d	0	0	0	0	12	39	10
<i>Real Madrid</i>	50	41	56	41	20	15	21
<i>Telefónica Móviles</i>	0	0	6	1	3	101	81
<i>Banco Popular Español</i>	9	30	43	30	27	41	12
<i>Acciona</i>	0	0	0	8	7	9	7
<i>Caja de Ahorros de Madrid</i>	2	3	14	19	25	19	12
<i>Abertis Infraestructuras</i>	0	0	0	0	0	0	0
<i>Sacyr Vallehermoso</i>	0	0	0	0	0	0	3
<i>PRISA</i>	2	16	36	9	16	24	8
<i>FCC</i>	3	9	8	22	8	8	16
<i>Sol Meliá</i>	5	27	40	19	18	25	8
<i>Sogecable</i>	0	18	20	4	10	25	2
<i>TOTAL Spanish companies</i>	1,109	2,054	2,666	1,889	1,865	3,304	1,841
<i>TOTAL per 100,000</i> ^e	1,132	1,388	1,516	1,720	1,710	2,856	1,712

(continuation)

Table 13

Source: Factiva

Company	2002	2003	2004	2005	2006	2007	Absolute 1995-2007	Relative ^a 1995-2007
<i>Telefónica</i>	360	262	256	343	346	360	5,313	5,992
<i>Santander Central Hispano</i> ^b	295	186	520	349	261	532	4,278	1,297
<i>BBVA</i> ^c	291	227	195	399	202	139	3,195	969
<i>ENDESA</i>	112	84	92	174	482	298	2,546	7,352
<i>Repsol</i>	162	99	130	172	181	117	1,945	1,338
<i>Iberia</i>	77	65	118	81	58	92	1,198	3,545
<i>Iberdrola</i>	48	83	32	58	158	68	902	2,605
<i>Gas Natural</i>	37	69	34	120	237	113	801	551
<i>Ferrovial</i>	7	31	40	24	380	155	684	954
<i>Inditex</i>	39	60	73	110	92	116	599	2,182
<i>La Caixa</i>	25	32	36	39	40	45	545	165
<i>Unión Fenosa</i>	63	36	16	56	55	28	514	1,484
<i>Banco Español de Crédito</i>	53	27	55	24	30	29	470	142
<i>Altadis</i> ^d	24	50	30	47	40	186	438	2,182
<i>Real Madrid</i>	35	55	32	28	21	9	424	1,387
<i>Telefónica Móviles</i>	57	45	45	34	21	3	397	448
<i>Banco Popular Español</i>	45	30	31	22	10	19	349	106
<i>Acciona</i>	2	12	10	18	72	183	328	457
<i>Caja de Ahorros de Madrid</i>	12	21	29	26	21	59	262	79
<i>Abertis Infraestructuras</i>	0	1	17	28	144	58	248	7,916
<i>Sacyr Vallehermoso</i>	4	12	6	21	52	98	196	273
<i>PRISA</i>	22	5	6	22	8	8	182	205
<i>FCC</i>	12	12	12	9	23	34	176	245
<i>Sol Meliá</i>	5	7	9	3	1	3	170	212
<i>Sogecable</i>	27	23	10	17	3	9	168	189
TOTAL Spanish companies	2,044	1,801	2,091	2,552	3,304	3,161	29,681	...
TOTAL per 100,000 ^e	1,890	1,536	1,837	2,406	3,167	3,590	1,962	...

NOTE: The publications used in the analysis are Financial Times, Wall Street Journal, Wall Street Journal Europe and The Economist.

^a Per 100,000 articles published on the sector in which the company operates.^b Prior to the 1999 merger between Santander and Central Hispano mentions of either company have been added together.^c Including mentions of Argentaria, BBV and BBVA.^d Only including mentions of Altadis and without including those of Tabacalera.^e Per 100,000 articles published in the four publications under consideration.

Table 14

Top 25 Spanish companies in 2007 by number of mentions in the international financial press by publication^a

Source: Factiva

Empresa	TOTAL	FT	WSJ	WSJE	The Economist
<i>Santander Central Hispano</i>	532	361	104	50	17
<i>Telefónica</i>	360	227	69	53	12
<i>Endesa</i>	298	174	60	52	12
<i>Altadis</i>	186	139	28	14	5
<i>Acciona</i>	183	103	39	34	7
<i>Ferrovial</i>	155	121	16	10	8
<i>BBVA</i>	139	77	40	15	7
<i>Repsol-YPF</i>	117	82	24	8	3
<i>Inditex</i>	116	49	42	22	3
<i>Gas Natural</i>	113	71	22	15	5
<i>Sacyr Vallehermoso</i>	98	78	9	9	2
<i>Iberia</i>	92	62	15	12	3
<i>Iberdrola</i>	68	105	22	18	3
<i>Caja de Ahorros de Madrid</i>	59	35	14	7	3
<i>Abertis</i>	58	41	6	6	5
<i>La Caixa</i>	45	27	7	9	2
<i>Metrovacesa</i>	38	29	4	2	3
<i>FCC</i>	34	27	6	1	0
<i>ACS</i>	31	22	3	5	1
<i>Banco Español de Crédito</i>	29	10	11	7	1
<i>Unión Fenosa</i>	28	25	2	1	0
<i>Gamesa</i>	23	17	4	1	1
<i>Aguas de Barcelona</i>	20	15	2	3	0
<i>Banco Popular Español</i>	19	9	7	3	0
<i>Bankinter</i>	19	10	3	6	0
<i>TOTAL Spanish companies</i>	3,161	2,099	624	403	113
<i>TOTAL per 100,000^a</i>	3,590	3,396	2,089	11,846	2,616

NOTE: FT (Financial Times), WSJ (Wall Street Journal), WSJE (Wall Street Journal Europe)

^a Per 100,000 articles published on the sector in which the company operates.

ish concerns in the international financial press, ranked in 15th place, with 424 mentions. Real Madrid is without doubt one of the most visible Spanish brands internationally (Fútbol Club Barcelona only received 66 mentions.)

The last column in table 13 gives the number of mentions in relation to the number of articles published in the four printed media altogether on each company's specific sector between 1995 and 2007. Using this indicator, one can see that Abertis was the most often mentioned Spanish company in relation to its sector, closely followed by Endesa. Abertis operates in a sector (transport infrastructure) which receives less attention in the printed financial media than banking or oil, which is why Santander, BBVA and Repsol have a far lower number of mentions relative to their sectors.

Attention given to Spanish companies in 2007 was uneven in the four publications analyzed (Table 14). Santander attracted the greatest attention overall, though not in the Wall Street Journal Europe, where it was outstripped by Telefónica and Endesa, despite the historic acquisition of ABN-Amro. This paper pays the greatest attention to Spanish companies in relative terms, with mentions in 11,846 articles per 100,000 published, followed quite a long way behind by the Financial Times and The Econo-

mist. It comes as no surprise that the main edition of the Wall Street Journal, which is published in the United States, gives the least coverage to Spanish companies.

2007 continued the historical trend according to publication. Chart 5 shows that the Financial Times accounts for over half of the mentions of Spanish companies in all four publications. It is striking to note how, since 2002, the Wall Street Journal has mentioned Spanish companies more often in outright terms than its European sister paper, even though the opposite is true in relative terms. The ups and downs of 1997, 2000 and 2003 were fundamentally due to coverage by the Financial Times and, to a lesser extent, the Wall Street Journal Europe. The other two publications used in the calculations followed a more steady coverage pattern over time.

2007 therefore represented another positive year in the increasingly high profile of Spanish companies in the international financial press. The image of Spanish companies abroad, while still less than ideal, continues to improve, which should not seem odd, given the fine results they have had and their ever stronger presence within the global economy (see Box 8).

Spanish companies in Fortune Global 500

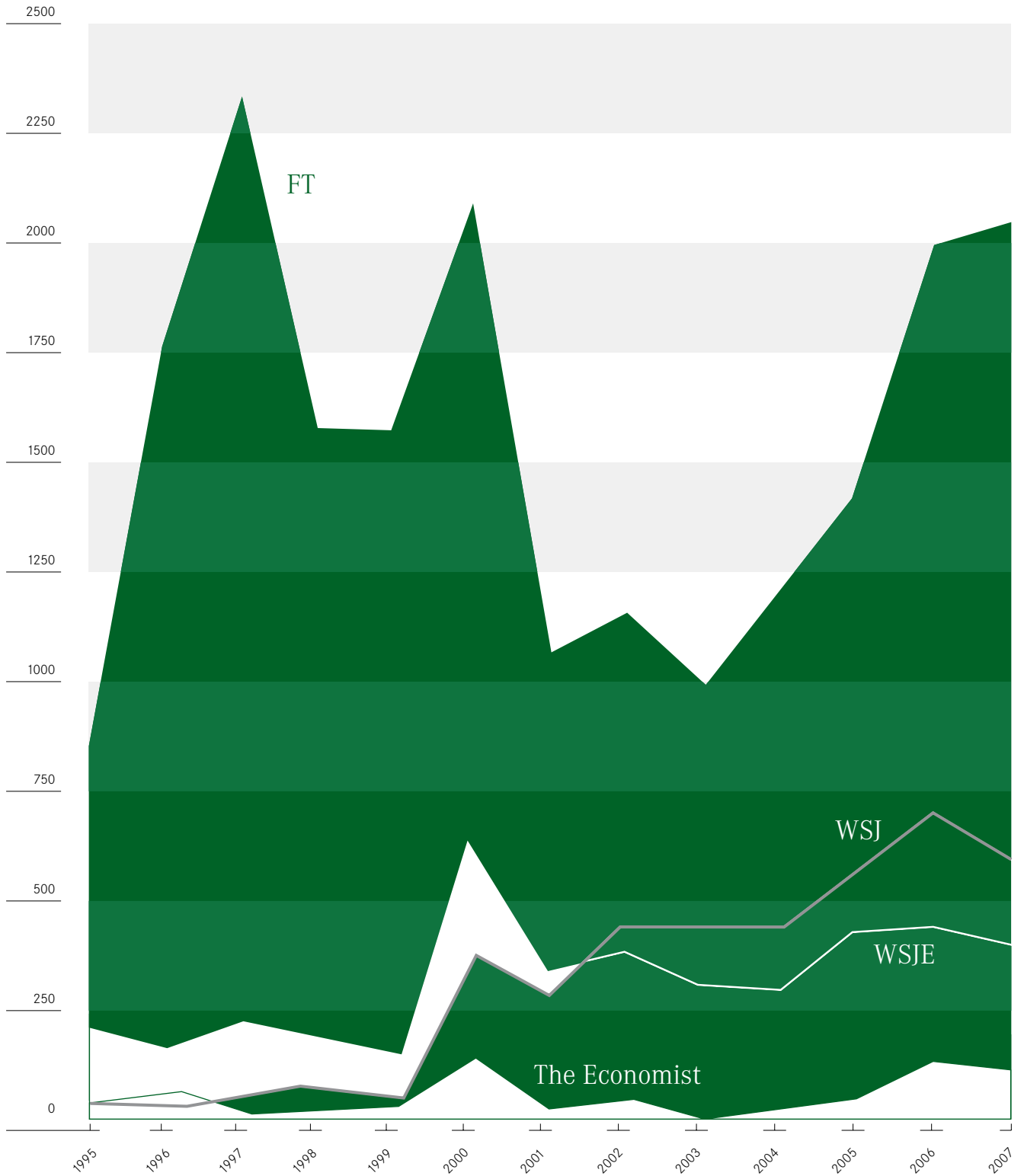
Box 8

11 Spanish companies appear in the latest Fortune magazine ranking list of the world's top 500 companies in 2007 by sales revenue: Santander (ranked 58th), Telefónica (76th), Repsol-YPF (92nd), BBVA (134th), Endesa (258th), ACS (270th), Cepsa (313th), Iberdrola (339th), Grupo Ferrovial (424th), FCC (440th) and Mapfre (463rd). Those which climbed the most places between 2006 and 2007 were: Santander (from 75th to 58th), BBVA (from 163rd to 134th) and ACS (from 413rd to 270th). Iberdrola has returned to the list thanks to the acquisition of ScottishPower and its organic growth, whereas FCC and Mapfre are newcomers. Altadis has dropped out of the ranking, having been taken over by Imperial Tobacco. Five of the companies are among the top ten in the world in their respective business sectors in sales revenues, including ACS (3), Telefónica (5) and Grupo Ferrovial (9). Santander is one of the world's five largest banks in market capitalization, although it is only 15th in sales revenues. Spain is the world's 11th ranked country in terms of the number of companies featured on the list, behind the United States, Japan, France, Germany, the UK, China, South Korea, Canada, Switzerland and the Netherlands, and having overtaken Italy in the last year. It is worth noting that there are no Spanish manufacturing companies in the ranking apart from Repsol-YPF and Cepsa.

Chart 5

Number of mentions for Spanish companies in articles published in the international financial press by publication, 1995-2007

Source: Factiva



Conclusion

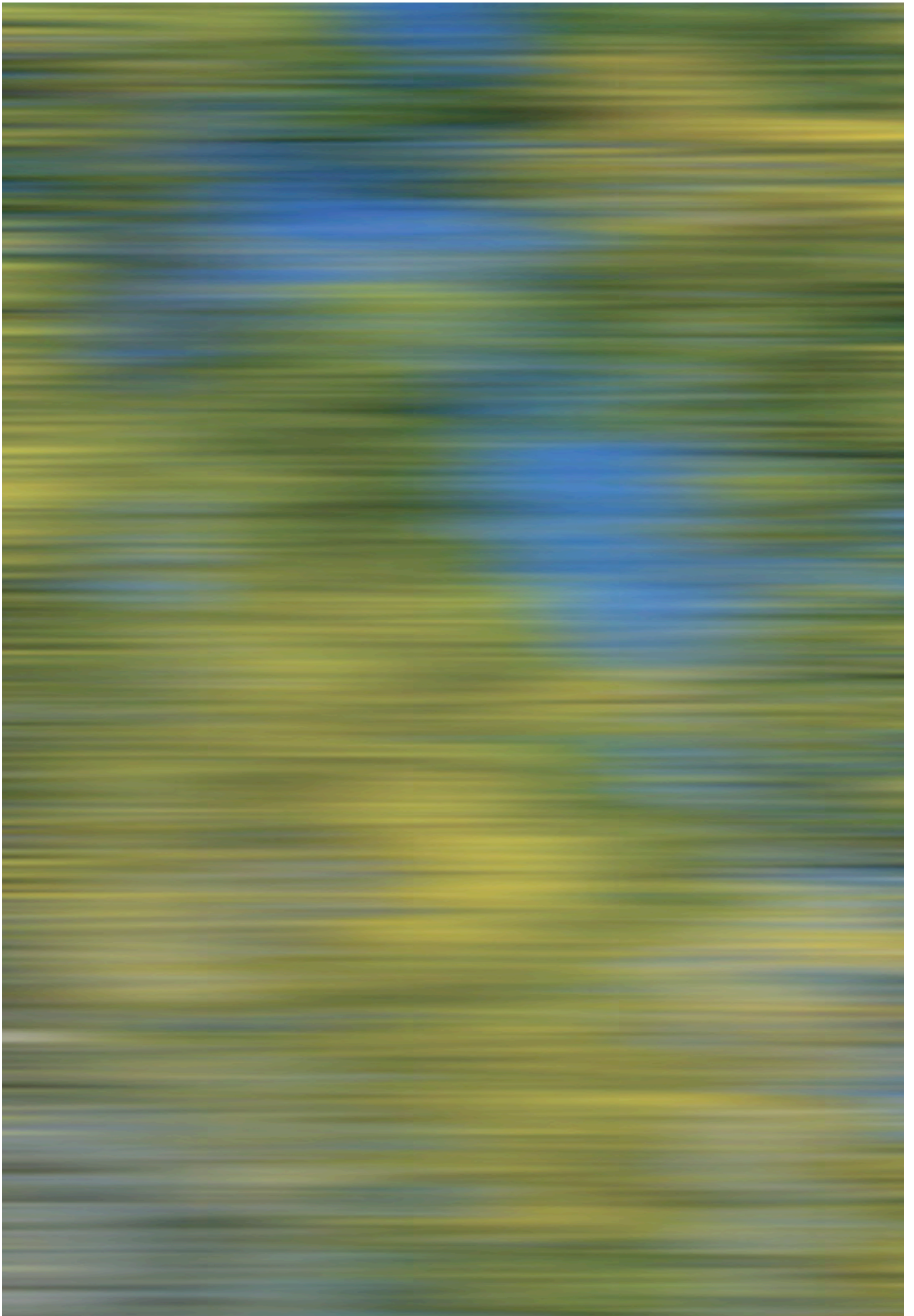
2.4

2007 will go down in history on account of the shift in the economic and financial cycle. The new situation has led to a fall in return rates for shareholders in Spanish companies, though there have been very marked industry trends. Companies in the more cyclical sectors experienced very sharp drops, while many technology or know-how intensive companies have continued to offer highly attractive investor returns. There are thus reasons to be sanguine, given the fact that the decline was focused on certain sectors while others still offer favorable results. It is nonetheless worth remembering that rates of return were higher for Spanish companies relative to the Euro area than compared to the emerging economies, which illustrates a weakness not only of Spanish companies but also European companies as a group.

While the situation seemed patchy in 2007 in terms of shareholder return rates, showing “scattered clouds” in weatherman speech, the sun still shines on Spanish companies as far as investment bank recommendations are concerned and as concerns their presence in the

international financial press. In both cases, 2007 meant more of the same gently rising trends observed in the last five years, all of which is heartening looking forward, especially in a year marred by negative events and uncertainty in the world economic and financial scene.

One final encouraging aspect is that the figures given in this chapter show that the positive trends are not just attributable to the performance of the major companies. Many other medium-sized companies obtained very sound financial returns and recommendations from investment banks, both in manufacturing and in service sectors. On top of this, 2007 has confirmed the bright future for several technology and know-how intensive companies such as Gamesa, Grífols, Service Point, Bolsas y Mercados Españoles and Indra. These figures and trends ought to be seen as signs of the robustness of the Spanish business structure, within which operate numerous companies that have the ability to overcome the difficulties ahead for the global economy.



3

The year in figures: principal transactions of 2007

2007 saw a continuation of the phenomena and trends already noted in 2006. On the one hand, the year was rife with major corporate moves abroad by Spanish companies. Brief explanations are provided below on five of the most prominent transactions.

As a result of such lively investment, Spanish companies can be said not only to have stepped up their presence abroad, but to have done so by broadening the geographical diversity of their activities. Thus, 2007 set a new record for Spanish FDI in the rest of the world.

On the other hand, the increasingly tight commercial and financial inter-weaving of the Spanish economy with world markets, combined with the steady dwindling of its competitive edge has taken the trade deficit to new historic highs, with a noticeable deterioration of the different items in the current account balance.

3.1

Foreign direct investment in 2007

In 2007 total foreign investment flowing into interests in Spain was well up in gross terms, rising by 163% to 36.03 billion Euro. This was the second-highest figure since 1993, behind the 38.4 billion inflows in 2000. Although close to 50% of this amount was in connection with the acquisition of a listed Spanish company in the electricity sector, the year was in general positive for foreign investment in Spain, which recovered from the 2006 trough and achieved the highest percentage increase in its history. In net terms, investment flows multiplied by a factor of 7.5.

Approximately 94% of this investment was from European Union countries (Chart 6), with a notable 62.9% coming from Italy as a result of the acquisition of the Spanish electricity company (the year before, this country's investments in Spain barely accounted for 1.6% of gross total investment, and Italy was not even among the top ten investors of immediate origin). The United States lost out on its share, which dropped from 5.2 to 1.3%.

The prime recipients of investment by industry are the production and distribution of electrical power industries, which account for 62.9% of investment. Real estate activities and services, financial intermediation, construction, other manufacturing and the chemical industry are other industries which receive the highest volume of foreign investment.

Direct Spanish investment in stakes in foreign companies grew considerably in 2007, by 44.2%, exceeding the 2006 figure, which had already set a historic record.

Investments amounted to 91 billion Euro, over 27 billion Euro more than the outright peak of 2006, when Spain was the world's third largest exporter of investment capital after the US and France. Although disinvestments rose from 7.32 billion to 17 billion Euro, net investment climbed by 32.7%, hitting another peak at 74 billion Euro.

Similarly to the behaviour of foreign investment in Spain, the figures reflect a very sizeable takeover by a Spanish bank of a foreign company in the financial sector, which accounts for 20% of total gross investment, and which made Spain the global leader in the mergers and acquisitions market. Underlying this expansion trend is not merely the closing of major transactions, but also the increasing internationalisation of a growing number of Spanish companies.

The lion's share of Spanish investment abroad was to the Netherlands, with 28.6% of the total amount, and with inflows into this country rising tenfold with respect to 2006, essentially due to the acquisition of Dutch bank ABN-AMRO. This was followed by the United Kingdom, with a share of 23.9%. Taken together, the OECD countries accounted for 95.2% of gross Spanish investment, and the EU-27 some 75.5% (Chart 6).

In keeping with the two largest takeovers in the year in terms of value, the chief destination sectors were banks and other intermediaries (27.3%) and electrical power production and distribution (24.4%), with telecommunications, the main recipient in 2006, a long way behind.

Source and destination of Spanish FDI (2007)

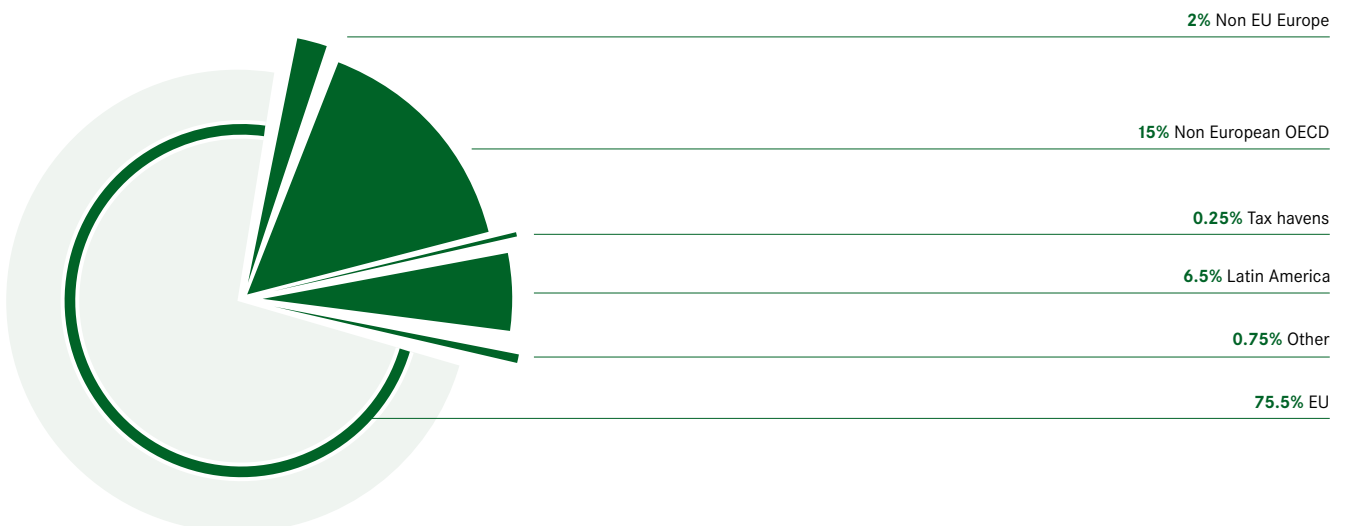
Chart 6

Source: Own figures based on data from the Ministry of Industry, Tourism and Trade



Source

Destination



3.2

Foreign trade in 2007

The imbalance in the Spanish balance of payments continued to worsen in 2007. Despite the slackening of domestic demand and the improvement in the foreign sector's contribution to GDP growth, the borrowing requirement rose again, reaching 9.7% of GDP (compared to 8.3% in 2006), although the rate of increase was lower than in previous years. Thus, foreign savings continue to fund gross capital formation growth, which rose to 31.1% of GDP in 2007, outstripping gross national savings (21.3% of GDP). This increased borrowing requirement in essence reflects the widening current account deficit, which rose to 10.1% of GDP in 2007 (compared to 8.9% in 2006), and, to a lesser extent, the shrinking of the capital account surplus by two tenths of a point of GDP, to 0.4%.

Notable among the current account components contributing to the wider deficit was the impact of the deficit on the income account and, to a lesser extent, in travel & tourism and trade in goods.

The main factor in the widening of the gap in the current account in 2007 was the deficit on the income sub-account, which lifted its percentage of GDP by nine tenths of a point to 3%. This was basically due to greater borrowing from abroad by the Spanish economy and, to a lesser degree, to the course taken by the spread between returns on financial assets and liabilities in Spain compared with the rest of the world.

On the other hand, the positive balance on the services account in nominal terms fell by two tenths of a point of GDP, to 2.1%. This reduction was basically due to the drop in the surplus under the heading Travel & Tourism, to 2.6% of GDP, as the non-tourism service deficit held in terms of percentage of GDP (-0.5%).

In 2007 the trade deficit amounted to 8.6% of GDP, one tenth of a point above the reading achieved the previous year, posting a rise of 8%, far below the increase report-

ed in previous years (21.4% in 2006), partly because the nominal growth of goods exports (6.4% for the year as a whole) was close to that of imports (6.9%). In real terms, even though imports of goods decreased as a result of the slackening of domestic demand and industrial activity, and exports displayed signs of relative strength, imports carried on outgrowing exports (6% compared with 4.7% for exports). On the other hand, in nominal terms, the share of exports picked up again compared to the Euro zone and to the rest of the world. In real terms, however, export shares dipped again relative to developed countries, although by more modest rates than in previous years. At the same time, penetration of goods imports increased, partly reflecting the highly competitive prices of goods from the newer players in world trade. Moreover, there have been no significant changes in the patterns of industry and geographical specialisation in Spanish foreign trade (Tables 15 and 16).

Lastly, net current transfers held fast at around 0.6% of GDP, thanks to favourable developments in net transfers with the EU, which virtually offset the decline in net remittances by workers and in other transfers.

To conclude, the surplus on the capital account, which basically depends on capital transfers with the EU, slipped back two tenths of a point of GDP to 0.4%. For 2007 as a whole, the bulk of net capital inflows occurred in portfolio investments and, to a lesser extent, other investments. Conversely, there were net outflows of funds in the shape of foreign direct investment and financial derivatives. The annual results do not, however, reveal the shift in sources of funding since last summer. Financial instability on world markets made it harder to raise funds on medium and long-term wholesale bond markets, especially via asset-backed security issues. This is why, in the latter part of the year, Spanish financial institutions used short term security issues and resorted to the inter-bank market as an alternative to cover their cash requirements.

Foreign trade in goods by type of product (% of total)

Table 15

Source: Own figures based on data from the Ministry of Industry, Tourism and Trade

Products	2007	
	Exports	Imports
<i>Food</i>	13.69%	8.67%
<i>Energy</i>	4.63%	14.84%
<i>Raw materials</i>	2.02%	3.62%
<i>Non chemical semi-manufactured</i>	13.15%	9.56%
<i>Non ferrous metals</i>	2.09%	1.90%
<i>Iron and steel</i>	4.75%	4.02%
<i>Paper</i>	1.68%	1.41%
<i>Other semi-manufactured</i>	4.63%	2.23%
<i>Chemical products</i>	13.07%	11.68%
<i>Organic chemical products</i>	1.95%	2.41%
<i>Inorganic chemical products</i>	0.36%	0.49%
<i>Plastics</i>	3.87%	3.10%
<i>Medicines</i>	3.40%	2.93%
<i>Fertilisers</i>	0.17%	0.20%
<i>Colouring and tanning materials</i>	0.94%	0.50%
<i>Essential and perfumed oils</i>	1.40%	0.88%
<i>Other chemical products</i>	0.99%	1.16%
<i>Capital goods</i>	21.55%	23.67%
<i>Industrial machinery</i>	5.64%	6.59%
<i>Office and telecommunications equipment</i>	1.26%	5.96%
<i>Transport equipment</i>	6.31%	3.65%
<i>Other capital equipment</i>	8.34%	7.47%
<i>Motor vehicles sector</i>	18.23%	14.67%
<i>Motor cars and motorbikes</i>	11.72%	8.03%
<i>Auto-components</i>	6.51%	6.64%
<i>Consumer durable goods</i>	3.12%	3.17%
<i>Manufactured consumer goods</i>	8.55%	9.56%
<i>Textiles and clothing</i>	4.45%	5.03%
<i>Footwear</i>	1.12%	0.66%
<i>Toys</i>	0.41%	0.79%
<i>Other manufactured consumer goods</i>	2.58%	3.08%
<i>Other goods</i>	1.98%	0.56%

Table 16

Foreign trade in goods by geographical area (% of total)

Source: Own figures based on data from the Ministry of Industry, Tourism and Trade

2007		
Regions / Countries	Exports	Imports
<i>EUROPEAN UNION</i>	70.06%	59.10%
<i>EURO AREA</i>	56.71%	49.35%
<i>France</i>	18.62%	12.21%
<i>Germany</i>	10.78%	15.16%
<i>Italy</i>	8.48%	8.67%
<i>Portugal</i>	8.63%	3.23%
<i>REST OF THE EU</i>	12.99%	9.61%
<i>United Kingdom</i>	7.54%	4.72%
<i>REST OF EUROPE</i>	4.46%	5.16%
<i>Russia</i>	1.15%	2.81%
<i>NORTH AMERICA</i>	4.58%	3.86%
<i>USA</i>	4.17%	3.54%
<i>LATIN AMERICA</i>	4.87%	4.62%
<i>Mexico</i>	1.75%	1.02%
<i>Brazil</i>	0.72%	1.08%
<i>Argentina</i>	0.38%	0.69%
<i>REST OF AMERICA</i>	0.67%	0.61%
<i>ASIA</i>	6.25%	17.26%
<i>India</i>	0.41%	0.78%
<i>China</i>	1.14%	6.65%
<i>Japan</i>	0.73%	2.15%
<i>AFRICA</i>	4.51%	7.40%
<i>Morocco</i>	1.79%	0.99%
<i>Algeria</i>	0.74%	1.57%
<i>OCEANIA</i>	0.68%	0.44%
<i>Australia</i>	0.57%	0.29%
<i>NON EU TOTAL</i>	29.94%	40.90%
<i>NON EURO AREA TOTAL</i>	43.55%	50.80%
<i>OECD</i>	79.39%	70.45%
<i>NAFTA</i>	6.34%	4.88%
<i>MERCOSUR</i>	1.15%	1.84%
<i>OPEC</i>	2.89%	7.50%

Principal business transactions in 2007

3.3

As in 2006 (see Box 9), 2007 proved a particularly dynamic year in terms of corporate moves by Spanish companies in the rest of the world. Examining each and every one of these at length and in depth is a very complex task, which by far exceeds the goals of this yearbook. For this reason, over the next few pages we will briefly describe five deals which were selected by the members of the *Círculo de Empresarios* from among all deals closed in 2007 as the most significant according to the following evaluation criteria:

- Opening up of new business opportunities.
- Opening up of new geographical destinations for the company.
- Substantially increasing the company's global market share.
- Technological innovation efforts.
- Impact on the host country.
- Investment volume relative to the size of the company and its sector.
- Investment volume in outright terms.

The method employed in selecting these five deals was the same as the one used in the last edition of this yearbook. In the first quarter of 2007, a questionnaire was sent out to the members of the *Círculo* with a suggested list of significant corporate transactions. Each of the members had to pick out the three they considered the most important, and were allowed to include deals other than those specifically listed.

The five business deals chosen are briefly described below. They are ordered alphabetically by company name; this does not in any way represent any value judgment regarding the relative significance of any of them.

3.3.1 ACS is confirmed as one of the world's largest construction companies with the acquisition of Hochtief

In April 2007, ACS group became the majority shareholder in the German construction and concessions group Hochtief A. G. The move involved the purchase of a 25.1% stake in the German company for a total consideration of 1.264 billion Euro. The group also acquired a further 4.9% through financial derivatives.

Hochtief, which was founded in 1875, is one of Europe's oldest construction companies. Thanks to a strategy based on three major pillars - balancing distribution of

risks by developing businesses all along the value chain, internationalising to offset regional risks and market fluctuations, and a leaning towards projects and businesses with stable and reliable cash flows -, it has become one of the world's leading private developers of infrastructure concessions and public buildings.

Hochtief is not only the leading construction business in Germany, but is also among the foremost construction companies in the world by sales, with a turnover of 16.452 billion Euro in 2007, and net earnings of 141 million Euro. It is also one of the top ten developers of infrastructure concessions. It has interests, to give an example, in Athens, Düsseldorf, Hamburg and Sydney airports, as well as on motorways such as the Vienna North Highway, the San Cristóbal tunnel and the Vespucio Norte Express in Chile, the Herren tunnel, Lübeck (Germany), the North-South Bypass tunnel in Australia and the North Luzon Expressway in the Philippines.

Its presence in geographical areas of great strategic interest for the ACS group, such as the United States and Asia-Pacific, means that the investment in Hochtief brings the ACS group major growth and earnings potential. The transaction underpins ACS's position to develop its businesses internationally, above all in infrastructure concessions and in the major public works and institutional construction sector, where projects will be taken on jointly.

3.3.2 BBVA underpins its presence in the American market following its acquisition of Compass

In September 2007 BBVA concluded the biggest acquisition in its history, buying Compass Bancshares for 6.67 billion Euro. This sum was paid to former shareholders in cash and newly issued BBVA shares. The object of the takeover is a retail bank with a powerful presence in the American Sunbelt States, where BBVA already owns four small banks (Valley Bank, Laredo National Bank, Texas State Bank and State National Bank). BBVA has thus positioned itself on both sides of the Río Grande, since it also owns Mexico's second largest bank, Bancomer.

This acquisition means that BBVA has become one of the 25 largest banks in the United States, with 650 branches, 14,000 employees and 2.5 million customers. It is the market leader in the Arizona, New Mexico, Texas and Alabama region. The organisational integration of the banks owned by BBVA in the United States extends to the latest

acquisitions, BBVA Puerto Rico and Bancomer's operations north of the border, especially in California. Following this transaction, the United States accounts for over 10 percent of BBVA's total loan and discount portfolio.

The Compass deal makes BBVA a truly global bank. Following its expansion in Latin America in the nineties, BBVA has developed a strategy of searching out operational synergies and exploring growth opportunities in other parts of the world. Though restricted to a specific geographical zone, its strategy for the US market allows it to get to know the market and prepare for other corporate transactions. The increase of its stake in Chinese bank CITIC to almost 15 percent also fits in with this context of examining and building on market opportunities.

3.3.3 Iberdrola becomes a world leader in renewable energies after buying ScottishPower

In April 2007 Iberdrola closed the friendly purchase of ScottishPower for 17.1 billion Euros. This is an electricity generation, transmission and distribution company with a strong presence in the United Kingdom and some activities in the USA and Canada. It has a total of 3.3 million electricity customers and 1.9 million for gas, a sector where it has concerns in storage and distribution. The company manages 112,000 kilometres of electricity grids and has gas, coal and hydroelectric power stations. ScottishPower is also a leading renewable energy company: the largest developer of wind farms in the United Kingdom and the second largest in the United States, which is one of the fastest growing markets. By bolting these assets onto Iberdrola Renovables (its renewable energies arm), the Spanish group has established itself as the world's largest wind energy company in terms of installed capacity, with presence in 19 countries.

The processes of acquiring and integrating ScottishPower were exceptionally swift. For the eight months of 2007 following the merger, ScottishPower contributed 1.35 billion Euro in earnings for Iberdrola, 24 percent of total earnings. The financial press and stock market analysts have been unstinting in their praise, given the synergies brought by ScottishPower to Iberdrola, both in terms of horizontal expansion into new markets and vertically, welding together various types of energy businesses.

The ScottishPower acquisition is a giant step forward for Iberdrola, and perhaps the most important taken by the company in recent years, in setting itself up as one of the world's power industry heavyweights. Iberdrola

has become 4.5 times larger in seven years and now carries out two thirds of its activities outside Spain. It has 21 million customers in Europe and the Americas, and is an acknowledged leader in alternative energies and sustainable development.

3.3.4 Santander takes part in the largest bank acquisition in history

In 2007 the Santander group was involved in the biggest bank acquisition in history, thus appropriately celebrating its 150th anniversary. This was when Dutch bank ABN-AMRO was taken over by a consortium comprising Fortis, Royal Bank of Scotland and Santander in a deal worth some 71.1 billion Euro, of which the Spanish bank paid 19.85 billion, mostly in cash.

The transaction will go down in history due not only to the consideration involved but also its complexity. The initial rumours surfaced in April, the month in which Barclays Bank also made public its wish to take over the Dutch bank. The consortium formally tabled its offer to ABN-AMRO shareholders in July. By late October 98.8 percent of ABN-AMRO shareholders had agreed to sell out to the consortium, which was offering a higher price per share than Barclays, essentially in cash. Before the year was out the deal had already been closed, having received the blessing of all regulatory and supervisory bodies on both sides of the Atlantic.

Under the transaction arrangements Santander came to own Banco Real in Brazil and Banca Antonveneta in Italy, among other assets. The acquisition of Banco Real makes Santander the third largest bank in Brazil, one of the main high-growth emerging economies. In early 2008, Santander additionally bought from Fortis the asset management businesses in Brazil that the Belgian bank had acquired as part of the purchase of ABN-AMRO. Brazil now accounts for over 10 percent of Santander's earnings worldwide.

Despite the fact that Banco Santander had had a long-standing presence in Italy due to its stake in Intesa San Paolo (formerly San Paolo-IMI), in May 2008 it sold off Antonveneta to Banca Monte dei Paschi di Siena for 9 billion Euro, thereby securing a capital gain of 2.4 billion euros with respect to the bank's value at the time of the ABN-AMRO acquisition. Banco Santander has thus pursued its three-pronged strategy of having a banking presence in mature economies such as Spain, Portugal and the United Kingdom, being outright market leader in Latin America and keeping a strong presence in con-

sumer finance activities throughout Europe. 2007 has also broken a new record in ordinary income terms, topping 8.1 billion Euro in a year in which the world's major banks suffered heavy losses because of the subprime mortgage crisis and jitters in the credit markets.

3.3.5 Técnicas Reunidas builds on its business in the Persian Gulf with the award of a contract with Borouge in Abu Dhabi

In April 2007, plastics company Abu Dhabi Polymers Company Limited (Borouge) awarded Técnicas Reunidas a contract for a project under an open book contract, convertible into turnkey, to supply all auxiliary systems and interconnections for all packages to enlarge its petrochemical complex in Ruwais, Abu Dhabi (United Arab Emirates).

According to the client's estimates, total value of the project could amount to approximately 1.23 billion US dollars (some 915 million Euro). It is expected to finalise by 2010.

The project involves the enlargement of a complex that will triple its annual production of polyolefins (a type of plastic), up to two million tons. Borouge will thus be in a position to supply its customers with high-performance products for an increasingly wide range of applications. Borouge is a Joint Venture between Abu Dhabi National Oil Company (ADNOC) and Borealis. ADNOC was founded in 1971, and is among the world's ten largest oil and gas companies, with a daily output of over two and a half million barrels. On the other hand, Borealis is one of Europe's leading producers of polyolefins. It is 65% owned by International Petroleum Investment Company, IPIC, which is in turn owned by the government of the Emirate of Abu Dhabi, and 35% owned by OMV, the Austrian oil and gas group.

The award of this project to Técnicas Reunidas, one of the major international engineering and construction companies for oil and gas, petrochemicals and electricity generation projects, is particularly significant due to the way Spanish companies have been until now notably left behind in the Persian Gulf market in relation to large multinationals from the US, France or the UK. On this point, it should be stressed that this world region offers a very attractive chance to diversify geographically, with customers who are high-maintenance but also enjoy the huge liquidity afforded them by their petrodollars.

2006 was particularly busy in terms of cross-border corporate takeover and merger activity. Spanish companies moreover clearly played a leading role on the international stage. This was so much so that two Spanish companies featured as buyers in separate transactions ranked within the top ten cross-border mergers and acquisitions in 2006, according to the standings published by the United Nations in its World Investment Report 2007.

Specifically, the list ranks by value all cross-border mergers and acquisitions worth over one billion US dollars. In 2006, there were no less than 172 deals which reached or surpassed this amount. This figure represents a notable increase over 2005, when such transactions totalled 141.

As may be noted from the table below, second and third places in this world ranking were taken by deals concluded by major Spanish transnational companies, which were also awarded prizes by the *Círculo de Empresarios* last year as two of the most outstanding in 2006. These were the purchase of O2 by Telefónica and the acquisition of BAA by Ferrovial. Only Mittal's takeover of Arcelor managed to take first place in the ranking ahead of both transactions.

The world's largest cross-border mergers and acquisitions in 2006

Source: UNCTAD, WIR 2007

Ranking	Value (Billion US dollars)	TARGET	BUYER
		Company / Country / Sector	Company / Country
1	32.2	<i>Arcelor S.A.</i> (Luxembourg) Steel	<i>Mittal Steel NV</i> (Holland)
2	31.7	<i>O2 PLC</i> (United Kingdom) Telecoms	<i>Telefónica S.A.</i> (Spain)
3	21.8	<i>BAA PLC</i> (United Kingdom) Airport Infraestruc.	<i>Ferrovial S.A.</i> (Spain)
4	17.4	<i>Falconbridge Ltd.</i> (Canada) Mining	<i>Xstrata PLC</i> (Switzerland)
5	17.2	<i>Inco Ltd.</i> (Canada) Mining	<i>Cia Vale do Rio Doce S.A.</i> (Brazil)
6	14.1	<i>BOC Group PLC</i> (Canada) Industrial Gases	<i>Linde AG</i> (Germany)
7	13.6	<i>Lucent Technologies Inc.</i> (US) Telephone Technology	<i>Alcatel S.A.</i> (France)
8	10.6	<i>TDC A/S</i> (Denmark) Telephones	<i>Nordic Telephone Co AsP</i> (US)
9	10.0	<i>Winterthur Schweizerische</i> (Switzerland) Insurance	<i>AXA S.A.</i> (France)
10	9.6	<i>VMU NV</i> (Holland) Publications	<i>Valcon Acquisition BV</i> (US)

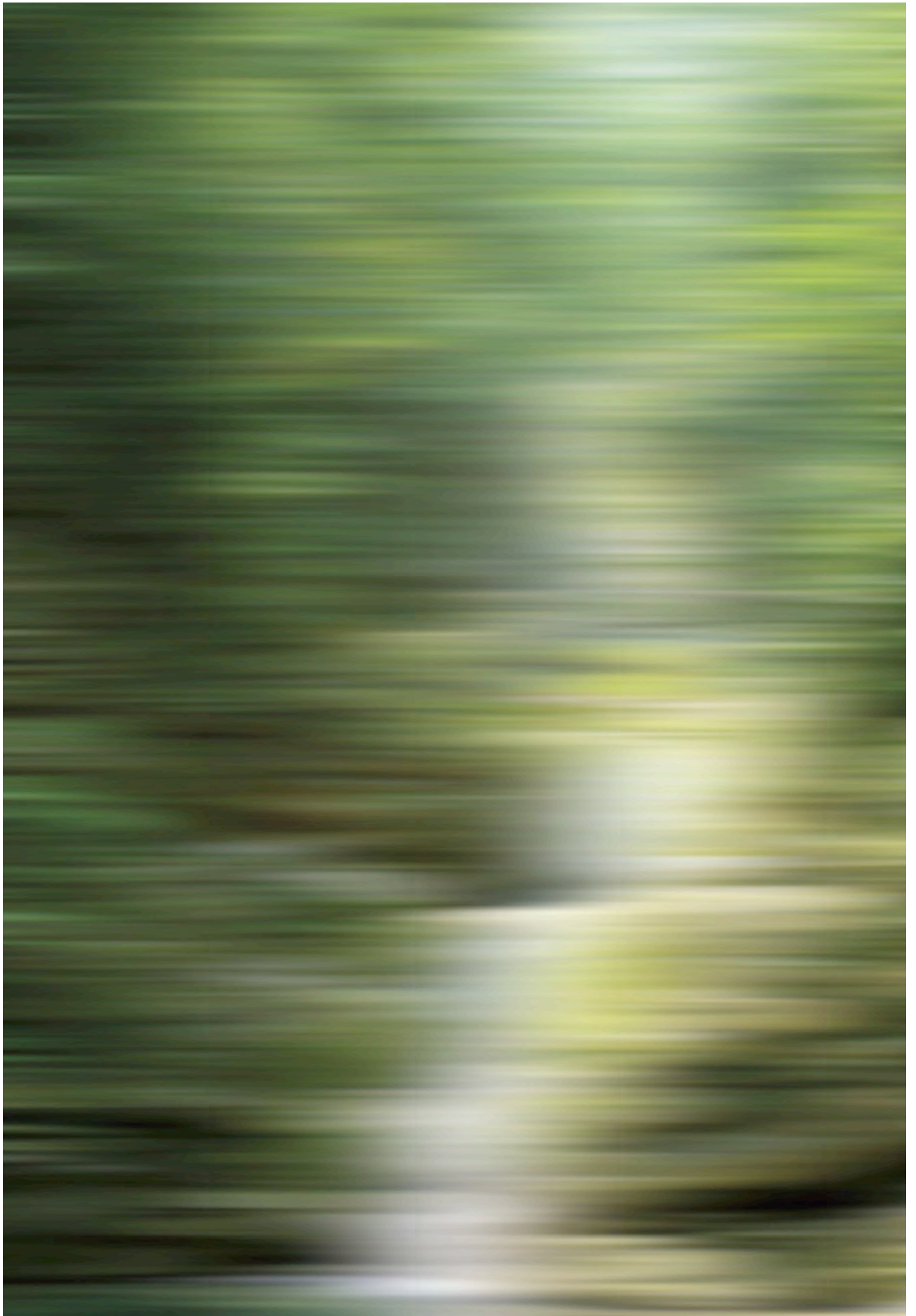
This flurry of international mergers and acquisitions continued throughout 2007. Moreover, once again Spanish companies played starring roles. According to the data from Williamson (2008), which covers all the deals of this kind carried out globally worth over 2 billion dollars, irrespective of whether or not they involved companies from different countries, the acquisition of ABN Amro by a group of financial institutions including the Santander was the largest of the mergers and acquisitions in 2007.

The world's largest mergers and acquisitions in 2007

Source: Largest Mergers and Acquisitions by Corporation in 2007 (2008). Washington, DC: Congressional Research Service

Buyer / Sector	Target Company / Sector	Date announced	Closing date	Value Billion
<i>Royal Bank of Scotland</i> <i>Santander Central Hispano S.A.</i> <i>Fortis S.A./NV</i> Financial	<i>ABN Amro Holding NV</i> Financial	25/04/07	10/10/07	95.5 ^C
<i>Transocean Inc.</i> High sea oil rigging	<i>GlobalSantaFe Corp.</i> High sea oil rigging	23/07/07	27/11/07	48.0 ^a
<i>Río Tinto Group PLC</i> Mining	<i>Alcan Inc.</i> Aluminium	12/07/07	14/11/07	38.1 ^C
<i>Enel SpA</i> <i>Acciona S.A.</i> General Services	<i>Endesa S.A.</i> Electricity Generation	26/03/07	08/10/07	31.2 ^C
<i>UniCredit SpA</i> Financial	<i>Capitalia SpA</i> Financial	20/05/07	18/09/07	29.72 ^a
<i>Blackstone Group Inc.</i> Investor	<i>Hilton Hotels Corporation</i> Hotels	03/07/07	27/10/07	26.0 ^b
<i>Kohlberg Kravis Roberts & Co.</i> Investor	<i>First Data Corp.</i> Credit card processing	02/04/07	24/09/07	25.6 ^C
<i>Goldman Sachs Group Inc.</i> <i>TPG Inc.</i> Investor	<i>Alltel Corp.</i> Telecoms	21/05/07	16/11/07	24.7 ^C
<i>Stephano Pessina</i> Copresidente de Alliance-Boots <i>Kohlberg Kravis Roberts & Co.</i> Investor	<i>Alliance Boots PLC</i> Pharmaceutical	16/04/07	26/06/07	22.06 ^b
<i>Bank of America Corp.</i> Financial	<i>LaSalle Bank (ABN Amro)</i> Financial	23/04/07	01/10/07	21.0 ^a

^a Source: The Wall Street Journal ^b Source: The Financial Times ^c Source: Bloomberg.com



4

Management of persons in Spanish multinational companies

Francisco González
Chairman of BBVA

4.1

Introduction

Throughout the 90s Spanish companies made their first inroads into new markets. Latin America provided the first launching pad for Spanish companies to become multinationals and, later on, in the middle of the opening decade of this century, they branched out into untried markets such as Eastern Europe, Asia and the United States.

In less than ten years the profile of many Spanish companies has changed substantially, with some of them establishing themselves as leading global players in their respective sectors.

Any company's efficiency and competitive edge to a great extent depends on the quality of its human input. It is people that bring in the skills, know-how and experience needed to develop organizations; in short, who create value. For this reason, talent, and especially management talent, has become a competitive advantage, the factor that most distinguishes one company from another.

Only companies with well-qualified home-grown management talent are able to handle the continual daily pressures, cut out operating inefficiencies, be good "corporate citizens" and achieve high growth rates in an environment of intense and increasing competition.

A key factor of increased competition is globalization. This phenomenon also entails greater complexity in corporate management, particularly within the sphere

of people. Creating corporate cultures and human resources policies to suit ever more diverse staffs, and attracting and holding people who can run and manage cross-border environments is nowadays a key challenge for a growing number of Spanish companies.

In an increasingly complex and globalised market, companies must foster talent on a corporate scale, going beyond the different functions, lines of business or geographical areas, and must come up with consistent management practices on a global scale.

Such management practices require a twofold objective: on the one hand, to ensure a constant flow of management talent, which begins by identifying it within the company itself and working on developing it, as a means to retain the best professionals; and on the other hand, to make the company visible to the outside world as an attractive place to work in, with the goal of drawing in the best talent available in the market.

This article goes over the chief requirements and determinants in management of persons within the current multinational environment as well as the main lines of a human resources policy that lives up to such requirements. In closing, we summarize BBVA's human resources strategy.

4.2

Frame of reference in talent management

In the coming years, the phenomenon with the clearest impact on the labor market will be the increasingly strong competition for human capital, especially the most qualified resources.

Keener competition is due to several factors. Probably the most significant of all is the fact that technological progress and globalization enhance the value that talent can create, since this can be brought to bear on a far broader base of resources, processes, customers, markets, etc...

To this must be added the falling demographic trend in developed countries – where up to now the lion's share of the highly skilled human resources pool worldwide has been produced.

The same demographic trend, which is going to imply a gradually ageing population (especially, but not solely, among the most developed countries) raises the issue of another very important challenge in managing human resources: The greater geographical and cultural diversity of the people making up the staffs of companies will by and by be accompanied by the co-existence of different generations, with vastly differing cultures, values and aspirations.

4.2.1 The labor supply. An ageing work force

The average age of the population is currently very different in certain countries than in others. In [Chart 7](#) one can see the extremes, exemplified by Europe (area with a very aged population) and Mexico (an area with a very young population). Between these lies China, where restrictive birth-rate policies in recent years have prompted a sharp drop at the youngest end (up to 14).

The ageing phenomenon is global, although there are noticeable differences in “timing” among areas of the world ([Chart 8](#)). In the European countries the demographic transition, i.e. the shift from the “traditional” system of high birth and death rates to the “modern” system of low birth and death rates, occurred gradually, over the space of two centuries, and has now been completed. In these conditions population growth tends to be very low, or even negative.

In most developing countries demographic transition is taking place now, and doing so very abruptly. The death rate has dropped a great deal and very swiftly, whereas the birth rate has done so far more gradually. This trig-

gers a period of very strong population growth, which will gradually tend to ease off at the same time as the average age of the population rises.

As can be seen in [Chart 9](#), all areas in the world will experience the ageing process in the next two decades. Nevertheless, the most vulnerable zones are Europe (including Russia) and Japan, which contrast with better trends in Africa, large swathes of Asia (excluding China) and Latin America.

4.2.2 Highly qualified labor. A growing shortage

As seen above, in general terms the labor force is going to be in shorter supply, yet this shortage will be even more pronounced as regards highly qualified people. Both demand and supply factors are influential in this trend.

Technological progress and the rapidly rising trend across all industries towards a more capital intensive model have led to a larger proportion of job offers to focus on this segment. This segment will be capable of creating more and more value thanks to the advances in Information and Communications Technologies and to increasing economic globalization.

Population pyramids (2005)

Chart 7

Source: ONU, World Population Prospects

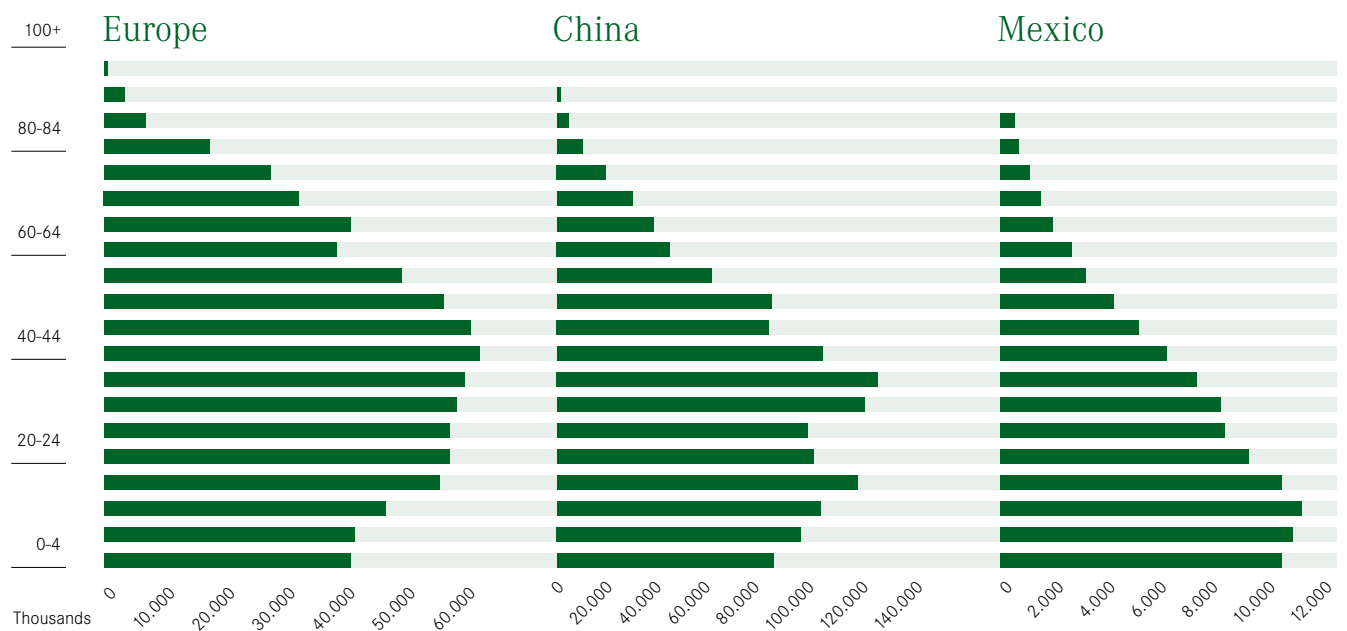


Chart 8

The demographic transition

Source: ONU, World Population Prospects

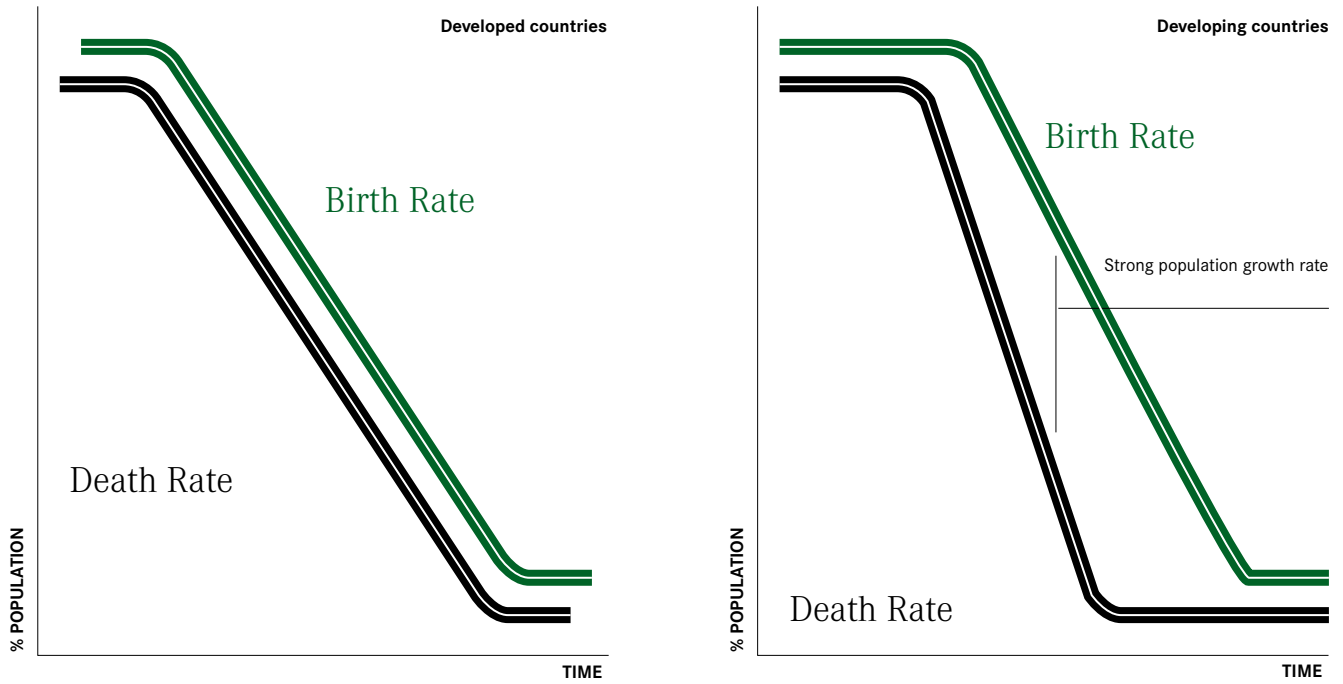
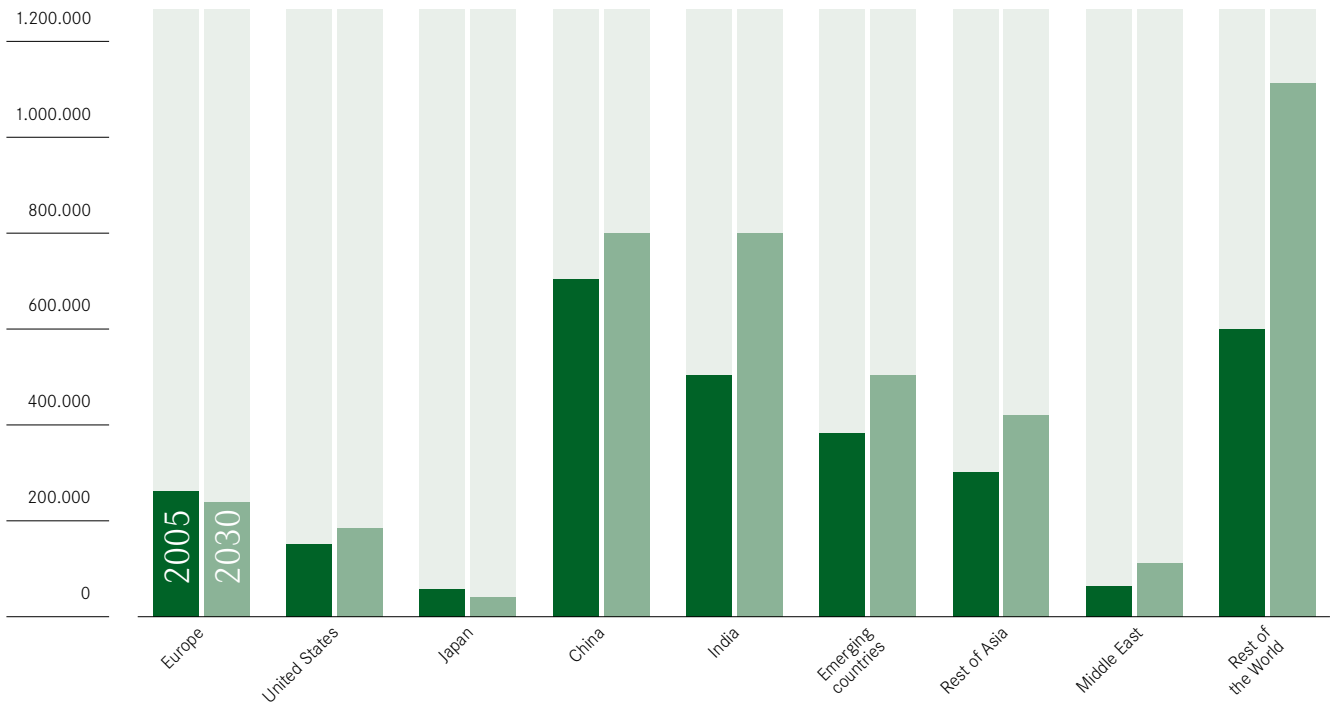


Chart 9

Distribution of working age population worldwide

Source: ONU, World Population Prospects



Supply-side factors also play a part in this case. The ageing of the population in developed countries is certainly the most significant of these. Baby-boomers, the generation born between 1946 and 1961 and the biggest age band in developed countries (in the United States they account for 46% of the labor force today), are beginning to age, whereas those in the youngest brackets are fewer.

There are positive elements that will expand supply: essentially, the extension and improvement of education, above all in emerging countries, with a higher rate of young people. However, the global availability of highly qualified human resources will depend on the speed with which education systems can be developed in emerging countries, both in terms of quantity and of quality. Although these countries are making great efforts in this regard (largely because their ability to attract companies and, in general, their future development, depends on this), there is already a noticeable lack of a highly qualified labor force, even in such countries. In China, for example, a report by the Academy of Social Sciences points out that, in 2006, only 32% of companies operating there managed to meet their objectives in recruiting qualified workers.

4.2.3 Shortage of talent: the answers

The growing shortage of labor – especially the most qualified – is an irreversible fact which to a large extent stems from economic growth and improvements in living conditions.

There are, however, certain steps which can be taken to help offset this trend and sustain a sufficient supply to keep up high rates of economic growth in the medium term. **The first, as noted above, is to improve education.** Even if labor supply numbers cannot be raised, it is possible to step up quality to make them more flexible and productive. This is why investing in education, at all levels, and particularly in higher education, might well be the most effective measure to employ to boost the potential growth rate globally.

Added to this, it seems evident that there will have to be a trend towards **lengthening people's working lives**, which is, on the other hand, fully consistent with longer life spans and an improvement in health conditions. In countries such as Spain, the number of working people between 55 and 64 years old has been gently rising since the year 2000 compared with the downward trend recorded over the previous decade. On the other hand, the participation rate for people over 65 remains mired at very low levels.

Women are another very important stock of labor, whose participation rate globally is far lower than that of men. In developed countries, a large slice of this reserve has already been used up, and the participation rate for women is already very close to that of men. In Spain, growth in the economically active population between 1987 and 2007, of over 5 million, is mainly accounted for by women joining the labor force. For example, in the financial sector, women rose from 20% to 50% of employed persons in that period. In emerging countries, however, a high percentage of women still remain outside the labor market.

The challenges of people management in the 21st century

4.3

Companies are thus facing a complex employment situation: a shortage of labor coupled with increasing difficulties in retaining and attracting the most highly qualified employees, and also the need to manage a far more diverse workforce comprising people from different generations, countries and cultures.

Providing a response to these demands will require five key elements:

- A clearly defined **Corporate Culture** that the whole organization is aware of.
- A **holistic Human Resources approach** which suitably combines the organization's inherently global nature with the need to operate and compete successfully in each market, business or country where it is present.
- A solid team of professionals who **identify with the culture and the model**. On this point, it is necessary to remember that people are not retained or their careers developed by strategies or policies, but actually by other people. This fact turns **managers** into key elements in handling talent. This is why the **leadership or management style that predominates in a company is a decisive factor**.
- Opening of adequate **internal communication channels**.
- And lastly, dealing properly with the **emotional aspects of employment relationships**. People have to feel **pride in belonging** to the company where they are working. For this there need to be programs relating to social responsibility, improving employees' work-life balance or, simply, programs which make employ-

ees' lives easier; essentially programs aimed at making one's company "the best place to work at".

4.3.1 Corporate Culture as a necessary frame of reference

Corporate culture is an essential element to keep a team of people united, motivated and identifying with a common aim.

Such a culture should be based on compliance with rigorous ethics criteria relating to integrity and transparency, and by good Corporate Governance practices.

However, just as important as the specific values of a company is their application to day to day business and preservation over time. It is vital that there be consistency between the "culture" we espouse, the company's policies and processes and the behaviors conveyed to each of the stakeholders.

Given that people are the basis upon which the culture rests, they should be placed above any other consideration, particularly if we want to build companies that can last and adapt over several generations of managers and multiple product life cycles.

On this point, the results of the study on reputation and attracting talent carried out this year by the firm Hill & Knowlton are especially striking: three quarters of MBA students interviewed stated that a company's reputation is extremely or very important when it comes to considering where to work. In fact, only 4% stated that reputation was of no importance.

4.3.2 The role of Human Resources

Managing the heterogeneous nature of the internationalization of companies involves the Human Resources function taking on greater strategic relevance.

Globalization requires a people management model that allows the necessary balance between developing a common framework and the specific local aspects of each country. Certain principles and elements that have to be common to all geographical areas are defined in Human Resources, at the same time that it provides local units with the tools and means to be able to act as effective managers of their own resources, and to develop policies and practices adapted to their particular environment.

The model for human resources management has to be in keeping, on the one hand, with the company's strategic po-

sitioning, as to be truly effective it has to be able to translate business strategy into a feasible personnel scheme, and, on the other, with the corporate culture itself.

Human resources policies must be a means to align human resources practices with business strategy, while encouraging the values and behaviors which organizations want to be renowned for.

Using Human Resources policies effectively in selection, development and remuneration should lead to being able to identify, segment and manage key individuals in organizations, irrespective of the environment or country in which they operate.

To ensure the objectivity and effectiveness of this process, it is essential, on the one hand, for each unit to have the same management tools and, on the other, for all systems to be properly integrated, so as to be able to have reliable data on each person's skills and performance.

Talent is the most critical resource that companies possess if they are to remain competitive; it is a strategic asset which should be managed as such. Success in such management begins with being able to identify this critical group at any level or in any environment, as a prerequisite for defining specific action plans that ensure that these individuals will be retained.

It would, however, be a mistake only to focus on certain groups and neglect the rest of the staff, particularly if we bear in mind that "today's" talent may not be useful tomorrow. Companies must therefore concentrate on developing talent at each and every organizational level.

Management by competencies has shown itself to be very useful in guiding people's development, and represents an excellent tool for managing talent globally.

Essentially, the goal of any model for management by competencies is to improve organizational performance by providing the framework, the resources and the instruments to manage individual performance, in line, obviously, with the organizational skills key to the success of the business.

A large part of a company's success in internationalizing lies in the professionalism of its employees and, to achieve this, an investment must be made in training people so that they can gradually gain the skills needed to perform their roles.

On the other hand, results-focused remuneration schemes are also useful for underpinning the behavioral patterns desired by the organization.

In addition, state-of-the-art human resources management should use a whole range of tools aimed at enhancing employee satisfaction and their view of the company as a “good place to work at”. Flexible working hours, tele-working, striking a good work-life balance and corporate social responsibility are all essential to attain this objective.

Lastly, I would like to draw attention to an important element when working in multinational environments: **managing diversity**.

Not managing diversity properly represents a human capital cost for companies (loss of talent, absenteeism...), an efficiency cost (low level of creativity and innovation), a cost in terms of financial resources (lack of credibility with shareholders and investors) and a cost resulting from a worsening of the company’s corporate image vis-à-vis customers, suppliers and political, social and economic players.

Forecasts indicate that, by 2010, only 30% of EU workers will have the profile of a white able-bodied male under 45. The challenge for business leaders lies in being able to learn how to manage far more heterogeneous human realities involving mixtures of different cultures, interests and values in a short space of time, which, if well managed, can become a first rate source of innovation, competency development, flexibility and, basically, competitive advantages.

4.3.3 The management team

The context of the world we live in, with continual changes that take place at a frenetic pace, means that the useful life of know-how is shorter and requires ongoing professional development.

Training is a fundamental element in developing people’s professional competencies and guarantees their employability, and should therefore be a part of every company’s commitment towards its people.

Organizations should always focus on offering their people opportunities to develop, and bring their efforts to bear effectively via training adapted as far as possible to each person’s needs.

In this regard, implementing development itineraries might be an appropriate method of learning competencies which ensures a reasonably uniform level of development across the various areas or countries where companies operate.

Possibly the best means of conveying values and enhancing corporate identity when operating in several different geographical environments is by example. This makes the management team an essential factor in propagating a company’s corporate culture and, of course, its strategy.

Working on developing a management team whose people reflect the diversity in the organization, encouraging a common management style among its members, and promoting identification with the company’s values and vision, besides other factors, contribute to a successful internationalization of the company.

However, all of this requires structuring distinctive management systems for company members in different environments, ranging from training programs to differentiated communication policies, or to remuneration or assessment schemes, for example.

4.3.4 Communication

Any entity that aspires to be a market leader needs the commitment and involvement of its human assets. There are no organizations without people. This means that there can be no organizations without feelings, emotions or passions... An organization is a human group that can and wants to feel like a cornerstone of the pillars that support the company’s mission.

Devoting efforts towards **internal communication** means investing resources in cohesion, commitment, hope and efficiency; in short, it means a pledge towards people. People who have a lot to receive and, most importantly, a lot to offer too.

It would, however, be a mistake to think that internal communication is the duty of a specific department. Communication is the responsibility of each and every one of the people in an organization, especially those who manage other people.

On the other hand, the emergence of the Internet, the creation of a worldwide fiber optic network, the rapid development of communication technologies and the use of tools associated with the so-called web 2.0 have opened up an incredible spectrum of opportunities for sharing information and knowledge, both within organizations and with customers and society at large.

4.4

Human Resources at BBVA

BBVA is today a major global financial group established in over 30 countries. Its development has also been reflected in its human resources.

Today BBVA globally comprises almost 112,000 professionals, of which seven out of every ten are now outside Spain. Our diversity of origins and cultures constitutes one of our hallmarks and an indispensable competitive advantage for the Group (Charts 10 and 11).

This Group internationalization process and its management is based on a strategy that rests on three fundamental pillars: **principles, innovation and people.**

- The first major pillar which supports BBVA are its **ethical principles**: integrity, transparency and good business practices. This involves building long term relationships with customers and with society, reciprocal relationships involving value creation.

As well as solid ethical foundations, BBVA conducts an ambitious Corporate Responsibility policy with the aim of providing the highest possible value to its stakeholders (shareholders, customers, employees and suppliers) and all societies where it operates.

- **Innovation and change** make up the second of BBVA's strategic pillars. Innovation for customers, so as to offer them the best solutions, understanding the Internet to be a whole new space, a platform from which we can develop products and services which make life easier and more comfortable for our customers.
- Lastly, the third pillar is **people**, which means being able to call on the best teams and talent.

The group's vision is: "BBVA, working for a better future for our people".

In this statement, we do not refer to customers, but to people. This is completely intentional in that we do not want to see customers solely as such, but in a broader and holistic sense: as people who, besides financial products, require other types of services and products to cover their needs.

At BBVA we consider that people are what differentiate organizations, as the competitiveness of companies is directly related to their ability to attract, nurture and retain talent.

On this point, the more than 272,000 résumés received in 2007 shows the Group's ability to attract talent, which

is mirrored by the number of people who joined us that same year, around 15,700. The job profiles of large slice of these new employees actually refer to the intensive use of ICT technologies or analyzing consumer behavior patterns, for example.

BBVA has a global, integrated model for managing human capital whose prime goal is developing our teams both personally and professionally.

The process of global expansion pursued by the BBVA Group requires swift and effective **integration processes.** In this regard, the necessary consolidation of the corporate culture must be accompanied by certain common management principles applicable to all business units the world over. The Group's multicultural nature requires knowing how to combine a global character with respect for specifically local aspects.

In providing an answer to this challenge, the Human Resources management model relies on a **common framework** for the whole organization, the BBVA Group's "Corporate Policies Handbook", which has been designed with the flexibility needed for it to be **applied locally.** This way the Group manages to act and be perceived as a single bank, at the same time improving results in each of the countries where it operates.

Human Resources provides the tools and the means necessary for business units to use the different people management models themselves directly, thereby allowing them to act as genuine managers of their own resources.

This model is constructed around **managing by competencies** as an element seeking to propitiate the professional development of people which allows laying emphasis on creating one's own management style.

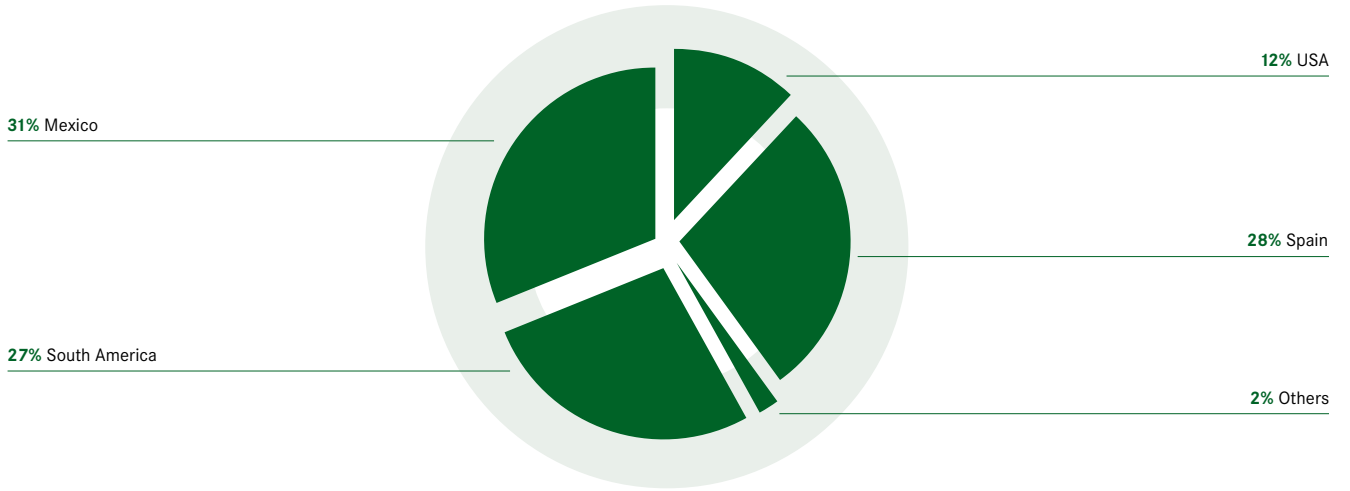
For this purpose, each unit has identified, together with the Human Resources department, the know-how and skills, basically the competencies, which are required to perform each of the **8,600 functional profiles** in the Group successfully.

At BBVA, professional development is envisaged as a task to be shared: on the one hand Human Resources acts as a driver and as back-up; on the other hand each team leader has to look to the development of his fellow workers; finally there is the initiative of each professional, who is furnished with the right tools to flourish on his/her own account.

Employee percentage breakdown by country (31/12/2007)

Chart 10

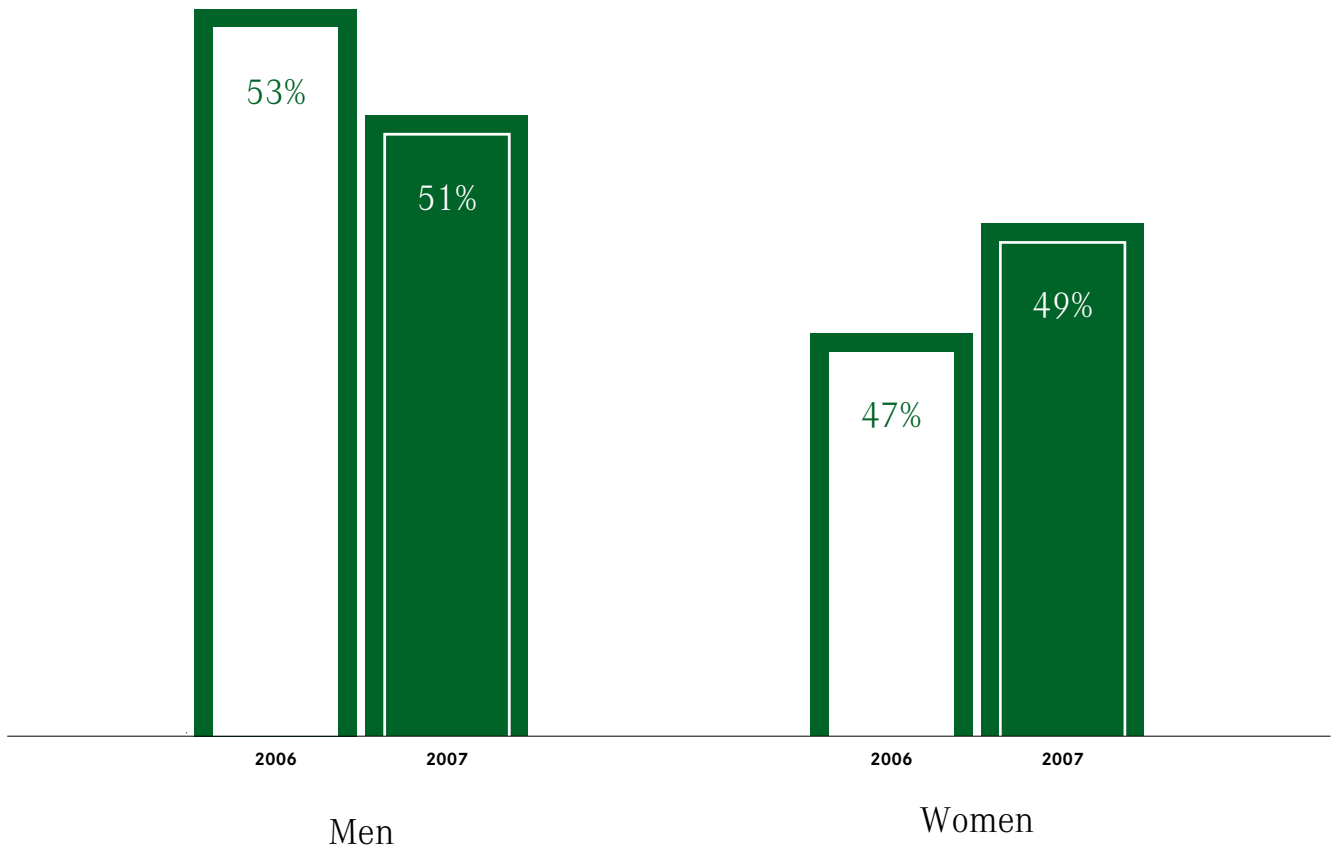
Source: BBVA



Percentage distribution by gender (31/12/2007)

Chart 11

Source: BBVA



Regarding this point, it seems appropriate to say here that during the last competencies assessment process carried out within the Group, over **266,000 individual development-oriented actions were observed.**

In this regard, it is convenient to underscore the major role played by training in a global organization such as BBVA, configured as an instrument to foster the integration of its diverse teams.

The importance which BBVA attaches to training is evidenced by the more than 42 million Euro to be invested in 2008. On the other hand, the organization's inherently global nature means that language training is an essential part of our training policy, representing an annual investment of some 4 million Euro. The managing by competencies model allows, among other things, to identify the profiles and professionals requiring this type of training (Chart 13).

All of the above allows dynamic career management in the Group. Regarding this issue more than 23% of staff were promoted in 2007.

Our **Remuneration Policy** is defined within the framework of our Corporate Culture with the idea of being flexible, of respecting the diverse geographical environments, of taking into account the specific nature of each business, and with the following four clear objectives:

- A remuneration scheme based on creating value.
- Attracting and retaining the best professionals.
- Strict compliance with applicable law in each country where we are present.
- Sharing best practices in good governance.

The basis of this policy is to seek a commitment of all professionals to the achievement of the goals set by the Group and applying them in practice is delegated to the units themselves.

BBVA would not be what it is today without the contribution made by the people which make up the organization, especially its **management team**. What actually defines a position as "managerial" is not the person or his/her track record, but the importance of the function itself.

Due to its special nature, a distinct management policy has been defined for this group as regards:

- Assessment of competencies and managerial styles
- Remuneration
- Communication
- Training

Training of the management team basically takes place at the Management School located in Aranjuez (Spain), whose aim is to impress on managers a global view of the organization and a better understanding of the competitive context. With this objective, and working in conjunction with international top-ranked business schools, high level training programs are provided.

The Management School also allows us to shape our **own management style** that identifies us as a team and distinguishes us from other organizations.

At BBVA we believe in a working environment that builds enthusiasm, and we have thus set in motion the program called "**Passion for people**".

"Passion for people" is a fundamental element of the value offered by the Group to both present and potential employees by properly combining rational initiatives, normally of an economic type, with other emotional ones that relate more to personal satisfaction and to the pride that stems from working and being part of BBVA.

Framed within this program are, among others, projects such as the flexible remuneration system, which has been defined and designed for all Group employees, irrespective of their level in the organization, steps towards striking a happy work-life balance, social voluntary initiatives or the relationship model for the early retirees, retired employees and widows/widowers of bank employees, who number close to some 30,000 people in Spain.

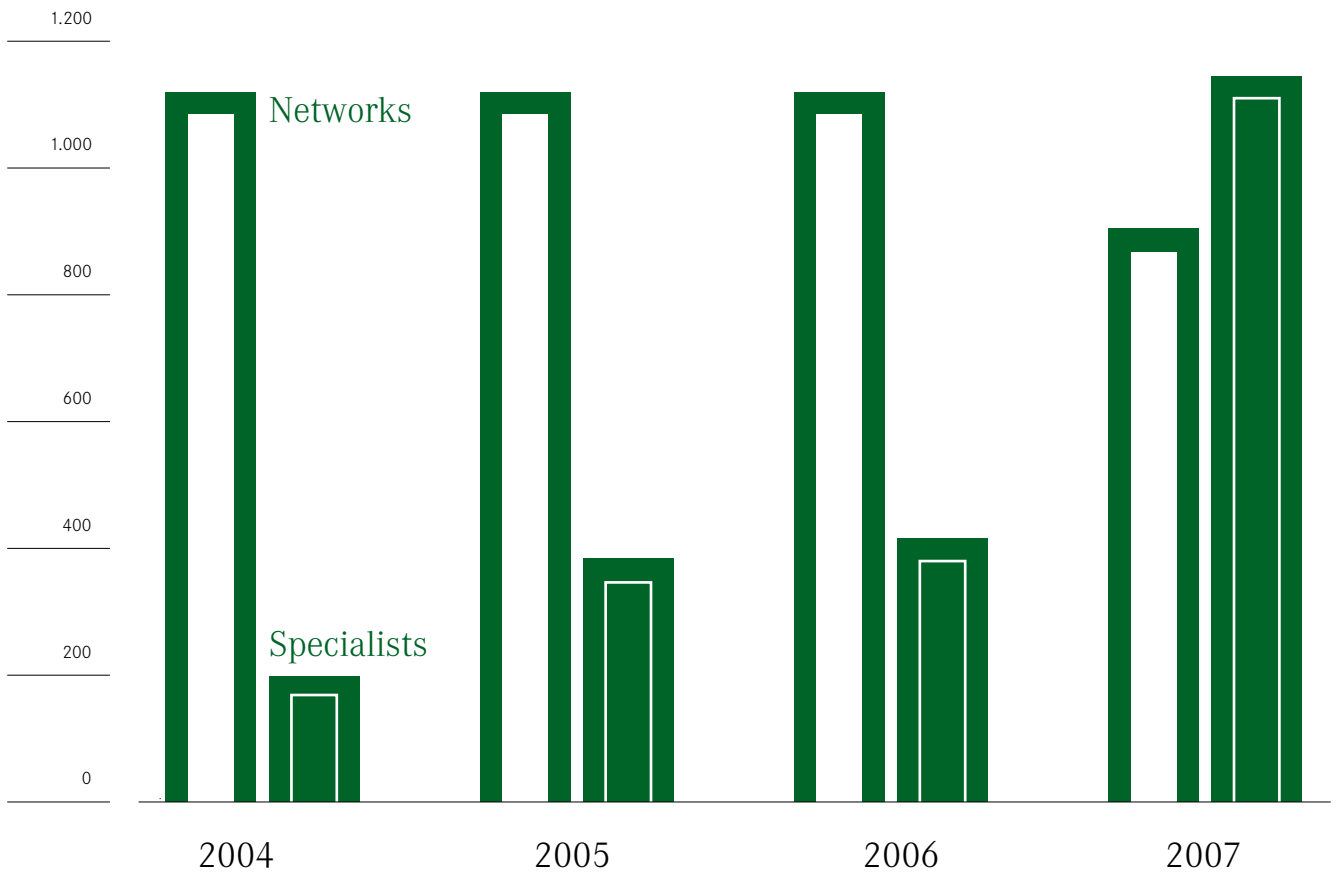
To make "Passion for people" a reality, comprehensive research was undertaken concerning the wishes, concerns and demands of employees. For this, some 3,280 individual interviews were conducted and 250 focus groups organized in which 5,100 employees participated.

To summarize, in a global world, at BBVA we believe that the key themes of differentiation, competitiveness and sustainability are to be attained via excellence in managing the prospects for human capital and, as far as possible, we strive to live up to what our people require of us.

Selection activity: Spain and Global Areas

Chart 12

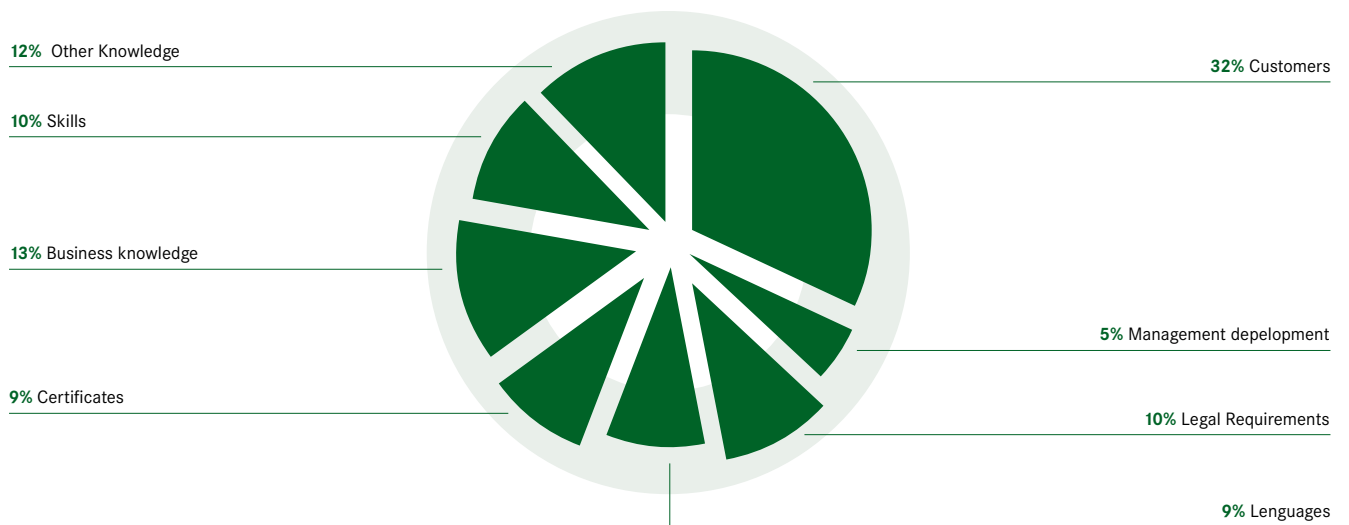
Source: BBVA

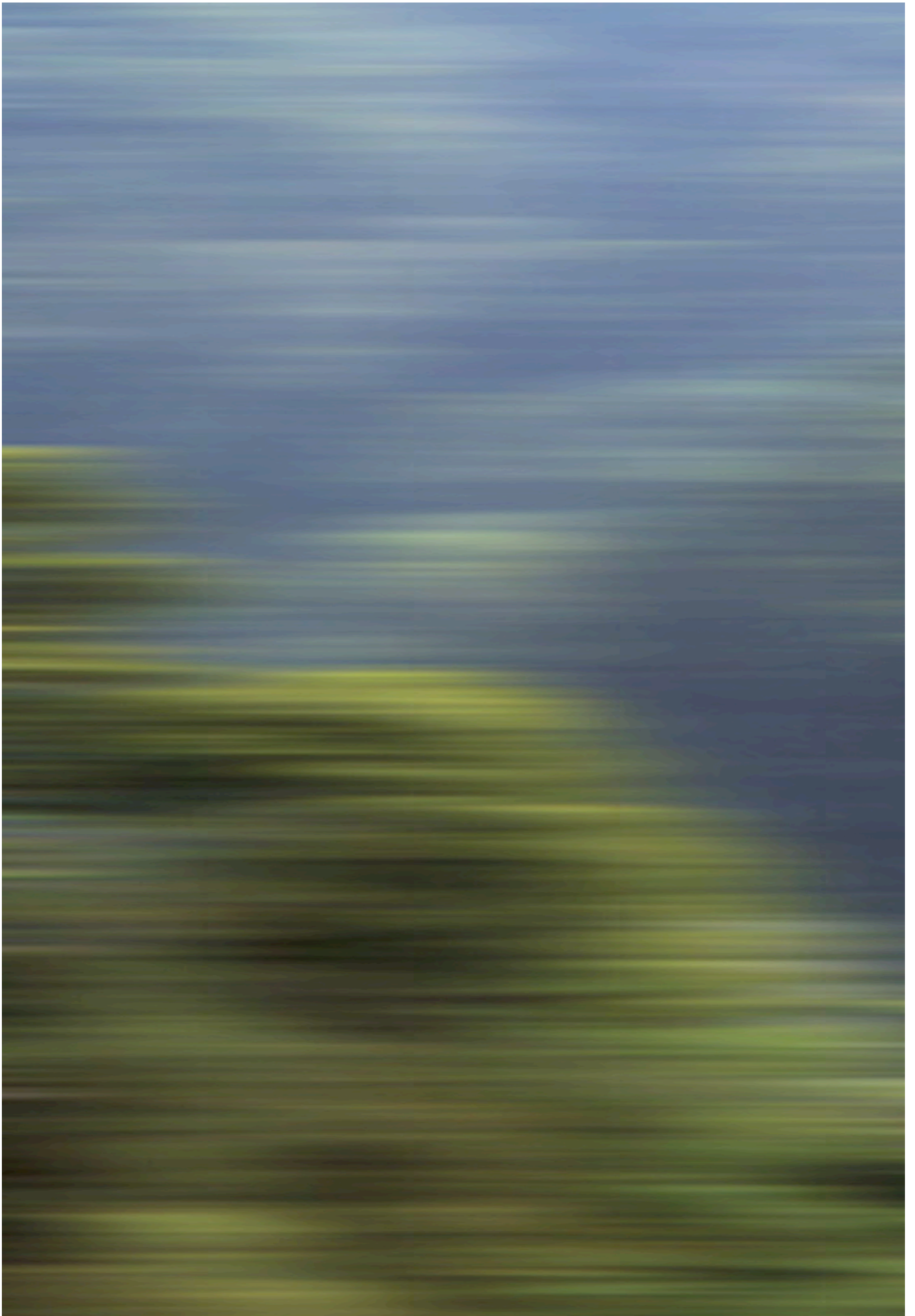


Distribution of training investment 2008

Chart 13

Source: BBVA





5

Statistical annex

Total shareholder returns in the IBEX-35
(companies and rates ordered according to 2007)

Table A.1

Source: Datastream International via Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Mean ^b	Mean ^b
														1995-	2003-
														2007	2007
<i>Acciona</i>	-26.2	52.1	152.1	182.1	-19.2	-29.7	6.4	-3.0	26.0	38.1	48.0	52.0	55.8	29.4	43.6
<i>Gamesa</i>	...	...	...	...	...	...	-39.8	1.4	70.0	21.1	22.7	70.4	54.3	22.1	46.0
<i>Grifols</i>	...	...	...	...	...	...	...	...	...	...	...	...	53.0	53.0	53.0
<i>Bolsas y Merc. Esp.</i>	...	...	...	...	...	...	...	...	...	...	...	...	52.8	52.8	52.8
<i>Telefónica</i>	11.4	84.4	46.8	54.0	104.3	-29	-11.1	-41.0	46.6	22.7	-1.2	31.2	41.7	20.8	27.0
<i>Gas Natural</i>	68.4	60.9	5.3	96.8	-25.7	-14.3	-2.5	-2.0	4.6	26.0	6.7	30.6	36.3	17.9	20.1
<i>Red Eléctrica</i>	...	...	...	...	...	70.0	7.5	-4.5	40.1	31.4	62.7	27.1	36.1	31.7	39.0
<i>Iberdrola</i>	44.2	72.6	12.2	35.7	-11.8	0.0	13.0	-5.6	21.7	23.5	27.5	47.8	28.5	21.8	29.5
<i>Altadis</i>	34.2	24.1	124.9	46.6	-33.0	19.4	19.4	16.5	6.4	53.9	16.4	5.9	27.8	23.6	20.8
<i>Unión Fenosa</i>	41.8	100.6	8.0	72.4	19.7	14.7	-5.3	-29.4	22.5	33.8	66.2	21.9	25.9	26.1	33.1
DAX 30^a	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22.0	22.3	10.9	22.8
<i>Enagas</i>	...	...	...	...	...	...	...	...	52.6	46.0	32.3	13.9	16.0	31.3	31.3
World Market^a	16.8	13.1	13.4	21.7	32.5	-15.3	-16.2	-16.8	37.8	17.9	13.6	23.8	15.1	10.7	21.3
IBEX 35^a	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5	32.2	21.1	22.0	36.0	10.7	16.1	24.1
<i>Iberia</i>	...	...	...	...	...	...	...	27.9	66.3	13.1	-8.6	21.5	9.5	19.6	18.0
Dow Jones^a	36.9	28.7	24.9	18.1	27.2	-4.8	-5.4	-15.0	28.3	5.3	1.7	19.0	8.9	12.3	12.2
<i>Banco Santander</i>	25.9	41.4	88.0	14.2	34.1	3.3	-15.5	-28.2	48.6	0.3	26.0	30.8	8.1	17.9	21.6
FTSE 100^a	26.0	16.9	28.7	17.5	20.6	-8.2	-14.1	-22.2	17.9	11.2	20.8	14.4	7.4	9.4	14.2
<i>Bankinter</i>	12.2	75.9	31.5	22.7	61.7	-26.4	-7.9	-26.3	41.8	23.6	22.4	29.7	7.3	17.0	24.5
S&P 500^a	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	11.3	12.8
<i>Endesa</i>	30.9	37.0	19.3	41.6	-11.2	-5.6	-0.4	-34.2	43.0	17.8	33.0	74.7	5.1	15.9	32.7
<i>Abertis</i>	52.1	41.3	23.1	24.1	-26.4	5.2	30.6	4.9	20.4	45.6	40.8	13.4	4.8	19.6	24.0
<i>Inditex</i>	...	...	...	...	...	...	...	5.7	-28.1	36.9	29.3	50.7	4.6	13.4	15.0
CAC-40^a	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	11.7	16.3
<i>Indra Sistemas</i>	-42.1	14.4	445.4	121.5	40.8	8.0	-4.8	-31.4	58.4	25.3	35.3	15.2	3.3	28.3	26.1
<i>Sogetel</i>	...	...	...	...	...	-66.9	23.8	-67.1	223.5	18.1	4.6	-20.3	1.5	-9.9	26.5
<i>Aguas de Barcelona</i>	62.0	53.7	19.4	54.2	-22.2	-8.4	10.3	-29.5	27.3	34.0	20.7	58.5	0.6	17.7	26.8
<i>ACS</i>	5.7	12.9	312.6	53.0	-28.0	7.7	10.6	13.5	28.4	32.5	64.5	59.6	-2.6	30.5	34.2
<i>Repsol YPF</i>	14.6	29.1	33.5	18.8	54.7	-24.8	-1.6	-22.2	25.1	26.5	31.5	8.5	-4.9	12.2	16.5
<i>BBVA</i>	39.2	65.5	114.6	36.4	7.5	13.9	-10.6	-32.4	23.9	22.8	19.1	24.4	-5.3	20	16.4
<i>Mapfre</i>	27.4	18.8	3.9	-3.3	-27.9	27.9	-1.7	21.1	47.9	2.6	31.1	24.7	-9.7	10.7	17.5
<i>Banco de Sabadell</i>	...	...	...	...	...	...	...	-4.9	26.6	12.8	31.8	56.4	-10.3	16.6	21.4
<i>Banco Popular Esp.</i>	48.4	17.6	71.6	2.5	3.0	17.4	2.0	8.7	25.3	5.7	9.4	36.9	-12.6	16.3	11.6
<i>Abengoa</i>	...	...	63.8	68.4	0.0	61.4	-17.7	-17.6	5.4	28.1	72.7	125.6	-12.7	27.0	35.6
<i>Cintra</i>	...	...	...	...	...	...	...	...	...	...	21.7	37.3	-14.1	12.8	12.8
<i>Telecinco</i>	...	...	...	...	...	...	...	...	...	...	45.1	6.1	-14.8	9.5	9.5
<i>Banco Esp. de Crédito</i>	-9.2	19.6	49.3	24.7	40.2	-8.9	-3.6	-43.5	39.4	13.9	23.5	36.3	-17.9	9.1	17.0
<i>Acerinox</i>	0.2	57.3	22.4	-25.2	103.3	-15.9	20.5	-4.0	9.3	28.9	6.3	91.0	-25.6	14.9	16.3
<i>Fomento</i>	-27.2	31.4	93.3	82.7	-36.0	1.2	17.2	-6.3	39.5	24.9	39.1	65.3	-31.9	15.6	22.2
<i>Grupo Ferrovial</i>	...	...	...	...	...	-3.8	46.8	24.4	17.8	43.8	51.0	27.9	-34.1	18.1	16.6
<i>Sacyr Vallehermoso</i>	0.4	27.1	68.0	31.4	-42.3	-4.8	11.4	45.6	25.6	6.1	78.7	129.6	-40.1	17.6	26.8
<i>Inmobiliaria Colonial</i>	-52.6	-17.6	-44.7	14.6	-4.4	0.0	0.0	-39.3	213.3	-1.4	67.5	390.3	-62.3	2.5	57.1

NOTE: ^a Market indices were calculated using the companies included in them in each year.^b Calculated as a geometric mean.

Table A.2 Total shareholder returns in the IBEX-35
(companies and rates ordered according to the 1995-2007 average)

Source: Datastream International via Wharton Research Data Services

Company	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Mean ^b	Mean ^b
														1995-	2003-
<i>Grifols</i>	...	...	...	...	...	...	...	...	...	...	...	...	53.0	53.0	53.0
<i>Bolsas y Merc. Esp.</i>	...	...	...	...	...	...	...	...	...	...	...	...	52.8	52.8	52.8
<i>Red Eléctrica</i>	...	...	...	...	...	70.0	7.5	-4.5	40.1	31.4	62.7	27.1	36.1	31.7	39.0
<i>Enagas</i>	...	...	...	...	...	...	...	...	52.6	46.0	32.3	13.9	16.0	31.3	31.3
<i>ACS</i>	5.7	12.9	312.6	53.0	-28.0	7.7	10.6	13.5	28.4	32.5	64.5	59.6	-2.6	30.5	34.2
<i>Acciona</i>	-26.2	52.1	152.1	182.1	-19.2	-29.7	6.4	-3.0	26.0	38.1	48.0	52.0	55.8	29.4	43.6
<i>Indra Sistemas</i>	-42.1	14.4	445.4	121.5	40.8	8.0	-4.8	-31.4	58.4	25.3	35.3	15.2	3.3	28.3	26.1
<i>Abengoa</i>	...	...	63.8	68.4	0.0	61.4	-17.7	-17.6	5.4	28.1	72.7	125.6	-12.7	27.0	35.6
<i>Unión Fenosa</i>	41.8	100.6	8.0	72.4	19.7	14.7	-5.3	-29.4	22.5	33.8	66.2	21.9	25.9	26.1	33.1
<i>Altadis</i>	34.2	24.1	124.9	46.6	-33.0	19.4	19.4	16.5	6.4	53.9	16.4	5.9	27.8	23.6	20.8
<i>Gamesa</i>	...	...	...	...	...	...	-39.8	1.4	70.0	21.1	22.7	70.4	54.3	22.1	46.0
<i>Iberdrola</i>	44.2	72.6	12.2	35.7	-11.8	0.0	13.0	-5.6	21.7	23.5	27.5	47.8	28.5	21.8	29.5
<i>Telefónica</i>	11.4	84.4	46.8	54.0	104.3	-29	-11.1	-41.0	46.6	22.7	-1.2	31.2	41.7	20.8	27.0
<i>BBVA</i>	39.2	65.5	114.6	36.4	7.5	13.9	-10.6	-32.4	23.9	22.8	19.1	24.4	-5.3	20.0	16.4
<i>Iberia</i>	...	...	...	...	...	...	...	27.9	66.3	13.1	-8.6	21.5	9.5	19.6	18.0
<i>Abertis</i>	52.1	41.3	23.1	24.1	-26.4	5.2	30.6	4.9	20.4	45.6	40.8	13.4	4.8	19.6	24.0
<i>Grupo Ferrovial</i>	...	...	...	...	...	-3.8	46.8	24.4	17.8	43.8	51.0	27.9	-34.1	18.1	16.6
<i>Gas Natural</i>	68.4	60.9	5.3	96.8	-25.7	-14.3	-2.5	-2.0	4.6	26.0	6.7	30.6	36.3	17.9	20.1
<i>Banco Santander</i>	25.9	41.4	88.0	14.2	34.1	3.3	-15.5	-28.2	48.6	0.3	26.0	30.8	8.1	17.9	21.6
<i>Aguas de Barcelona</i>	62.0	53.7	19.4	54.2	-22.2	-8.4	10.3	-29.5	27.3	34.0	20.7	58.5	0.6	17.7	26.8
<i>Sacyr Vallehermoso</i>	0.4	27.1	68.0	31.4	-42.3	-4.8	11.4	45.6	25.6	6.1	78.7	129.6	-40.1	17.6	26.8
<i>Bankinter</i>	12.2	75.9	31.5	22.7	61.7	-26.4	-7.9	-26.3	41.8	23.6	22.4	29.7	7.3	17.0	24.5
<i>Banco de Sabadell</i>	...	...	...	...	...	...	...	-4.9	26.6	12.8	31.8	56.4	-10.3	16.6	21.4
<i>Banco Popular Esp.</i>	48.4	17.6	71.6	2.5	3.0	17.4	2.0	8.7	25.3	5.7	9.4	36.9	-12.6	16.3	11.6
IBEX 35^a	22.4	47.1	44.5	38.6	20.1	-20.5	-6.1	-26.5	32.2	21.1	22.0	36.0	10.7	16.1	24.1
<i>Endesa</i>	30.9	37.0	19.3	41.6	-11.2	-5.6	-0.4	-34.2	43.0	17.8	33.0	74.7	5.1	15.9	32.7
<i>Fomento</i>	-27.2	31.4	93.3	82.7	-36.0	1.2	17.2	-6.3	39.5	24.9	39.1	65.3	-31.9	15.6	22.2
<i>Acerinox</i>	0.2	57.3	22.4	-25.2	103.3	-15.9	20.5	-4.0	9.3	28.9	6.3	91.0	-25.6	14.9	16.3
<i>Inditex</i>	...	...	...	...	...	...	...	5.7	-28.1	36.9	29.3	50.7	4.6	13.4	15.0
<i>Cintra</i>	...	...	...	...	...	...	...	...	...	...	21.7	37.3	-14.1	12.8	12.8
<i>Dow Jones^a</i>	36.9	28.7	24.9	18.1	27.2	-4.8	-5.4	-15.0	28.3	5.3	1.7	19.0	8.9	12.3	12.2
<i>Repsol YPF</i>	14.6	29.1	33.5	18.8	54.7	-24.8	-1.6	-22.2	25.1	26.5	31.5	8.5	-4.9	12.2	16.5
CAC-40^a	2.8	27.6	33.0	34.1	54.1	1.0	-20.3	-31.9	19.9	11.4	26.6	20.9	4.2	11.7	16.3
S&P 500^a	37.6	23.0	33.4	28.6	21.0	-9.1	-11.9	-22.1	28.7	10.9	4.9	15.8	5.5	11.3	12.8
DAX 30^a	7.0	28.2	47.1	17.7	39.1	-7.5	-19.8	-43.9	37.1	7.3	27.1	22.0	22.3	10.9	22.8
World Market^a	16.8	13.1	13.4	21.7	32.5	-15.3	-16.2	-16.8	37.8	17.9	13.6	23.8	15.1	10.7	21.3
<i>Mapfre</i>	27.4	18.8	3.9	-3.3	-27.9	27.9	-1.7	21.1	47.9	2.6	31.1	24.7	-9.7	10.7	17.5
<i>Telecinco</i>	...	...	...	...	...	...	...	...	...	...	45.1	6.1	-14.8	9.5	9.5
FTSE 100^a	26.0	16.9	28.7	17.5	20.6	-8.2	-14.1	-22.2	17.9	11.2	20.8	14.4	7.4	9.4	14.2
<i>Banco Esp. de Crédito</i>	-9.2	19.6	49.3	24.7	40.2	-8.9	-3.6	-43.5	39.4	13.9	23.5	36.3	-17.9	9.1	17.0
<i>Inmobiliaria Colonial</i>	-52.6	-17.6	-44.7	14.6	-4.4	0.0	0.0	-39.3	213.3	-1.4	67.5	390.3	-62.3	2.5	57.1
<i>Sogetecable</i>	...	...	...	...	...	-66.9	23.8	-67.1	223.5	18.1	4.6	-20.3	1.5	-9.9	26.5

NOTE: a Market indices were calculated using the companies included in them in each year.

b Calculated as a geometric mean.

Total shareholder returns in the IBEX-35
(companies and rates ordered according to the 2003-2007 average)

Table A.3

Source: Datastream International via Wharton Research Data Services

Company	2003	2004	2005	2006	2007	Mean ^b 1995- 2007	Mean ^b 2003- 2007
<i>Inmobiliaria Colonial</i>	213.3	-1.4	67.5	390.3	-62.3	2.5	57.1
<i>Grífols</i>	...	...	...	...	53.0	53.0	53.0
<i>Bolsas y Merc. Esp.</i>	...	...	...	...	52.8	52.8	52.8
<i>Gamesa</i>	70.0	21.1	22.7	70.4	54.3	22.1	46.0
<i>Acciona</i>	26.0	38.1	48.0	52.0	55.8	29.4	43.6
<i>Red Eléctrica</i>	40.1	31.4	62.7	27.1	36.1	31.7	39.0
<i>Abengoa</i>	5.4	28.1	72.7	125.6	-12.7	27.0	35.6
<i>ACS</i>	28.4	32.5	64.5	59.6	-2.6	30.5	34.2
<i>Unión Fenosa</i>	22.5	33.8	66.2	21.9	25.9	26.1	33.1
<i>Endesa</i>	43.0	17.8	33.0	74.7	5.1	15.9	32.7
<i>Enagas</i>	52.6	46.0	32.3	13.9	16.0	31.3	31.3
<i>Iberdrola</i>	21.7	23.5	27.5	47.8	28.5	21.8	29.5
<i>Telefónica</i>	46.6	22.7	-1.2	31.2	41.7	20.8	27.0
<i>Aguas de Barcelona</i>	27.3	34.0	20.7	58.5	0.6	17.7	26.8
<i>Sacyr Vallehermoso</i>	25.6	6.1	78.7	129.6	-40.1	17.6	26.8
<i>Sogecable</i>	223.5	18.1	4.6	-20.3	1.5	-9.9	26.5
<i>Indra Sistemas</i>	58.4	25.3	35.3	15.2	3.3	28.3	26.1
<i>Bankinter</i>	41.8	23.6	22.4	29.7	7.3	17.0	24.5
IBEX 35^a	32.2	21.1	22.0	36.0	10.7	16.1	24.1
<i>Abertis</i>	20.4	45.6	40.8	13.4	4.8	19.6	24.0
DAX 30^a	37.1	7.3	27.1	22.0	22.3	10.9	22.8
<i>Fomento</i>	39.5	24.9	39.1	65.3	-31.9	15.6	22.2
<i>Banco Santander</i>	48.6	0.3	26.0	30.8	8.1	17.9	21.6
<i>Banco de Sabadell</i>	26.6	12.8	31.8	56.4	-10.3	16.6	21.4
World Market^a	37.8	17.9	13.6	23.8	15.1	10.7	21.3
<i>Altadis</i>	6.4	53.9	16.4	5.9	27.8	23.6	20.8
<i>Gas Natural</i>	4.6	26.0	6.7	30.6	36.3	17.9	20.1
<i>Iberia</i>	66.3	13.1	-8.6	21.5	9.5	19.6	18.0
<i>Mapfre</i>	47.9	2.6	31.1	24.7	-9.7	10.7	17.5
<i>Banco Esp. de Crédito</i>	39.4	13.9	23.5	36.3	-17.9	9.1	17.0
<i>Grupo Ferrovial</i>	17.8	43.8	51.0	27.9	-34.1	18.1	16.6
<i>Repsol YPF</i>	25.1	26.5	31.5	8.5	-4.9	12.2	16.5
<i>BBVA</i>	23.9	22.8	19.1	24.4	-5.3	20.0	16.4
<i>Acerinox</i>	9.3	28.9	6.3	91.0	-25.6	14.9	16.3
CAC-40^a	19.9	11.4	26.6	20.9	4.2	11.7	16.3
<i>Inditex</i>	-28.1	36.9	29.3	50.7	4.6	13.4	15.0
FTSE 100^a	17.9	11.2	20.8	14.4	7.4	9.4	14.2
<i>Cintra</i>	...	...	21.7	37.3	-14.1	12.8	12.8
S&P 500^a	28.7	10.9	4.9	15.8	5.5	11.3	12.8
Dow Jones^a	28.3	5.3	1.7	19.0	8.9	12.3	12.2
<i>Banco Popular Esp.</i>	25.3	5.7	9.4	36.9	-12.6	16.3	11.6
<i>Telecinco</i>	...	...	45.1	6.1	-14.8	9.5	9.5

NOTE: ^a Market indices were calculated using the companies included in them in each year.^b Calculated as a geometric mean.

Spanish companies with the largest shareholder returns in 2007, compared to companies in the same sector within the Euro area

Table A.4

Source: Datastream International via Wharton Research Data Services

Company	Absolute rate		Standardized rate		Standardized rate	
	Position	%	Position	Euro area	Position	World
<i>Construcción y Auxiliar de Ferrocarril</i>	1	105.5	1	2.27	2	0.45
<i>Uralita</i>	17	23.7	2	1.79	14	0.11
<i>Iberia</i>	28	9.5	3	1.53	32	-0.11
<i>Telefónica</i>	10	41.7	4	1.44	21	0.03
<i>Grifols</i>	5	53.0	5	1.40	1	0.53
<i>Acumulador Tudor</i>	22	18.1	6	1.28	3	0.44
<i>Gas Natural</i>	12	36.3	7	1.23	20	0.04
<i>Bolsas y Mercados Españoles</i>	6	52.8	8	1.01	5	0.35
<i>Banco de Valencia</i>	26	9.8	9	0.94	13	0.11
<i>Acciona</i>	2	55.8	10	0.89	6	0.30
<i>Elecnor</i>	9	49.3	11	0.86	4	0.35
<i>Banco Santander</i>	30	8.1	12	0.86	16	0.07
<i>Vidrala</i>	18	21.7	13	0.82	17	0.06
<i>Bankinter</i>	31	7.3	14	0.81	18	0.05
<i>Papeles y Cartones de Europa</i>	46	-0.1	15	0.81	23	-0.03
<i>Técnicas Reunidas</i>	7	52.3	16	0.81	10	0.24
<i>Tubacex</i>	11	36.8	17	0.74	41	-0.27
<i>Altadis</i>	15	27.8	18	0.71	15	0.10
<i>Iberpapel Gestión</i>	49	-2.4	19	0.67	28	-0.10
<i>Red Eléctrica de España</i>	13	36.1	20	0.39	12	0.11
<i>Pescanova</i>	8	51.2	21	0.39	24	-0.05
<i>Sogecable</i>	41	1.5	22	0.29	27	-0.09
<i>Enagas</i>	23	16.0	23	0.27	35	-0.16
<i>Grupo Catalana Occidente</i>	70	-15.6	24	0.26	60	-0.45
<i>Inditex</i>	36	4.6	25	0.22	9	0.27
<i>Gamesa Corporación Tecnológica</i>	3	54.3	26	0.20	7	0.29
<i>Sotogrande</i>	37	4.0	27	0.20	29	-0.11
<i>General de Alquiler de Maquinaria</i>	4	53.9	28	0.20	8	0.28
<i>BBVA</i>	54	-5.3	29	0.18	39	-0.23
<i>Zeltia</i>	27	9.6	30	0.17	19	0.04
<i>Service Point Solutions</i>	43	1.0	31	0.17	38	-0.22
<i>Prosegur</i>	44	0.6	32	0.16	40	-0.23
<i>SOS Cuétara</i>	25	12.1	33	0.14	30	-0.11
<i>Indra Sistemas</i>	38	3.3	34	0.13	11	0.18
<i>Iberdrola</i>	14	28.5	35	0.13	22	-0.02
<i>Compañía Vinícola del Norte de España</i>	20	19.4	36	0.10	26	-0.09
<i>Banco Guipuzcoano</i>	57	-7.3	37	0.07	43	-0.28
<i>Grupo Empresarial Ence</i>	61	-12.2	38	0.06	55	-0.38
<i>Unión Fenosa</i>	16	25.9	39	0.03	25	-0.06
<i>Cepsa</i>	19	21.3	40	0.01	46	-0.31
<i>Amper</i>	40	1.5	41	-0.01	31	-0.11
<i>Cleop</i>	24	14.1	42	-0.01	48	-0.34
<i>PRISA</i>	48	-2.0	43	-0.06	34	-0.13
<i>Banco de Sabadell</i>	59	-10.3	44	-0.08	49	-0.35
<i>Viscofan</i>	39	3.1	45	-0.11	36	-0.16
<i>Barón de Ley</i>	32	7.1	46	-0.13	50	-0.36
<i>Parquesol Inmobiliaria</i>	64	-13.3	47	-0.14	52	-0.37
<i>Vocento</i>	52	-4.9	48	-0.14	37	-0.21
<i>Banco Popular Español</i>	62	-12.6	49	-0.19	56	-0.40
<i>Prim</i>	65	-13.4	50	-0.21	71	-0.61
<i>Duro Felguera</i>	21	19.1	51	-0.21	33	-0.13
<i>Tubos Reunidos</i>	29	8.1	52	-0.22	62	-0.50
<i>Dinamia Capital Privado</i>	56	-6.7	53	-0.26	45	-0.29
<i>Telecinco</i>	68	-14.8	54	-0.28	69	-0.61
<i>Abertis</i>	35	4.8	55	-0.33	58	-0.42

(continuation)

Table A.4

Company	Absolute rate		Standardized rate		Standardized rate	
	Position	%	Position	Euro zone	Position	World
<i>Obrascón Huarte Laín</i>	47	-0.9	56	-0.33	66	0.57
<i>Corporación Mapfre</i>	58	-9.7	57	-0.35	42	-0.27
<i>ACS</i>	50	-2.6	58	-0.37	68	-0.60
<i>Corporación Financiera Alba</i>	73	-18.0	59	-0.43	51	-0.36
<i>Cie Automotive</i>	42	1.1	60	-0.43	44	-0.28
<i>Banco Español de Crédito</i>	72	-17.9	61	-0.46	64	-0.53
<i>Metrovacesa</i>	87	-31.2	62	-0.49	73	-0.63
<i>Zardoya Otis</i>	55	-5.3	63	-0.50	57	-0.41
<i>Itinere Infraestructuras</i>	51	-4.0	64	-0.50	70	-0.61
<i>Repsol YPF</i>	53	-4.9	65	-0.53	91	-0.96
<i>Mecalux</i>	60	-10.7	66	-0.56	61	-0.48
<i>Abengoa</i>	63	-12.7	67	-0.59	79	-0.75
<i>Cementos Portland Valderribas</i>	76	-23.0	68	-0.63	65	-0.55
<i>Tecnocom</i>	84	-28.9	69	-0.65	89	-0.89
<i>Banco de Vasconia</i>	75	-22.3	70	-0.68	72	-0.63
<i>Cintra</i>	67	-14.1	71	-0.69	87	-0.83
<i>Logista</i>	33	5.7	72	-0.71	67	-0.6
<i>Endesa</i>	34	5.1	73	-0.71	59	-0.43
<i>Aguas de Barcelona</i>	45	0.6	74	-0.72	76	-0.67
<i>Testa Inmuebles en Renta</i>	98	-44.3	75	-0.75	88	-0.83
<i>NH Hoteles</i>	71	-17.9	76	-0.8	74	-0.65
<i>Faes Farma</i>	74	-22.2	77	-0.81	83	-0.77
<i>Natra</i>	77	-23.9	78	-0.85	47	-0.32
<i>Banco de Castilla</i>	79	-25.6	79	-0.85	77	-0.70
<i>Banco Pastor</i>	81	-26.8	80	-0.91	78	-0.73
<i>Avanzit</i>	96	-41.9	81	-0.92	101	-1.22
<i>Renta Corporación Real Estate</i>	100	-54.7	82	-0.95	92	-0.99
<i>La Seda de Barcelona</i>	80	-26.2	83	-0.95	82	-0.76
<i>Banco de Galicia</i>	82	-27.9	84	-0.97	80	-0.75
<i>Banco de Andalucía</i>	83	-28.1	85	-0.98	81	-0.76
<i>Adolfo Domínguez</i>	99	-47.4	86	-0.99	102	-1.35
<i>FCC</i>	88	-31.9	87	-1.00	93	-1.05
<i>Befesa Medio Ambiente</i>	90	-32.4	88	-1.05	105	-1.70
<i>Grupo Ferrovial</i>	92	-34.1	89	-1.05	96	-1.08
<i>Campofrío Alimentación</i>	89	-32.2	90	-1.08	53	-0.37
<i>Inmobiliaria Colonial</i>	103	-62.3	91	-1.10	97	-1.10
<i>Banco de Crédito Balear</i>	86	-30.6	92	-1.11	86	-0.82
<i>Ebro Puleva</i>	91	-33.4	93	-1.11	54	-0.38
<i>Antena 3</i>	94	-38.4	94	-1.12	103	-1.36
<i>Corporación Dermoestética</i>	69	-15.5	95	-1.13	90	-0.93
<i>Sacyr Vallehermoso</i>	95	-40.1	96	-1.18	100	-1.17
<i>Unipapel</i>	66	-13.8	97	-1.33	75	-0.66
<i>Acerinox</i>	78	-25.6	98	-1.34	84	-0.77
<i>Miquel y Costas</i>	93	-35.9	99	-1.43	95	-1.07
<i>Astroc Mediterráneo</i>	105	-87.4	100	-1.59	104	-1.48
<i>Sol Meliá</i>	85	-30.1	101	-1.64	85	-0.79
<i>Natraceutical</i>	101	-56.0	102	-1.73	63	-0.52
<i>Tavex Algodonera</i>	97	-44.1	103	-1.81	98	-1.16
<i>Ercros</i>	102	-58.3	104	-1.91	94	-1.07
<i>Vueling Airlines</i>	104	-72.6	105	-2.41	99	-1.17

NOTE: The Pearson correlation coefficient between the standardized rate in the Euro area and the standardized rate worldwide is 84.2 percent.

Table A.5

Top Spanish companies by total shareholder return and sector in 2007,
compared with companies from the same sectors in the Euro area

Source: Datastream International via Wharton Research Data Services

Company	Sector	Absolute rate	Standardized rate	
			Euro area	World
<i>Tubacex</i>	<i>Steel</i>	36.8	0.74	-0.27
<i>Tubos Reunidos</i>	<i>Steel</i>	8.1	-0.22	-0.50
<i>Acerinox</i>	<i>Steel</i>	-25.6	-1.34	-0.77
<i>Aguas de Barcelona</i>	<i>Water</i>	0.6	-0.72	-0.67
<i>SOS Cuétara</i>	<i>Foods</i>	12.1	0.14	-0.11
<i>Viscofán</i>	<i>Foods</i>	3.1	-0.11	-0.16
<i>Natra</i>	<i>Foods</i>	-23.9	-0.85	-0.32
<i>Campofrío Alimentación</i>	<i>Foods</i>	-32.2	-1.08	-0.37
<i>Ebro Puleva</i>	<i>Foods</i>	-33.4	-1.11	-0.38
<i>Natraceutical</i>	<i>Foods</i>	-56.0	-1.73	-0.52
<i>Banco de Valencia</i>	<i>Banks</i>	9.8	0.94	0.11
<i>Banco Santander</i>	<i>Banks</i>	8.1	0.86	0.07
<i>Bankinter</i>	<i>Banks</i>	7.3	0.81	0.05
<i>BBVA</i>	<i>Banks</i>	-5.3	0.18	-0.23
<i>Banco Guipuzcoano</i>	<i>Banks</i>	-7.3	0.07	-0.28
<i>Banco de Sabadell</i>	<i>Banks</i>	-10.3	-0.08	-0.35
<i>Banco Popular Español</i>	<i>Banks</i>	-12.6	-0.19	-0.40
<i>Banco Español de Crédito</i>	<i>Banks</i>	-17.9	-0.46	-0.53
<i>Banco de Vasconia</i>	<i>Banks</i>	-22.3	-0.68	-0.63
<i>Banco de Castilla</i>	<i>Banks</i>	-25.6	-0.85	-0.70
<i>Banco Pastor</i>	<i>Banks</i>	-26.8	-0.91	-0.73
<i>Banco de Galicia</i>	<i>Banks</i>	-27.9	-0.97	-0.75
<i>Banco de Andalucía</i>	<i>Banks</i>	-28.1	-0.98	-0.76
<i>Banco de Crédito Balear</i>	<i>Banks</i>	-30.6	-1.11	-0.82
<i>Grifols</i>	<i>Biotechnology</i>	53.0	1.40	0.53
<i>Cie Automotive</i>	<i>Auto-components</i>	1.1	-0.43	-0.28
<i>Inditex</i>	<i>Clothing and fashion</i>	4.6	0.22	0.27
<i>Adolfo Domínguez</i>	<i>Clothing and fashion</i>	-47.4	-0.99	-1.35
<i>Acciona</i>	<i>Construction</i>	55.8	0.89	0.30
<i>Técnicas Reunidas</i>	<i>Construction</i>	52.3	0.81	0.24
<i>Cleop</i>	<i>Construction</i>	14.1	-0.01	-0.34
<i>Obrascón Huarte Lain</i>	<i>Construction</i>	-0.9	-0.33	-0.57
<i>ACS</i>	<i>Construction</i>	-2.6	-0.37	-0.60
<i>Abengoa</i>	<i>Construction</i>	-12.7	-0.59	-0.75
<i>FCC</i>	<i>Construction</i>	-31.9	-1.00	-1.05
<i>Grupo Ferrovial</i>	<i>Construction</i>	-34.1	-1.05	-1.08
<i>Sacyr Vallehermoso</i>	<i>Construction</i>	-40.1	-1.18	-1.17
<i>Vidrala</i>	<i>Contenedores</i>	21.7	0.82	0.06
<i>Elecnor</i>	<i>Electricity^a</i>	49.3	0.86	0.35
<i>Red Eléctrica de España</i>	<i>Electricity</i>	36.1	0.39	0.11
<i>Iberdrola</i>	<i>Electricity</i>	28.5	0.13	-0.02
<i>Unión Fenosa</i>	<i>Electricity</i>	25.9	0.03	-0.06
<i>Endesa</i>	<i>Electricity</i>	5.1	-0.71	-0.43
<i>Amper</i>	<i>Telecommunications equipment</i>	1.5	-0.01	-0.11
<i>Tecnocom</i>	<i>Telecommunications equipment</i>	-28.9	-0.65	-0.89
<i>Avanzit</i>	<i>Telecommunications equipment</i>	-41.9	-0.92	-1.22
<i>Prim</i>	<i>Medical equipment</i>	-13.4	-0.21	-0.61
<i>Zeltia</i>	<i>Pharma</i>	9.6	0.17	0.04
<i>Faes Farma</i>	<i>Pharma</i>	-22.2	-0.81	-0.77
<i>Gas Natural</i>	<i>Gas</i>	36.3	1.23	0.04
<i>Enagas</i>	<i>Gas</i>	16.0	0.27	-0.16
<i>NH Hoteles</i>	<i>Hotels</i>	-17.9	-0.80	-0.65
<i>Sol Meliá</i>	<i>Hotels</i>	-30.1	-1.64	-0.79
<i>Sotogrande</i>	<i>Property</i>	4.0	0.20	-0.11

(continuation)

Table A.5

Company	Sector	Absolute rate	Standardized rate	
			Euro area	World
<i>Parquesol Inmobilia</i>	<i>Property</i>	-13.3	-0.14	-0.37
<i>Metrovacesa</i>	<i>Property</i>	-31.2	-0.49	-0.63
<i>Testa Inmuebles en Renta</i>	<i>Property</i>	-44.3	-0.75	-0.83
<i>Renta Corporación Real Estate</i>	<i>Property</i>	-54.7	-0.95	-0.99
<i>Inmobiliaria Colonial</i>	<i>Property</i>	-62.3	-1.10	-1.10
<i>Astroc Mediterráneo</i>	<i>Property</i>	-87.4	-1.59	-1.48
<i>Iberia</i>	<i>Airlines</i>	9.5	1.53	-0.11
<i>Vueling Airlines</i>	<i>Airlines</i>	-72.6	-2.41	-1.17
<i>Gamesa</i>	<i>Machinery</i>	54.3	0.20	0.29
<i>General de Alquiler de Maquinaria</i>	<i>Machinery</i>	53.9	0.20	0.28
<i>Duro Felguera</i>	<i>Machinery</i>	19.1	-0.21	-0.13
<i>Zardoya Otis</i>	<i>Machinery</i>	-5.3	-0.50	-0.41
<i>Mecalux</i>	<i>Machinery</i>	-10.7	-0.56	-0.48
<i>Uralita</i>	<i>Construction equipment</i>	23.7	1.79	0.11
<i>Cementos Portland Valderribas</i>	<i>Construction equipment</i>	-23.0	-0.63	-0.55
<i>Construcción y Auxiliar de Ferrocarril</i>	<i>Transport equipment</i>	105.5	2.27	0.45
<i>Sogecable</i>	<i>Media</i>	1.5	0.29	-0.09
<i>Telecinco</i>	<i>Media</i>	-14.8	-0.28	-0.61
<i>Antena 3</i>	<i>Media</i>	-38.4	-1.12	-1.36
<i>Papeles y Cartones de Europa</i>	<i>Paper</i>	-0.1	0.81	-0.03
<i>Iberpapel Gestión</i>	<i>Paper</i>	-2.4	0.67	-0.10
<i>Grupo Empresarial Ence</i>	<i>Paper</i>	-12.2	0.06	-0.38
<i>Miquel y Costas</i>	<i>Paper</i>	-35.9	-1.43	-1.07
<i>Pescanova</i>	<i>Fishing</i>	51.2	0.39	-0.05
<i>Cepsa</i>	<i>Oil</i>	21.3	0.01	-0.31
<i>Repsol YPF</i>	<i>Oil</i>	-4.9	-0.53	-0.96
<i>Acumulador Tudor</i>	<i>Household goods^a</i>	18.1	1.28	0.44
<i>Unipapel</i>	<i>Household goods^a</i>	-13.8	-1.33	-0.66
<i>PRISA</i>	<i>Publications and media</i>	-2.0	-0.06	-0.13
<i>Vocento</i>	<i>Publications and media</i>	-4.9	-0.14	-0.21
<i>Ercros</i>	<i>Chemical specialities</i>	-58.3	-1.91	-1.07
<i>Grupo Catalana Occidente</i>	<i>Accident insurance</i>	-15.6	0.26	-0.45
<i>Corporación Mapfre</i>	<i>General insurance</i>	-9.7	-0.35	-0.27
<i>Service Point Solutions</i>	<i>Business services</i>	1.0	0.17	-0.22
<i>Prosegur</i>	<i>Business services</i>	0.6	0.16	-0.23
<i>Indra Sistemas</i>	<i>Information services</i>	3.3	0.13	0.18
<i>Bolsas y Mercados Españoles</i>	<i>Investment services</i>	52.8	1.01	0.35
<i>Corporación Dermotética</i>	<i>Health services</i>	-15.5	-1.13	-0.93
<i>Abertis</i>	<i>Transport services^a</i>	4.8	-0.33	-0.42
<i>Itinere Infraestructuras</i>	<i>Transport services^a</i>	-4.0	-0.50	-0.61
<i>Cintra</i>	<i>Transport services^a</i>	-14.1	-0.69	-0.83
<i>Dinamia Capital Privado</i>	<i>Financial services</i>	-6.7	-0.26	-0.29
<i>Corporación Financiera Alba</i>	<i>Financial services</i>	-18.0	-0.43	-0.36
<i>Altadis</i>	<i>Tobacco</i>	27.8	0.71	0.10
<i>Logista</i>	<i>Tobacco</i>	5.7	-0.71	-0.6
<i>Telefónica</i>	<i>Telecommunications</i>	41.7	1.44	0.03
<i>La Seda de Barcelona</i>	<i>Textiles</i>	-26.2	-0.95	-0.76
<i>Tavex Algodonera</i>	<i>Textiles</i>	-44.1	-1.81	-1.16
<i>Befesa Medio Ambiente</i>	<i>Waste treatment</i>	-32.4	-1.05	-1.70
<i>CVNE</i>	<i>Wines</i>	19.4	0.10	-0.09
<i>Barón de Ley</i>	<i>Winest</i>	7.1	-0.13	-0.36

NOTE: ^a The sector classification is the one used by Datastream International. The companies may not exactly correspond with the activities they engage in, but we prefer not to correct this since international investors consult this database and take decisions according to the classifications it contains.

The top Spanish companies by average recommendation from stock market analysts in 2006 compared to companies in the same sectors within the Euro area.

Table A.6

Source: Datastream International via Wharton Research Data Services

Company	Number of recommendations			Average recommendation		
	Absolute	Euro area standardized	Standardized World	Absolute	Euro area standardized	Standardized World
<i>Nicolás Correa</i>	1	-1.03	-0.80	1.00	-1.57	-1.42
<i>Grupo Catalana Occidente</i>	6	-0.87	-0.49	1.50	-1.50	-1.16
<i>Arcelormittal</i>	1	-0.73	-0.71	1.00	-1.44	-1.28
<i>La Seda de Barcelona</i>	7	-0.47	0.05	1.43	-1.41	-0.90
<i>Unipapel</i>	2	-0.89	-0.60	1.00	-1.32	-1.31
<i>Pescanova</i>	5	-0.21	-0.02	1.20	-1.25	-1.28
<i>PRISA</i>	17	1.08	1.58	1.53	-1.07	-0.98
<i>Service Point</i>	3	-0.54	-0.45	1.33	-1.01	-1.03
<i>Almirall</i>	10	0.32	0.65	1.60	-1.01	-0.75
<i>Banco Santander</i>	32	1.58	2.63	1.72	-0.98	-0.88
<i>Construcción y Auxiliar de Ferrocarril</i>	2	-0.66	-0.61	1.50	-0.83	-0.84
<i>BBVA</i>	35	1.85	2.96	1.86	-0.79	-0.70
<i>ACS</i>	20	1.69	2.55	1.55	-0.79	-0.69
<i>Cintra</i>	21	1.14	2.20	1.86	-0.67	-0.62
<i>Campofrío</i>	9	0.31	0.68	1.67	-0.66	-0.71
<i>Ferrovial</i>	19	1.54	2.38	1.63	-0.66	-0.59
<i>Cie Automotive</i>	3	-0.47	-0.37	1.67	-0.62	-0.52
<i>Tubacex</i>	13	0.68	1.15	1.69	-0.62	-0.61
<i>Natra</i>	7	0.05	0.33	1.71	-0.61	-0.66
<i>Técnicas Reunidas</i>	12	0.49	1.16	1.67	-0.59	-0.54
<i>Amper</i>	5	-0.57	-0.43	1.8	-0.56	-0.59
<i>FCC</i>	20	1.69	2.55	1.7	-0.55	-0.50
<i>Clínica Baviera</i>	8	0.05	0.34	2.00	-0.50	-0.22
<i>Ebro Puleva</i>	15	1.11	1.75	1.80	-0.50	-0.55
<i>Viscofan</i>	10	0.45	0.86	1.80	-0.50	-0.55
<i>Renta Corporación</i>	7	0.45	0.42	1.86	-0.49	-0.30
<i>Corporación Financiera Alba</i>	10	0.95	1.26	1.80	-0.46	-0.41
<i>Tef</i>	40	2.36	3.41	1.93	-0.39	-0.43
<i>Enagas</i>	25	1.28	2.45	2.04	-0.39	-0.21
<i>Papeles y Cartones</i>	8	0.23	0.73	2.00	-0.39	-0.23
<i>OHL</i>	11	0.34	0.98	1.82	-0.35	-0.36
<i>Abertis Infraestructuras</i>	24	2.02	2.91	1.96	-0.33	-0.30
<i>Sol Meliá</i>	19	2.14	2.63	1.89	-0.33	-0.25
<i>Vidrala</i>	8	0.29	0.79	1.88	-0.22	-0.28
<i>Mecalux</i>	8	1.50	1.12	1.75	-0.21	-0.18
<i>Realia Business</i>	12	1.54	1.49	2.08	-0.20	-0.02
<i>Grífols</i>	11	0.45	0.81	2.27	-0.16	0.14
<i>General de Alquiler de Maquinaria</i>	10	0.96	1.45	1.80	-0.14	-0.33
<i>Barón de Ley</i>	11	0.41	0.49	2.45	-0.12	-0.06
<i>Corporación Dermoeástica</i>	13	0.72	1.13	2.31	-0.10	0.19
<i>Bolsas y Mecados</i>	13	1.62	1.65	2.08	-0.03	-0.18
<i>Inditex</i>	26	2.43	3.93	2.38	-0.02	0.19
<i>Red Eléctrica</i>	24	1.19	2.32	2.42	0.03	0.22
<i>Iberia</i>	20	1.19	1.72	2.60	0.05	0.15
<i>Ence</i>	12	0.98	1.63	2.58	0.16	0.39
<i>Azkoyen</i>	6	-0.34	0.14	2.33	0.19	0.27
<i>Altadis</i>	15	0.90	1.07	2.80	0.19	0.36
<i>Logista</i>	13	0.79	1.33	2.62	0.23	0.51
<i>Solaria Energía</i>	6	-0.36	-0.12	2.50	0.23	0.29
<i>Sogecable</i>	25	2.08	2.85	2.44	0.24	0.22
<i>Gamesa</i>	24	1.64	2.54	2.71	0.25	0.67
<i>Tecnocom</i>	2	-0.66	-0.61	2.50	0.25	0.33
<i>Vocento</i>	12	1.33	1.92	2.17	0.32	0.13
<i>Grupo Duro Felguera</i>	4	-0.72	-0.32	2.50	0.34	0.21
<i>Tavex Algodonera</i>	3	-0.58	-0.36	2.67	0.34	0.54
<i>Reyal Urbis</i>	2	-0.64	-0.65	2.50	0.37	0.51
<i>Dinamia</i>	4	-0.07	0.02	2.25	0.39	0.04

(continuation)

Table A.6

Company	Number of recommendations			Average recommendation		
	Absolute	Euro area standardized	Standardized World	Absolute	Euro area standardized	Standardized World
<i>Cementos Portland</i>	9	0.64	0.70	2.56	0.41	0.43
<i>Iberdrola</i>	30	1.54	3.24	2.63	0.44	0.41
<i>Banco Pastor</i>	17	0.23	0.94	2.82	0.50	0.61
<i>Unión Fenosa</i>	26	1.18	2.69	2.73	0.57	0.51
<i>Telecinco</i>	29	2.57	3.48	2.69	0.60	0.55
<i>Banco Español</i>	21	0.59	1.39	2.90	0.61	0.71
<i>Tubos Reunidos</i>	4	-0.33	-0.20	2.75	0.70	0.71
<i>Indra Sistemas</i>	21	0.71	3.40	2.14	0.71	-0.13
<i>Zeltia</i>	11	0.43	0.91	3.00	0.71	0.96
<i>Adolfo Dominguez</i>	4	-0.45	-0.18	3.00	0.74	0.94
<i>Uralita</i>	11	1.32	1.27	2.82	0.80	0.91
<i>Endesa</i>	25	1.10	2.55	2.92	0.82	0.71
<i>Banco Popular</i>	28	1.22	2.18	3.07	0.84	0.94
<i>Repsol YPF</i>	35	2.21	3.81	3.17	0.85	1.05
<i>Aguas de Barcelona</i>	17	1.33	2.06	3.24	0.88	1.29
<i>Miquel y Costas</i>	5	-0.33	0.07	3.40	0.92	1.27
<i>Mapfre</i>	12	-0.37	0.13	3.00	0.93	0.79
<i>Acciona</i>	16	2.41	2.34	2.94	0.97	1.06
<i>Abengoa</i>	15	0.90	1.82	2.93	0.99	1.03
<i>NH Hoteles</i>	19	2.60	3.19	2.89	1.01	0.88
<i>Parquesol Inmobiliaria</i>	1	-0.86	-0.87	3.00	1.05	1.14
<i>Prosegur</i>	15	1.18	1.04	2.27	1.15	0.41
<i>Unión Europea de Inversiones</i>	1	-0.81	-0.77	3.00	1.16	0.94
<i>CVNE</i>	1	-0.83	-0.94	4.00	1.27	1.80
<i>Banco de Sabadell</i>	26	1.04	1.95	3.42	1.31	1.42
<i>Gas Natural</i>	25	1.10	2.55	3.32	1.35	1.12
<i>Acerinox</i>	21	1.90	2.69	3.29	1.36	1.32
<i>Vueling Airlines</i>	7	-0.42	-0.22	3.71	1.39	1.52
<i>Antena 3</i>	27	1.27	1.98	3.37	1.39	1.33
<i>Natraceutical</i>	7	0.12	0.43	3.57	1.45	1.52
<i>Bankinter</i>	24	0.86	1.73	3.58	1.52	1.63
<i>Metrovacesa</i>	15	2.19	2.13	3.40	1.59	1.64
<i>Sacyr Vallehermoso</i>	17	2.63	2.56	3.41	1.60	1.65
<i>Zardoya Otis</i>	11	0.58	0.99	3.55	1.68	1.61
<i>Ercros</i>	3	-0.55	-0.42	4.00	1.77	2.18
<i>Fadesa Inmobiliaria</i>	5	0.05	0.29	3.40	1.87	1.63
<i>Faes</i>	5	-0.31	-0.09	4.20	1.98	2.42
<i>Cepsa</i>	9	-0.19	0.29	4.33	2.12	2.35
<i>Bodegas Riojanas</i>	1	-0.83	-0.94	5.00	2.17	3.00
<i>Paternina</i>	1	-0.83	-0.94	5.00	2.17	3.00
<i>Sos Cuétara</i>	10	0.45	0.86	4.00	2.28	2.09
<i>Inmobiliaria Colonial</i>	5	-0.31	-0.09	4.60	2.40	2.90
<i>Iberpapel</i>	1	-1.07	-0.83	5.00	2.42	3.00
<i>Jazztel</i>	12	0.01	0.34	4.25	2.48	2.41
<i>Avanzit</i>	2	-0.69	-0.49	5.00	2.59	3.37
<i>Europistas</i>	1	-0.83	-0.83	5.00	2.73	3.52
<i>Banco Valencia</i>	2	-1.12	-0.75	4.50	2.76	2.88
<i>Dogi Internacional</i>	3	-0.58	-0.36	4.67	2.77	2.96
<i>Fersa</i>	1	-0.93	-0.79	5.00	2.86	3.10
<i>Puleva Biotech</i>	1	-0.79	-0.77	5.00	2.95	3.24
<i>Prim</i>	1	-0.79	-0.77	5.00	2.95	3.24
<i>Sniace</i>	1	-0.79	-0.77	5.00	2.95	3.24
<i>Banco Guipuzcoano</i>	1	-1.21	-0.86	5.00	3.44	3.56

NOTE: The average recommendation was calculated by assigning the following values: "strong buy"=1, "buy"=2, "hold"=3, "underperform"=4 and "sell"=5. The Pearson correlation coefficient between the standardized average recommendation for the Euro area and the standardized average recommendation for the world is 98 percent. An average recommendation of 1 is the best, while one of 5 is the worst.

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