3. ORIENTATION TOWARDS SHAREHOLDER VALUE

The previous chapter 2 laid the theoretical basis for the valuation of companies' orientation towards the objective of shareholder value creation. Theoretical findings in mind, the following subchapter 3.1 develops a model to measure the orientation of shareholder value. Subchapter 3.2 applies that model to the above-defined sample of Spanish and European blue chip companies (see introduction chapter 1). The result will both inform to what extent the researched companies classify the objective of shareholder value creation and serve as basis for further researches in chapter 5 subject to the question whether shareholder value orientation favors shareholder value creation.

3.1. DESIGN OF THE VALUATION MODEL

The measurement method that will be developed and used in this research follows some fundamental ideas of the Rating Scale Analysis – Rasch Measurement, proposed by Benjamin D. Wright and Geofferey N. Masters (1982), professors of the University of Chicago, who make use of the measurement philosophy of G. Rasch (1977). Wright and Masters established rules "to measure the attitudes of school children toward science" and applied their method to "measure the attitudes of seventy-five school children" (Wright, Masters 1982: 11). **They go back to the principles of attitude measurement of Thurstone (1928) who already "recognized the importance of being able to express attitude measurement on a scale with a 'defensible unit of measurement', and hoped that 'equal appearing intervals' would provide a rational unit for his scales".** (Wright, Masters 1982: 13; Thurstone 1928: 542)

Concretely, the measurement of the orientation (applied attitude) towards the creation of shareholder value proceeded as follows: *Typical* or *representative statements* regarding the general attitude towards the creation of shareholder value and the ten shareholder value variables analyzed in chapter 2 of this research have been chosen out of the annual reports and returned questionnaires (annex 7.2). Statements are quotations of company presidents, CEOs, board and management committee members, or other persons who express a relevant opinion, or text fragments in the framework of the management report. The financial statements (legal part of the annual report) are taken into consideration only exceptionally if a statement is important for the company's evaluation and could have been located also in the management report. Statements reflect companies' opinions, behaviors, strategies and policies. Only those statements of natural persons who express an explicitly personal opinion are cited with quotation marks. Frequently presidents and CEOs summarize in their letters to shareholders facts that are also stated or could have been stated elsewhere in the management report. In those cases the president or CEO is not cited with his or her name.

Statements are scored according to the level of cohesion to theoretical findings (chapter 2). This subchapter describes first the general framework for the evaluation and then details the valuation rules for each shareholder value variable.

3.1.1. General valuation framework

Most statements are rather qualitative than quantitative. Therefore it is necessary to define *valuation criterions* (example: “minimum required return on investment is recognized by the company as a condition for a shareholder value creating investment”, this recognition is scored with 6 points) and *benchmark statements* (corresponding example: “we invest only if we expect to obtain an adequate return on investment with an acceptable risk profile”) for **all shareholder value variables that represent valuations between 0 points (no shareholder value orientation) and 10 points (best practices) being scored with 5 points a statement that stands for a correct basic understanding and application of the variable.** Due to the huge amount of different statements found in the annual reports it is impossible to reflect all nuances in the valuation criterions and benchmark statements. So, attitudes, strategies, and policies as stated in annual reports are scored according to their proximity to those valuation criterions and benchmark statements. **The following table gives a general orientation for the variable-specific scoring criterions.**

Score	General orientation for required quality of understanding and application
0	- completely wrong understanding and / or application that possibly destroys shareholder value - no statement in case of an obligatory variable
1	wrong or very unsatisfying understanding / application but less serious consequences on shareholder value than those statements scored with 0 points
2	neutral information (explicit or implicit) that the variable is applied or at least known as such
3	high probability that the variable is not applied in a value destroying manner

4	importance of the variable is recognized
5	right basic understanding and application
6	probably shareholder value increasing application, also in the sense that the company is on the right way (processes installed), but too weak, little, implicit, vague information, lack of more detailed explication
7	conscious application to the explicit end to create shareholder value
8	conscious application in a way that lets assume that shareholder value will be created
9	shareholder value will surely be created, qualitative or quantitatively improved information in comparison to statements scored 8 points
10	best practice, optimal understanding and application of the variable

Table 4: General valuation scheme for understanding and application

If there are **various statements concerning one variable** (for example, one statement in each year of the research period 1998 to 2000), then **the most favorable one will be taken**. Is there **a clear positive tendency** in the sense that a company improves constantly in its efforts to create shareholder value, **one additional point will be assigned**. In case of **a clear negative tendency** (that means, that efforts, attitudes, strategies and policies in 2000 were worse than in 1999 and those of 1999 were worse than in 1998), then **5 points will be subtracted because it is very probable that managers destroy shareholder value. If statements are contradictory, one, two or three points will be subtracted pending on how serious those contradictions are. *Additional* detail *information*** (e.g. the right application of a special human resources measure) **earns 1 additional point with a maximum of 3 points per variable.** Sometimes a statement has the typical characteristics of additional information but reflects also the general understanding the firm has concerning the variable. **If there are no other statements of comparable quality available, which define the understanding and application of the variable, the statement is taken for this purpose and earns a point for additional information only if it could be divided in two statements stating the understanding and application on one side and offering useful additional information on the other side.**

Some variables are obligatory in the sense that statements are indispensably required at least once in one of the annual reports of the research period. For instance, *risk management* is essential for value creation in each and every company. Consequently, **if a company omits to explain** to shareholders its risk management, it must be assumed that the management does not give risk management the priority necessary to maximize shareholder value. The **shareholder value orientation of the company concerning this variable is scored with – 1 point**. On the other hand, there are also **variables which can be crucial** for the creation of wealth for shareholders, such as *mergers and alliances*, **but a company that does not play in this field** not necessarily fails to create value. Consequently, **missing statements do not lead to a negative valuation** in those cases.

In order to calculate correctly the score of each company the sum of points of individual variables will finally be divided by the number of relevant variables. For example, a company may have obtained a valuation according to the following table:

Variable	Score
General attitude	6
Investments	4
Flexibility	2
Human resources	9
Dividends	n/a
Growth	3
Corporate control	5
Liquidity of shares	-1
Risk management	6
Cost management	4
Competitive advantages	7

Table 5: Example of valuation of shareholder value orientation

In this example, the company did not refer to the variables *Dividends* (not obligatory) and *Liquidity of shares* (obligatory). It obtained a total of 45 points which are divided by 10 (all variables but *Dividends*) leading to a total valuation of 4.5 points. **The score has no unit and serves only to bring the company into a relative scale with other companies.**

The questionnaire gives Chief Executive Officers the chance (without the corresponding risk, except for the case of contradictory statements) to enhance the company's score performance. Questions are based on the findings of the theoretical chapter 2 of this thesis and answers can close the gap let by annual reports.

The following table summarizes the scoring rules and defines the abbreviations **[abbreviation]** to identify the concepts as they are used in the following valuation (subchapter 3.2):

Concept	Scoring and abbreviation scheme
understanding and application of the shareholder value variable	0 to 10 points [**u**]
correct basic understanding and application	5 points
no statement regarding an obligatory variable	– 1 point [**n**]
clearly **p**ositive **t**endency in the 3 year research period (strictly monotonically increasing sequence of scores)	+ 1 point [**pt**]
clearly **n**egative **t**endency in the 3 year research period (strictly monotonically decreasing sequence of scores)	– 5 points [**nt**]
contradictory statements	– 1 to – 3 points depending on the seriousness [**c**]
clarifying or amplifying *additional* **i**nformation	+ 1 point per statement, maximal + 3 points per variable [**i**]

Table 6: Abbreviation scheme for the valuation of shareholder value orientation

3.1.2. Valuation rules for each shareholder value variable

This section specifies for each variable whether it is obligatory or not, specifies the valuation criterions, and cites benchmark statements and additional information. It must be stressed that valuation criterions are not exclusive definitions for their scores and all benchmark statements are just examples that give an orientation for the scoring. To cover all possible statements in the following valuation schemes would have meant to cite most of the statements that are subject to the scoring in the following subchapter. Statements are mostly taken from the annual reports. As statements are to a large extent of qualitative nature, valuation may seem to be somewhat arbitrary in some cases. However, in tendency valuations should be coherent and logical since they orient to the general valuation scheme of understanding and application presented in section 3.1.1.

3.1.2.1. General attitude towards the creation of shareholder value

Shareholder value variable *general attitude* is an obligatory variable. It should be stated in each annual report. The right understanding of managers concerning their own role and that of shareholders is a necessary (but not sufficient) condition that firms are indeed able to create shareholder value.

The following table offers valuation criterions for each score scale from 0 to 10 points and quotes one or more statements that stand for the respective valuation.

score	valuation criterions
	quotes as examples
0	- no statement - (one) main objective(s) that is not shareholder value creation and does not point to the intention of shareholder value creation
	- our main objective is to serve the communities where we are present
1	- recognize shareholders as important, but wrong understanding of the role of shareholders
	- we hope to continue counting on the support of our shareholders
2	- creation of shareholder value is not *an* explicit objective, but there is a positive probability that managers *may* do things right
	- obviously, as a business, one of the company's main objectives is to generate profit from its operations, but the company also aspires to benefit the community we serve through its activities
3	- recognition of shareholders as important and probably the right understanding of managers concerning their own role
	- we serve our shareholders which belong to our important stakeholders
4	- creation of shareholder value as an objective
	- shareholder value creation is one of the company's objectives
5	- recognition that it is not sufficient to generate just profit although a more exact definition would be better
	- we strive to assure permanent return on investment - the company aims to secure an adequate level of profit for shareholders

6	- the company has proven to be a creator of shareholder value - creation of shareholder value is implicitly the foremost objective
	- the company increases shareholder value every year - our priority objective is to assure that the companies in which we have holdings obtain maximum returns
7	- right explication of what is creation of shareholder value
	- economic objective, which consists in obtaining a level of profitability higher than the cost of capital invested
8	- shareholder value creation as the main objective
	- main objective is sustained creation of long term shareholder value
9	- explanation how the main objective, creation of shareholder value, can be reached
	- the main objective of the society, namely, the creation of value for shareholders is enhanced by the following measures: …
10	- creation of highest possible value for shareholders, includes implicitly that the creation of shareholder value is hence the foremost objective of the firm
	- the objective of the company is to maximize shareholder value

Table 7: Valuation scheme *General attitude towards the creation of shareholder value*

Companies undertake many measures to satisfy shareholders' necessities. Here are some typical additional information statements of the companies:

- company's transparency policy focuses especially on providing full information to shareholders
- toll-free shareholder hotline
- information campaigns, road shows, pro-active communication to shareholders and analysts
- web site for shareholders
- discounts for shareholders on the products of the company
- the company obtained a prize for "best shareholder attention"
- explanation how shareholder value is created

3.1.2.2. Investments

Shareholder value *variable investments* is obligatory at least in the three year horizon of this research and for the sample companies.

score	valuation criterions
	quotes as examples
0	- no statement - wrong basic understanding
	- the *long-term* investment portfolio includes treasury bonds
1	- right application of the variable is casual
	- we invested huge amounts in order to improve the infrastructure of the community where we are located
2	- investments recognized as important management tool, it keeps unclear if the variable is correctly applied
	- heavy investments were undertaken

3	- probably right understanding that could be better defined - we invested in projects at prices that we consider attractive
4	- management has defined requirements without communicating them to share-holders by means of the annual report - the investment met the requirements we set
5	- hint on requirements for investments that could be specified further - our selection criterion is low maturity periods of investment projects
6	- minimum required return on investment recognized - obtain an adequate return on investment with an acceptable risk profile
7	- application of the variable as instrument to create shareholder value - the adequate selection of investments will allow the profits and shareholders' value to increase significantly
8	- right application of the variable and related to the creation of shareholder value - creation of value by obtaining a profitability higher than the costs of capital in-vested
9	- right application of the variable and a reasonable approach to optimize return on investment - obtaining a level of profitability higher than the cost of capital invested and the sector average
10	- the company strives for the optimal utilization of financial resources - obtaining maximum return on our resources and optimum remuneration for our shareholders

Table 8: Valuation scheme *Investments*

Additional information:

- the investments strengthen / consolidate market position to the end …
- investments enable(d) cost reductions
- we invested in line with the strategic approach, in our traditional sectors
- if an opportunity exists, we will examine our investment opportunities
- buyback of own shares (categorized as investment by the firm)
- divestments with significant capital gains, or because not yet core business, or because expected future (risk-adjusted) ROI not sufficient
- department or special group company that evaluates investment projects and controls them (separate authority)
- explication why the high return on investment is expected
- explication of the instruments applied to control the investment (e.g. EVA)
- quantitative specification of the objective of investment
- quantitative success of past investments
- improving investment projects in course (to obtain a higher cash flow)
- realize economies of scale through investments
- explained replacement investments
- continuous control and assessment of investment projects

3.1.2.3. Managerial and organizational flexibility

Flexibility is necessary to maximize shareholder value and companies should be aware of it. Therefore it is an obligatory variable.

Score	valuation criterions / quotes as examples
	quotes as examples
0	- annual reports do not mention flexibility or (real) options at all
1	- implicit recognition of flexibility as an advantage, but re-active instead of pro-active attitude
	- the company evidenced its ability to benefit from the process of liberalization in the sector
2	- approximation to flexibility (e.g. “motion”)
	- the company is building its future on the basis of a consolidated project, constantly in motion
3	- explicit recognition of the value of flexibility, less important example
	- the rating gives us the flexibility for obtaining the necessary resources for financing our expansion
4	- the company recognizes the advantages of flexibility
	- the flexibility that facilitates the new process allows to adjust the production in each moment avoiding to increase involuntarily stocks - the financial structure will allow us to pursue future business opportunities as they arise
5	- right basic understanding and pro-active attitude
	- the company strengthened its capacity for innovation and adaptation to the needs of an ever more global environment
6	- recognition of the real value of flexibility
	- our main competitive advantage is our flexibility
7	- conscious utilization of real options - flexibility as deliberate objective, not just *one* result of some measures
	- this project involves the option to include a further eleven concessions - with the objective to create a flexible organization, the bank has adopted a style of direction that allows to respond with agility - in order to adapt to the demands of new markets and products the Infrastructure Concessions Division was created
8	- utilization of various real options
	- the firm’s success story has been built over the years through innovation, versatility, an ability to anticipate, adapt and change
9	- options are brought into a context of flexibility
	- we are in no way restricted in our capacity to pursue other sensible options; we will be able to react quickly to changes in the marketplace
10	- optimal application, best practice
	- we take into account the value of real options when evaluating an investment project

Table 9: Valuation scheme *Managerial and organizational flexibility*

Additional information:

- the situation in Argentine causes us to study the matter in depth and reconsider the future of this investment
- authorize the Board of Directors to increase the share capital in the amount and subject to the maximum time limits …

- we will diversify into other business areas if favorable business opportunities arise
- implementation of major modifications to enhance the plant's operational flexibility
- negotiation of flexible clauses in the supply contracts
- training must be individual and flexible, adapted to the needs of each post
- effort will be made regarding the new information technologies in order to reinforce and increment our business opportunities
- due to the substantial changes in the circumstances the firm considered it convenient to request these collaboration agreements be terminated
- we purchased 3% of the company and we have a purchase option for another 3%
- new work timetables have been agreed upon with more flexible working days
- the company is keeping itself alert for the purpose of being in the right place in the markets to take full advantage of new business opportunities
- after the decision to abandon the merger project our shares have reacted positively
- an example of the group's flexibility is its high level of subcontracting
- in order to maintain our leadership we have to assimilate changes
- we approved the segregation of the logistics and distribution businesses, full autonomous businesses will be more flexible
- we rationalized our organization for greater flexibility and efficiency

3.1.2.4. Human resources

Two dimensions characterize shareholder value variable *human resources*: the optimization of management through a system of remuneration that – in the best case – assures maximum creation of shareholder value when managers maximize their own utility, and the return on investment in all the people that make up a company through a lot of different human resources measures. In order to consider both dimensions and weigh this shareholder value variable as strong as the other variables, companies can obtain a maximum of up to 5 points for each of the dimensions concerning the right understanding and application. The following table begins with dimension *management remuneration system*.

score	valuation criterions quotes as examples
0	-totally wrong or probably value destroying formulas or benchmarks to determine managers' variable remuneration component, managers will probably be directed the wrong way - no system of variable remuneration
	- the Board of Directors' remuneration is calculated as a maximum of 0.25% of annual turnover
0.5	- wrong understanding but less destructive than systems scored with zero points
	- the group conceded a number of gratis shares to employees in function of their duration of contract and their remuneration
1	- not specified system of stock options that are initially in the money, positive and negative aspects
	- the company granted stock options to executive directors
1.5	- unspecified system of cash payments
	- all managers and sales employees receive bonus payments in form of cash within 3 months after year end closing, sometimes as well quarterly or monthly
2	- the importance of variable remuneration is recognized
	- we assign an increasingly important role to variable remuneration
2.5	- recognition of variable remuneration as an instrument to create shareholder value, right basic understanding, but lack of information concerning application
	- the stock option plan is a highly valuable instrument for fostering stronger commitment by company executives to the creation of shareholder value
3	- the firm disposes of clearly defined targets to create shareholder value through a system of variable remuneration - right tendency in the development of a policy of shareholder value creation by means of variable remuneration
	- the remuneration policy will be more closely linked to value creation targets
3.5	- conscious application to the explicit end to create shareholder value
	- put into practice a company stock based incentive plan for the management team, in order to involve managers more directly in the value creating process
4	- variable remuneration policy assures that managers will be compensated only if they created value for shareholders
	- options were sold to executives at 5% of the share price which was € 25.00 at year end and the exercise price is € 28.50 per share
4.5	- policy of variable remuneration assures long-term creation of shareholder value
	- the management receives stock appreciation rights that are only translated into additional remuneration when two conditions are met after a two-year waiting period: our share prices outperform the DJ Euro Stoxx and rise more than 20%
5	- application of a consistent valuation tool for variable remuneration
	- the amount allocated to each management member depends first and foremost on his or her contribution of the improvement made in EVA

Table 10: Valuation scheme *Human resources: management remuneration systems*

Valuable additional information with respect to the variable remuneration of managers was only found concerning a quantification of incentives:

- general share option plan for a maximum of 4,293,170 shares, at a share price to beneficiaries of 5.32 euros per share, which may be exercised at different maturities from June 1, 2000 to December 31, 2003

The valuation scheme for the dimension of other HR measures also permits to earn up to 5 points.

score	valuation criterions **quotes as examples**
0	- HR measures are not mentioned at all
0.5	
1	- the company takes HR measures, but it keeps unclear if they can be translated into creation of value finally, neutral information
	- a total of 100 courses were run with 80% of personnel being involved
1.5	- probably, measures will have a positive effect but lack of information
	- we continued our policy of training the employees in new technology
2	- the utility of HR measures is mentioned but not quantified
	- the ongoing training, one of the distinctive features of our company from the outset
2.5	- right basic understanding and use of HR measures
	- we made a big effort to improve qualification of the staff in the framework of our global strategy - a new unit specially dedicated to the management of people's security
3	- the firms disposes of a sophisticated system of HR measures
	- the integrated system of HR management permits to know the personnel, evaluate possibilities of development, determine the area of its professional career and its necessity of training and measures of professional behavior - our HR plan pretends to promote initiatives and staff's professional careers, by means of rotation, training, teamwork, …
3.5	- HR policy recognized as an instrument to generate value
	- investment in human resources is that which produces the best returns - the bank's extraordinary human capital is the first key to value
4	- efficient use of human resources to create value
	- human resources policy focused on continuing all processes that contribute to increase the contribution of the staff to improve the group's results
4.5	- efficient use of human resources within the strategic framework of the company
	- we implemented a strategic HR plan in which all phases of personnel policy … from an integrated business model aimed at adding value to the company
5	- optimum understanding and application of the variable
	- we measure permanently the success of our HR management, which contributed 9.7% to the total value creation

Table 11: Valuation scheme *Human resources: other HR measures*

Additional information use to refer to the general human resources policy:

- [list of various HR measures (with explanation) and their respective objectives]
- [the company dedicates a very exhaustive chapter (20 pages) to the topic HR management]
- the edge over other companies that offer the same services comes from its human resources

- we adapted the headcount to these new requirements in order to reduce costs
- we also completed our Safety Management Process by conducting on Occupational Risk Prevention Audit
- building of links with educational centers as a pool of future professionals
- a seminar was given on creating value for shareholders in order for the management team to become even more closely identified with these policies
- we ran a “Survey of Personnel Satisfaction” … results will help to determine new focuses on managing our personnel
- our workforce has always been a key factor in efficiency and generation of value
- with a view to sharing the Company strategy with all our employees, the target-linked remuneration system was applied to the entire workforce
- ongoing analysis and revision of the salary policy, to adapt it to the current context of the market
- we have demonstrated that we can attract and retain highly qualified professionals
- personnel fluctuation was considerably less than in other companies of the sector
- an independent study was carried out in 2000 to measure employee satisfaction, in consequence a plan was designed to increase satisfaction, the result was a significant reduction of absenteeism as well as staff turnover
- the results of the early retirement plans lay both in annual savings and the dynamization of the Bank’s human capital
- we invested heavily in our human resources, with special attention to promoting teamwork
- 1998 saw a strong reinforcement of our policy towards internal promotion
- the company’s HR team has worked to make sure that right people were doing the right job at the right time throughout the group
- in order to identify the people best qualified to act as leaders and to help set future trends, an in-depth staff evaluation program was carried out
- create a culture where everybody would have greater sense of belonging to the company, regardless of the employee’s place of work
- making each of our employees a manager in his or her post
- a new organizational matrix model has been established that allows managerial procedure to be optimized and more effective
- a great effort was made to strengthen initiatives aimed at increasing employee loyalty
- development of preventive medicine as an essential means of improving employees’ health and avoiding illness
- as a consequence of our career plan system we are able to fill the majority of vacancies and new posts internally
- last year we hired 10,000 new employees, fresh ideas and inspiration inject new energy into the company
- we need to provide an environment in which our employees can be creative and turn their ideas into collective actions

3.1.2.5. Dividend payments and dividend policy

Dividends is not an obligatory variable. However, dividend policy can be used to create shareholder value. As the following table shows, many different statements evidence the importance of this variable for managers.

score	valuation criterions **quotes as examples**
0	[- no information about dividend policy, the company foregoes the chance to use a value creating instrument (no penalizing effect)] - wrong understanding of the value creation effect of dividend payments
	- shareholders will participate in the good results obtained in the financial year through a dividend of 85 pesetas - the dividend yield for the year was 4%, this makes the company one of the most attractive stocks listed on the Spanish stock market - the company, as part of its policy of creating value for shareholders, has carried on increasing its dividend
1	- neutral statement that does not prove a wrong application at least but lacks information about dividend policy, therefore wrong understanding of the variable
	- the company distributed a dividend of € 0.39 per share
2	- unexplained information about the tendency of dividend payments, hint to the existence of a dividend policy
	- the company distributed a dividend of € 0.39 per share, € 0.05 more than the previous year
3	- recognition that the dividend is a part of the calculation of shareholders' return on investment
	- against the 18.31% drop of the Ibex35 in the last quarter of 2000, the price op our share fell by only 11.25%; the high dividend yield by the shareholders of our company, who received 44 pesetas gross per share on 15 December 2000, should also be taken into consideration
4	- unexplained dividend payment practices that serve shareholders, saving them taxes, the variable is recognized as an instrument
	- we consider that mixed remuneration system (dividends and the return of contributions to share capital) is the most efficient way to compensate shareholders
5	- deliberate information policy: link between the present result and dividend payments - the company pursues a dividend policy - right basic understanding and application
	- thanks to these results, the proposed dividend for the year totals 20,000 million pesetas, 5% more than the previous year - of special note is the adaptation of allocation to voluntary reserves, thus providing for a stable distribution policy
6	- application of a dividend policy that may create value for shareholders but lack of explaining information - the company states what is the sense of its dividend policy, although probably not optimal in the sense of shareholder value creation
	- to further stimulate growth and expansion, our shareholders renounced dividends - our the intention is that the dividend reflects the development of the group's earnings per share
7	- a favorable measure of dividend policy combined with a good explication
	- we propose a dividend of Ptas 115, Ptas 30 more than last year; this substantial dividend is in line with the outstanding results of the year and therefore an extraordinary dividend; Ptas 30 will be paid as Premium Refund

8	- active dividend-similar measures that create shareholder value and inform the market (dividend policy) - measures accompanied by the explanation that and how the company aims to create shareholder value
	- as the stock was trading at an appreciable discount to its liquidity value, we have continued buying back our shares to the benefit of our shareholders - the bank continues to pay back part of the nominal since this form of retribution is favorable for the shareholders from a tax point of view
9	
10	- clearly stated dividend policy (as such) and quantified measures
	- an example of the confidence in the company's future prospects is the decision to acquire up to 5% of the share capital as treasury stock

Table 12: Valuation scheme *Dividend payments and dividend policy*

Additional information

- in the year 1999 as there were doubts on tax treatment, the decision was rather preferred to pay an Interim Dividend on the year 1999 for the same amount
- at the end of 1999, 27.05% of the Bank's shareholders participated in the Dividend Reinvestment Plan
- at the same time we plan to continue paying dividends, so ensuring that our growth policies do not mean shareholders are obliged to sell their shares to obtain liquidity

3.1.2.6. Growth

Growth is not a necessary condition for companies to create shareholder value and therefore not an obligatory variable. On the contrary, a wrong understanding and application of the variable easily destroys wealth of the company's owners. A "strategic or permanent link between performance and growth" is a minimum requisite for an acceptable basic understanding scored with 5 points.

score	valuation criterions **quotes as examples**
0	- meaningless statement of growth, hence completely wrong understanding of the variable - growth that makes clear that it was not obtained in order to create shareholder value
	- the growth of our company this year has dovetailed neatly with that of the Spanish economy - our expansion plays an important role in helping to promote the commercial development of the areas of influence where we locate, by modernizing the retail distribution network and stabilizing prices
1	- unexplained growth that may favor or harm shareholders (too expensive growth)
	- the company boosted its market share from 30.6% to 33% despite the entry of a new operator
2	- the company recognizes at least *ex post* that its growth policy did not reduce profits, probably neutral impact on shareholder value
	- the company's profitability has not been affected by the company's growth
3	- the company takes probably right measures, but lack of information
	- the company is open to new business opportunities in expanding areas with considerable growth potential
4	- simple and not further explained and detailed relation between growth and profit - importance of the variable is recognized
	- the firm has once more proven the capacity to growth and generation of clear profits
5	- right basic understanding and application
	- expansion that we have based on three fundamentals: a successful policy of company acquisitions, an appropriate management for each of the businesses that we develop and a strategic vision for identifying business opportunities
6	- strategic or permanent link between performance and growth
	- the group is implementing its growth strategy without reducing its profitability and in accordance with strict financial criteria
7	- link between growth and shareholder value
	- increasing our shareholders' value by growing in the most profitable areas
8	- growth strategy that very probably generates shareholder value
	- the bank doubles virtually every 4 years its size, growing faster than its competitors, without significant new employments or opening additional branches
9	- clear shareholder value increasing benefits from growth
	- we're concerned with attaining a size that makes sense in commercial terms: cost benefits and a high level of competitiveness
10	- optimal understanding and application of the variable
	- our high market share growth combined with returns on investment that exceed capital costs prove our successful policy of value creation

Table 13: Valuation scheme *Growth*

Additional information:

- developing Group activities that show higher growth potential through …
- a detailed analysis of the growth shows that 4% of this increase is attributable to a higher tonnage of sales to third parties, 3% to an improved product mix and 11% to the increase of sales prices
- during 1998, the Group proceeded to the development and launching of the remote commerce business thus being able to face the big growth expectations of this activity for the year 2000
- the growth prospects for the infrastructure division are excellent since the plan for Spain to attain real convergence with Europe implies Ptas. 19

trillion in investments in infrastructure between 2000 and 2008, paid for by government funds, European structural funds and private initiative

- the bank's strong financial position lets it invest in novel, new technology-intensive projects that guarantee the bank's sustainable growth in the long term
- during the coming years, we will continue to increase the number of new customers at a rate of 700,000 per year, half of these in Spain and the other half in Latin America
- the firm maintained its strategy aimed at making its distribution operations a growth driver

3.1.2.7. Corporate control: mergers and alliances

Although most of the researched companies were implicated in mergers and acquisitions during the period 1998 to 2000 and without doubt all these companies could profit from some sort of alliance, *corporate control* is not an obligatory variable. Little evidence was found in this research that mergers and alliances destroyed value. This explains the lack of examples with very low scores (only one statement was found in all analyzed annual reports that got a score of 1 point).

score	**valuation criterions**
	quotes as examples
0	- value destroying application
1	- wrong focus, value destruction can not be excluded
	- strategic alliances are better than an acquisition of a merger when they lead to market leadership without loosing identity
2	- the merger may or may not create shareholder value, lack of information
	- the agreement is aimed at creating a new company destined to be the world leader in its industry
3	- the company intends to benefit shareholders among others
	- I would like to stress the willingness to serve customers and consumers, who jointly with the shareholders, will benefit from this merger
4	- economically "successful" merger without quantification of the *success* - recognition of the "economic" importance of the variable
	- the merger was a complete success as the economic results confirm
5	- not quantified benefits from the merger, but right basic understanding
	- the merger of our subsidiary company Euro with Saba during the year has generated operating synergies
6	- right understanding of the sense of a merger that aims to increase shareholder value
	- joining together the best of both banks is going to significantly surpass the mere sum of both

7	- link of a merger to the corporate strategy, more than just realization of synergies
	- the success of the merger was mainly the result of the group's strategic result
8	- clear benefits from an alliance - various shareholder value increasing benefits from a merger
	- the frequent exchange of information and numerous benchmarks and workshops with Arbed contributed to improve logistics - the commercialization of insurances will be possible through the commercial network of the bank's subsidiaries in Argentina - the merger permitted the bank to optimize its distribution capacity, unify and strengthen the various businesses, simplify the group's management and efficiently reassign resources - the key objectives of the merger were to boost profitability on the back of cost reductions, economies of scale and optimized management
9	- a well managed merger proven by a listing of various success factors concerning implementation and post merger integration
	- due to its speed, magnificent execution and absence of conflicts, the integration can be rated model
10	- a merger that proved to create significant shareholder value - absolute priority for shareholders interests - successful defense strategy, argued from the standpoint of shareholders
	- financial markets welcomed the announcement of the merger, the share price rose by 40% during the first month after the announcement - since the first offer to acquire our company was launched we sought to avoid defensive positions that might impair the interests of our shareholders - the Board of Directors did not reject the offer, but actively sought to obtain the best outcome for our shareholders - the agreement will allow the maximization of the value of both companies with respect to their shareholders - the Royal Decree altered the conditions of the merger in a significant manner so that we renounced the merger in order to not harm shareholders - the Board of Directors reacted to the offer to the effect the price being offered was insufficient, the counter bid was of 2.75 euros per share higher

Table 14: Valuation scheme *Corporate control: mergers and alliances*

Additional information:

- analysts and the financial community in general gained a very positive impression of the process due to its transparency and the objectives and, above all, due to the results which we obtained
- our group continued to cooperate with the various Autonomous Communities in the development of infrastructure for transport and distribution in their respective territories
- in Spain, Research and Technology Development activities are based on collaborating with different organizations such as …
- as a strategic response to the changes and challenges facing the Spanish construction sector we entered in an alliance with …
- major synergies by enhancing operations and bringing together the experiences of the two organizations
- significant cost savings due to the merger
- and launched novel formulas for selling our products through El Corte Inglés department store chain
- thanks to the alliance we made a successful bid for the privatization of Central American power company EEGSA
- we created a network of more than 1,400 first-class restaurants in Spain with the objective to increase the sales for our products

- taking advantage of tax synergies through the acquisition of …
- the planned merger synergies of x euros were exceeded
- we are constantly screening the market for good opportunities to in-license, acquire of partner products

3.1.2.8. Liquidity of shares

Liquidity of their companies' shares should be an outstanding topic for the top managers of the researched firms since all of them are listed in one or more stock exchanges and have a potential to increase shareholder value by taking the right measures to increase share liquidity. Hence the variable is obligatory.

score	valuation criterions **quotes as examples**
0	- no information about share liquidity
1	- minimum information about listing, no measures to increase liquidity via additional listings
	- our company is listed on the Madrid stock exchange
2	- neutral basic information
	- the volume of the shares traded totaled 500 million €
3	- neutral standard information
	- the volume of the shares traded totaled 500 million €, representing 70% of the share capital, an increase of 15% over the previous year
4	- information about in the past taken measures to improve liquidity of shares, so that it can be assumed that the importance of the variable is recognized
	- the shares are listed on the Madrid, New York (ADRs), Frankfurt, and Paris, trade volume …
5	- positive attitude towards the liquidity of shares - right basic understanding
	- our trading volume evolved favorably - our share was included in the IBEX 35 index as recognition of its high trade volume and liquidity - the liquidity of the share is demonstrated by the high trading volume
6	- the firm takes measures to increase the share's liquidity
	- we agreed with our partner to reduce our mutual holdings in order to increase the free float - the Annual General Shareholders Meeting approved the splitting of the share in order to increase liquidity - the aim of the use of ADRs is to increase the share's liquidity
7	- recognized benefits from a high liquidity
	- the increased liquidity permitted the share to be a highly demanded stock for individual and institutional investors
8	- liquidity increasing measures and hint to shareholder value
	- the Board, keen to strengthen the value of the shares, give them greater liquidity and enable small investors to acquire them by splitting the stock in a relation 1:3

9	- permanent efforts to increase liquidity
	- in 1997 the split was three new shares for one old share, in 1998 it was two new shares for one old one, and this year it was again a 1:2 split; the measures served to increase our share's liquidity
10	- optimal understanding and application
	- we renounced to increase the liquidity of our stock since costs would have been exceeded benefits

Table 15: Valuation scheme *Liquidity of shares*

Additional information:

- considerable liquidity of our stock, 100% of which is free float
- the share price fell due to the stock having been dropped from the IBEX 35 index
- customized promissory note program

3.1.2.9. Risk management

Risk management is fundamental for the creation of shareholder value and should be a permanent topic on the agenda of the board of management. Also every annual report of each company should exhaustively inform about risks and risk management. Therefore, *risk management* is an obligatory shareholder value variable.

score	valuation criterions
	quotes as examples
0	- no information
1	- diversification without an explication that shareholders cannot diversify themselves (reasons) is probably not the adequate policy to create shareholder value and may destroy value if diversification does not fit with the company's strategy
	- high degree of diversification gives great stability to Group's Statement of Income
2	- higher probability that diversification makes sense
	- the new company acquires own establishments, profitable and modern, diversifying tipographically and geographically its offer in order to reduce risk and increase profitability in the framework of a worldwide touristic market constantly in movement
3	- sensibility for one special type of risk
	- labor risk prevention is fundamental
4	- qualitative or quantitative measure of one special type of risk
	- accident frequency and seriousness indexes are much lower than those of our competitors / than last year
5	- general awareness of risk as a success influencing variable
	- we are keeping a strict risk policy - we control our risks
6	- the company disposes of a sophisticated risk *control*
	- we implemented a risk controlling from the minimum level of aggregation
7	- recognition of the importance of risk *management*

	- the core factor in the banking business is efficient risk management
8	- the company disposes of a well implemented risk management and considers risk management as a permanent task - risk management has an adequate organizational status
	- identification of the company's main risks and implementing and monitoring of appropriate internal control and reporting systems - all risks are duly identified, measured and assessed - the bank seeks always to revise and improve processes of prevention and control
9	- recognition of the importance that risk management has on the value of a firm and value creating application
	- all investment decisions are based on the concept of risk-adjusted return
10	- risk management is considered cornerstone to increase shareholder value and well implemented (optimal understanding and application of the variable)
	- we recognize that our risk management is of utmost importance for our performance, therefore all investment decisions are based on the concept of risk-adjusted return and permanently controlled

Table 16: Valuation scheme *Risk management*

Additional information:

- no product or consumer market represents more than 20% of sales to third parties
- joint venture: redistribution of all risks and at the same time the global business vision keeps maintained
- we ensured our stake in Airtel via an agreement with Vodafone
- we have a very low index of non-performing loans
- coal supply-contracts were signed with producers on the five continents
- interest rate hedges
- Y2K risks are fully under control
- prices and delivery terms are agreed in advance
- we introduced terms of variable renting conditions in the contracts of rented hotels

3.1.2.10. Cost management

A sophisticated and well implemented cost management is one of the cornerstones to realize the objective to create and maximize shareholder value. In order to earn 5 points corresponding to the right basic understanding of this obligatory variable, cost management must be recognized as a permanent task and not just a temporal necessity to meet some objectives.

score	valuation criterions
	quotes as examples
0	- no information
1	- information that does not show adequate management efforts to control costs

	- operating expenses make up 61% of the total, increasing by 9.3% due to the special emphasis on improving services to our clients
2	- re-active attitude, cost controlling is not seen as permanent task but as temporarily necessary
	- the improvement of profit is only possible through expense savings policies
3	- weak explanation of increasing costs
	- the bank is now a technology-based enterprise and our focus on multiple integrated distribution channels has enabled us to attain and hold a leadership position in information systems, investing and innovating at a pace far superior to the industry average; for this reason, the 7.3% growth in the Group's operating expenses in 1999 is positive
4	- importance of the variable is recognized
	- with regard to income, sales were enhanced, whilst as regards expenses, personnel, operating and financial costs were significantly reduced
5	- right basic understanding of the variable, but cost management could be further explained and success in cost cuttings could be quantified
	- strict cost control - elimination of "non quality" costs - best services at the lowest cost possible
6	- the company formulates an objective of its cost management - cost management leads to business success
	- maintaining operating margins by an exhaustive control over costs that will allow us to consolidate as one of the most profitable construction companies - we aim to explore cost synergies which will increase our competitiveness - ongoing cost cutting efforts were largely responsible for our good performance in 1998
7	- cost management has strategic value or a defined high priority - the company disposes of a defined cost controlling system
	- we have a strategic action plan that comprises a number of measures to reduce costs … [list of various cost cutting measures] - cost control was one of the group's priorities during the reported financial year - we have formal mechanisms for monitoring and controlling operating costs
8	- cost controlling as an important variable and in the context of other variables aiming at the creation of value
	- this plan is oriented to create value, and therefore is not only considered to cut costs but also to improve the results
9	- the company disposes of a sophisticated cost controlling and managing system
	- activity based costing is being studied in order to put in place an end-to-end cost control throughout the entire supply chain
10	- the company pursues a holistic view which considers cost controlling as an integral part of a value creation management
	- management by processes and ongoing improvement have long been key operational levers for improving the company's costs and adding value to all its businesses

Table 17: Valuation scheme *Cost management*

Additional information:

- use of economies of scale dilute structure costs
- permanent cost reductions
- we benchmark our cost behavior with other companies of the sector
- processes were reengineered in order to save costs
- thanks to TQM we obtained significant cost savings
- management of globalized purchasing logistics
- the group has centralized the purchase of fish and seafood for all its hotels in Madrid realizing an 8% cost reduction

- the focus on new media such as Internets, Intranets and Extranets reduces our costs
- cost optimizations systems such as Shared Services Centers will be further developed

3.1.2.11. Competitive advantages

For the different nature of shareholder value variable *competitive advantages* a different valuation scheme applies. To take full competitive advantages a company needs a basis consisting in distinctive capabilities applied in a relevant market, dominance over the competition or a strong market position. Also the good strategies contribute to the success.

All statements comparable to the following benchmark statements earn one point.

1. Base of competitive advantages

1.1. distinctive capabilities applied in a relevant market

1.1.1. architecture

- through its alliance with the international ARBED group, our company participates in one of the top steel groups in Europe and the world, a situation which brings considerable competitive advantages

1.1.2. innovation

- the innovation capacity of our society is a decisive factor to achieve excellence in a performance frame every day more competitive

- the group participated in seminars, courses and congresses in order to turn the innovation made in the construction market into competitive advantages

1.1.3. reputation

- the group consolidated its leading position as a reference company for any type of infrastructure and service

1.1.4. choice of the market, products

- the year was characterized by an agreement in our position in the industrial solid waste market and the technical inspection of vehicles

1.1.5. choice of the market, geography

- the bank aims to strengthen its competitive position in the Latin America region

1.2. dominance

- we were able to maintain a 94.7% market share of total traffic, despite operating in a liberalized environment

1.3. market position

- in order to maximize the company's position in the sector, 6,500 million pesetas have been invested this last year

2. Strategies

2.1. generic strategies

2.1.1. cost leadership

- the result confirmed our company as one of the most profitable companies of the sector

2.1.2. differentiation

- the growing popularity of our loyalty-building program, Club PuntoAhorro, is conferring a clear competitive and differential edge

2.1.3. focus

- the strategic vision is to become the first and best Spanish group in infrastructure and services

2.2. specific strategies

2.2.1. overwhelming size

- our group strengthened its indisputable leadership by increasing its market share form 59.8% to 62.1%

2.2.2. preferred access to resources

- we use a cutting edge technology available only to us and two other companies in the world

2.2.3. preferred access to customers

- the strong international presence through 35 branches in more than 20 countries has given this area an important competitive edge for being able to provide its customers with an integral service and this has become an indispensable element for the development of its business

2.2.4. politics that limit competitors

- our main competitors have intended to follow our lead. This is why we will improve and redouble our efforts in these projects, increasing our competitive advantage.

3.2. VALUATION OF SHAREHOLDER VALUE ORIENTATION

The previous subchapter prepared the ground and defined the rules to evaluate shareholder value orientation of the selected companies of the research sample now. **Since questionnaires were not returned by all companies, the final score for each company is calculated both taking into account questionnaires according to the above-defined valuation rules and without the additional score achieved through questionnaire statements.** Both views turn out to be interesting in chapter 5, when it comes to the analysis whether or not a significant relation between shareholder value orientation and shareholder value creation exists.

The composition of the research sample (see introduction chapter 1) follows the criterion to take a set of companies that is known and recognized in its composition and suffices statistical analysis standards. The choice felt on the companies belonging to the most important selective Spanish share index, IBEX 35, as it was defined during the period from July 1st, 1999 to December 31st, 1999 (when this research started). After the examination of these companies another ten companies were incorporated in the sample in order to consider also industrial sectors that are

infra weighted in the IBEX 35 index (insurance, pharmaceutics, food production, automobile, and information technology) and the so-called New Economy that emerged in the meantime (Internet related services, high technology, biotechnology). Reference date was July 1st, 2001, day when the additionally selected companies belonged to the prestigious Eurostoxx 50 index, which gives the sample also an international component, and the IBEX NM (New Market), respectively.

When the analyses of shareholder value orientation (this chapter) and shareholder value creation (the following chapter) were concluded, it turned out that the databases of seven companies were incomplete with respect to both evaluations (value orientation and value creation). The reason is that those companies either disappeared as result of mergers during the research period (financial years 1998 to 2000, both included) or that they were listed after December 31st, 1997 for the first time (and did not publish annual reports before their introduction to the stock exchange). All intents to close the data gap by statistical or mathematical means came out to be overloaded with too many hypotheses so that it was preferred to eliminate all companies without a complete database from this analysis. **The remaining 38 companies make up a set that fulfills statistical requirements concerning its size and still comprises all companies that stand for the additional industrial sectors, and one company belonging to the New Market** (two of the four eliminated companies are subsidiaries of Telefónica, which is also a sample company and represents also the businesses of its affiliated companies in its stock price implicitly and in its annual reports explicitly). Since statements of the eliminated companies might be interesting for some purpose (for example, further research), the valuation of shareholder value orientation of said companies can be found the annex (see 7.3).

3.2.1. Autopistas, Concesionaria Española, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **ACE** **Autopistas, Concesionaria Española, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				6
	99	4	I would like to express my gratitude for your support in this new phase, and at the same time assure you that we will contine to work to build for the future, without forgetting the immediate present and the permanent return on your investment. (Isidro Fainé Casas, Chairman)	u 5	
	00	3	It is worth noting that in times of stock market uncertainty, like the first quarter of 2001, our share price has always maintained a very positive behaviour. We trust that this trend will consolidate in the future on the basis of the optimistic outlook that our Group offers, founded on the policy of continual growth and the steady increase of value generated.	u 6	
		3	In conclusion, I wish to once again express my gratitude for the confidence that you [the share-holders] are demonstrating in our future project, and also to reiterate our commitment to continue working on the creation of the leading Spanish group for infrastructures serving mobility and com-munications, whilst maintaining in parallel our path to increased profitability. (Isidro Fainé, Chairm.)		
	Q			u 6 i pt nt n c Σ 6	
2. Flexibility	98	3	Marked by the tremendous challenge of European Monetary Union and the major demographic movement this has involved, the company has strengthened its capacity for innovation and adaption to the needs of an ever more global environment in order to offer an effective response to the mobility requirements of people, goods and tourism.	u 5	5
	99				
	00				
	Q			u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration

Empirical analysis of companies' success in creating shareholder value

Company: **ACE** **Autopistas, Concesionaria Española, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	3	… in order to maximise the Company's service and consolidate its position in the road infrastructure sector, approximately 6,500 million pesetas have been invested this year, earmarked principally for the improvement of the highways network and the development of the companies in which the Group has holdings.	u 2	7
	99	14	Investments during the year represent 36% of the accumulated total and correspond primarily to shareholdings in new highway concessionaries in Madrid and Galicia, an increase in the Aucat investment and Parc Logístic and capitalisation of Acesa Italia, a preparatory step to invest in Autostrade S.p.A.		
		24	All the investments were made to improve the highway network and its telecommunications installations, as well as upgrading the toll payment systems, with particular importance placed on extending and improving the automatic payment system.	i 1 u 2	
	00	2	In parallel to the presentation of these key figures, it is of primary importance to highlight the significant investment activity undertaken by the Group, which totalled 115,000 million this year, and represents a powerful impetus to our development strategy. … These two investments clearly meet the requirements that we set for the incorporation of new companies in the Acesa Group. They are shareholdings that allow us to use our know-how in infrastructure management, extend the average life of the Group's different concessions and obtain a satisfactory yield with an acceptable risk profile.	u 6	
	Q			u 6 i 1 pt nt n c Σ 7	
4. Human Resources	98				3.5
	99	5	But in the end, in any organisation, the edge over other companies that offer the same services comes from its human resources, in the people that work on the same project, sharing common objectives. (Salvador Alemany Mas, Managing Director)	hu 2	
	00	38	The company's organigram was restructured to face the new challenges, strengthening the commercial activity, namely communication and marketing, by creating a Commercial Division and the development of the group, with the formation of the International Concessions Division.	hi 0.5	
		38	Convinced of the importance of training to obtain quality service, a wide reaching training program was promoted during the year directed at the distinct groups making up the company's work teams. … A total of 124 courses were run, totalling 1,632 hours, with 80% of personnel being involved.	hi 0.5	
		38	The improvement in intensity and quality of internal communication was another objective of the company.	hi 0.5	
	Q			u 2 i 1.5 pt nt n c Σ 3.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACE** **Autopistas, Concesionaria Española, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	3	Thanks to these results, the proposed dividend for the year totals 18,927 million pesetas - 75 pesetas per share - 5% more than the previous year.	u 2	6
		17	The graph shows the evolution of Net Profit over the past few years and its distribution; of special note is the adaption of allocations to voluntary reserves, depending on net profit, thus providing for a stable distribution policy. … Dividends, stabilised as dividend per share, have had an annual accumulative growth slightly above 5%, as a result of the increasing number of shares.	u 5	
		23	The return in dividends per share was 15% of par value and, once again this year, the shareholders obtained an additional free share for each 20 existing ones, as a result of the aforementioned capital increase.	i 1	
	99	4	I would like to convey my sincere belief that this constant increase in value, along with everything that this Company is generating, should soon be reflected in the value of our shares in the market, given that it is reasonable to expect a greater appreciation in the market of those shares that combine their dynamism and solidity with a notable return for the shareholder. (Isidro Fainé Casas, Chairman)	u 0	
		15	In recent years dividends have had an annual accumulative growth of 5%, due to a stable dividend policy combined with an increase in the number of shares through regular bonus share issues.	u 5	
	00	3	the increase of consolidated net profit by 9% to PTAs 27,081 million enables us, one year more, to increase the dividend payment. Consequently, the Board proposes to the Annual General Meeting a dividend of 75 pesetas per share (in total, PTAs 20,867 million), which is 5% more than 1999, in line with the annual increase in recent years. Equally, the Board proposes an increase in free float capital, issuing one bonus share for ever 20 existing shares, with economic rights from 1 January 2001.	u 5	
	Q			u 5 i 1 pt nt n c Σ 6	
6. Growth	98	3	The growth registered by Autopistas C.E.S.A. Group during 1998 has dovetailed neatly with that of the Spanish economy.	u 0	6
	99	4	I would like to emphasise that the Group is implementing its growth strategy without reducing its profitability and in accordance with strict financing criteria. (Isidro Fainé Casas, Chairman)	u 6	
		34	the Autopistas Group is open to new business opportunities in expanding areas with considerable growth potential in Spain, Europe and Latin America.		
	00	3	The growth policy which the Group is employing respects prudent financing criteria, maintaining the high profitability and financial soundness that the Group is known for, without the need to seek additional resources from shareholders.	u 6	
		3	It is worth noting that in times of stock market uncertainty, like the first quarter of 2001, our share price has always maintained a very positive behaviour. We trust that this trend will consolidate in the future on the basis of the optimistic outlook that our Group offers, founded on the policy of continual growth and the steady increase of value generated.		
	Q			u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACE** **Autopistas, Concesionaria Española, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				5
	99				
	00	2	Of note was the merger of the subsidiary company Euro with Saba during the year, which has generated operating synergies.	u 5	
	Q			u 5 i pt nt n c Σ 5	
8. Liquidity of shares	98	26	The volume of shares traded totalled 122.7 million, equivalent to 48.6% of share capital, representing 279,609 million pesetas.	u 2	3
	99	53	The volume of shares traded totalled 137 million, an increase of 11.7% over the previous year, equivalent to 51.8% of the share capital.	u 3	
	00	61	The volume of shares traded topped 146 million, an increase of 6.8% over the previous year, equivalent to 52.6% of the share capital.	u 3	
	Q			u 3 i pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACE** **Autopistas, Concesionaria Española, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				4
	99	4	This [investment] policy was endorsed by the "AA" rating received from FITCH-IBCA, the international credit rating agency. This rating reflects ACESA's sound balance sheet, the evaluation of its investment policy, the limited need for on-going investment and the very high quality of its financial ratios.	u 4	
	00				
	Q			u 4 i pt nt n c Σ 4	
10. Competitive advantages	98	3	in order to maximize the Company's service and consolidate its position in the road infrastructure sector, approximately 6,500 million pesetas have been invested this last year.	1 market position	1
	99				
	00				
	Q			u i 1 pt nt n c Σ 1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACE** **Autopistas, Concesionaria Española, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				1
	99	49	Operating expenses, personnel and other expenses, make up 61% of the total, increasing by 9.3% due to the special emphasis on improving services to our clients.	u 1	
	00				
	Q			u 1 i pt nt n c Σ 1	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	6	5	6	2	5	6	5	3	4	0	1	43
i	additional information	0	0	1	1.5	1	0	0	0	0	1	0	4.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	6	5	7	3.5	6	6	5	3	4	1	1	47.5
	ranking among all 38 companies	26	21	27	29	18	24	32	35	26	34	34	

total score:	47.5	total score without questionnaire:	47.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	4.32	valuation without questionnaire:	4.32
ranking among all 38 companies	35	ranking without questionnaire	34

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.2. *ACS, Actividades de Construcción y Servicios, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **ACS** **ACS, Actividades de Construcción y Servicios, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	7 sp	… establishing our policy of customer orientation and the committment of profitability towards our shareholders as fundamental principles of our management.	u 4	6
	99	6	two fundamental objectives: satisfying our customers' needs and creating value for shareholders.	u 4	
	00	00/19	This vision [of leadership] would not, however, make sense if it were not aimed at achieving two objectives that have been priorities since the birth of the Group: our customers' satisfaction and sustained growth in profitability, indeed, the value creation. A will that is reflected in all and every one of the company's actions and which has as solid guarantees for its compliance quality and commitment: quality in the service provided and the results achieved; commitment to our customers, employees and shareholders.		
		21	The generation of value for shareholders has been another of the ACS Group's intentions and, with the result obtained, has more than exceeded this in recent years. The company has shown a Cumulative Annual Growth Rate (CAGR) for the 1997-2000 period of 13.6% in earnings per share, of 14.8% in dividends per share and, principally, 40.2% in total shareholders' return per year.	u 5	
	Q			i 1	
				u 5 i 1 pt nt n c Σ 6	
2. Flexibility	98	17 sp	… to have an adequate financial structure in order to dispose of the needed funds to take any opportunity of investment that contributes to the group's growth.	u 4	5
	99	22	The Group's growing diversification into non-traditional sectors and its maturity as a multi-services group has led to changes in company's internal organisation structure with the aim of maximising its commercial and productive potential and, at the same time to maintain tight control over corporate management. This new structure is, on the one hand, dynamic and flexible and, on the other, efficient as it allows the company to adapt to new scenario with a reduced level of costs.	u 4	
	00	7	The needs of our customers are constantly changing and the ACS Group has been able to adapt swiftly and effectively in each period, providing a quality service and more than meeting our commitment to our customers, who are one of our most valuable assets.	u 5	
	Q				
				u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACS** **ACS, Actividades de Construcción y Servicios, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	7 sp	Without a doubt, the recently reached agreement to acquire Continental Auto, Spanish leader in travel transport, was a determinant step for ASC in its process of expansión, in line with its stragic aproach, that will contributen important benefits in the future.	u 4	8
	99	17	Obtaining decisive critical mass in the Environment business with the acquisition of Onyx SCL, dedicated to urban services and placing ACS at the leading edge of the environmental business.	i 1	
		19	The creation of value for our shareholders based on three key elements: profitable returns on the capital invested in each business, the promotion of businesses with significant growth prospects and investing the resources generated in new businesses with future.	u 6	
	00	62	Investment was around € 310 million.		
		75	From the Investment Plan for 2000-2003 that was approved by the Shareholders in the Annual Meeting for June 2000, valued at more than €900 million, at least 28% of the planned total was in-vested in this year.	i 1	
	Q			u 6 i 2 pt nt n c Σ 8	
4. Human Resources	98	58 es	In 1998 the group ACS made a big effort to improve qualification of the staff in the framework of a global strategy of continous training and rational management of human resources.	hu 2.5	5
	99	19	The permanent search for ways in which to satisfy our clients has made it necessary to put to-gether a human team with great management abilities…	hi 0.5	
		60	… its strategy is especially focused on innovation in the area of human resources management and training. ACS is aware that tangible investments can only be successful if they are accompanied or preceded by solid intangible investments. Investment in human resources is, without a doubt, that which produces the best returns. With these basic fundamentals, ACS took important steps in 1999 to increase even more the training and qualifications of its workforce.	hu 3.5	
	00	27	Being aware of the importance of having a qualified and specialised staff to be abel to maintain and exceed the current levels of quality and excellence in service, the Group has continued its training programmes throughout financial year 2000. The Annual Training Plan shows that there were more than 90,000 teaching hours, many of these on a one-to-one basis, around 500 courses given and an overall attendance covering more than 60% of staff. The Group's priorities in the training area have been concentrated on areas related to technological specialisation in manage-ment and production systems, quality, the environment and especially, the area of safety and prevention of labour risks.	hi 1	
	Q			u 3.5 i 1.5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACS** **ACS, Actividades de Construcción y Servicios, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	10	[Company just publishes the evolution of dividend payments:] 1994 45 ptas/share; 1995 50 ptas/share; 1996 55 ptas/share; 1997 55 ptas/share; 1998 60 ptas/share.	u 2	2
	99				
	00	79	On 26 June 2000 the ACS Group made a payment of € 0.39 gross dividend per share from the profits for the financial year 1999. The total amount distributed by way of dividend amounted €25 million.	u 1	
	Q			u 2 i pt nt n c Σ 2	
6. Growth	98	7 sp	ACS aims to obtain a better balance of income between construction activities and services in order to guarantee durable growth on the long term and high perspectives of profitability.	u 4	7
	99	19	These are the maxims that have been used to define the strategic lines that can be summarized in the following points: … 2. Maximising returns on the more traditional business lines, in this case construction or industrial installations and distribution networks. The objective is to maintain sustained growth in these businesses, pursuing quality of service and profitability in preference to volume.	u 6	
	00	6	Expansion that we have based on three fundamentals: a successful policy of company acquisitions, an appropriate management for each of the businesses that we develop and a strategic vision for identifying business opportunities in new markets.	u 5	
		21	In each of its actions ACS aims to enjoy less dependence on the economic cycle and securing long term sustained growth.		
		22	Business strategy … 2. Developing Group activities that show higher growth potential through: …	i 1	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
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Empirical analysis of companies' success in creating shareholder value

Company: **ACS** **ACS, Actividades de Construcción y Servicios, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	7 sp	For ACS, 1998 was a year of consolidation after the successful merger in 1997 as the economic results confirm.	u 4	7
		16	The group surpassed all expectations concerning the merger between OCP Construcciones, S.A. and Ginés Navarro Construcciones, S.A. In 1997 not only concerning the level of results but also with respect to other aspects: improved competitivity, financial capacity, positioning in different sectors of activity, etc.		
	99	17	The incorporation by merger, as approved by the Shareholders in Extraordinary General Meeting on 29 February 2000, of the companies Imes, Vertresa and Venelín, services, solid waste management and industrial cleaning companies respectively and which will start to contribute results to the ACS Group as from the year 2000.		
		38	[Group Activity: Services] Turnover from services has already reached 42% of total Group turnover whilst the contribution to net profit stood at 51% at the year-end. This growth comes from favourable development in the more traditional activities and the good performance shown by new businesses but, above all, as a consequence of the recent intense policy of alliances and companies acquisitions.	i 1	
	00	6	The incorporation by merger, as approved by the Shareholders in Extraordinary General Meeting on 29 February 2000, of the companies Imes, Vertresa and Venelín, support services, urban waste management and industrial cleaning companies respectively and which began contributing results to the ACS Group in 2000 and completing our offer of service. With this operation we have advanced one level in our proposal to cover all operational fields of the customer by providing ever more complete services.	i 1	
		26	Participation in international technological research and development allows the Cobra Group to be positioned in the technological vanguard in the world in the areas of control systems, collaborating with the most advanced companies …		
	Q			u 5	
				u 5 i 2 pt nt n c Σ 7	
8. Liquidity of shares	98	68	The increased liquidity and the potential of revaloration permitted the ACS share to be a highly demanded stock for individual and institutional investors.	u 7	7
		69	Trade volume in ACS shares reached 1.19 times of the company's share capital.		
	99	68	Average daily volume traded stood at 199,787 shares which, compared with the daily average of 229,397 shares in 1998, meant a decrease in volume traded of 13%.		
		69	The total number of shares traded during the year was 50,146,480, 0.91 times ACS's share capital. July and December were the most active months with total shares traded being 5.4 and 6.0 million respectively.		
	00	84	Average daily trading reached 271,885 shares compared with the daily average of 199,787 shares in 1999, an increase of 36.1% in traded volume. The total number of shares traded in the year was 67,971,276, representing 1.06 times the ACS share capital.		
	Q				
				u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACS** **ACS, Actividades de Construcción y Servicios, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	7 sp	basic strategic lines … · Continue to develop the portfolio of concession projects, following always attractive rates of profitability and keeping at the same time a strict risk policy.	u 7	8
	99	20	[strategic lines:] 4. Building up a portfolio of concessions that offer attractive returns but always with a strict policy on risk.		
		64	Labour risk prevention is a fundamental pillar of ACS's activities and its final objective is to reduce the level of accidents both to our own personnel and to those from our collaborators.	i 1	
	00	6	This excellent performance was accompanied by healthy accounts that are fruit of the rationalization of resources and a rigorous control over costs and risks.	u 7	
	Q			u 7 i 1 pt nt n c Σ 8	
10. Competitive advantages	98	7 sp	The 1998 result confirmed ACS as one of the most profitable companies of the sector.	1 cost leadership	5
	99	44	[Telecommunications] The strong international presence through 35 branches in more than 20 countries has given this area an important competitive edge for being able to provide its customers with an integral service and this has become an indispensable element for the development of its business.	1 access customers	
		48	[Environment] This places ACS without a doubt in a very attractive competitive position given the peculiarities of a sector with high entry barriers such as the size and experience in previous contracts, the heavy investment necessary at the beginning of contracts and, thereby, the need for a solid financial structure.	1 market position	
	00	6	The financial year 2000 was a decisive one for the ACS Group. It was in this year that the Group consolidated its leading position as a reference company for promotion, development, constuction and management of any type of infrastructure and service.	1 reputation	
		18	far from being content with the current acquired position, the vocation for leadership and its eagerness to improve that characterise the Group have fomented a strategic vision that is coming closer: to be the first and best Spanish group in infrastructures and services and to become the clear reference group in the international context.	1 focus	
	Q			u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACS** **ACS, Actividades de Construcción y Servicios, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99	37	From the Group's point of view it will continue to grow in the sector with quality contracts, maintaining its operating margins at over 4% by an exhaustive control over costs and selective contracting that will allow ACS to consolidate itself as one of the most profitable construction companies in the country.	u 6	
	00	6	This excellent performance was accompanied by healthy accounts that are fruit of the rationalization of resources and a rigorous control over costs and risks.	u 5	7
		30	The ACS construction business … remains one of the most profitable areas thanks to strict cost control … and the use of economies of scale to dilute structural costs.	i 1	
	Q			u 6 i 1 pt nt n c Σ 7	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	5	5	6	3.5	2	6	5	7	7	0	6	52.5
i	additional information	1	0	2	1.5	0	1	2	0	1	5	1	14.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	6	5	8	5	2	7	7	7	8	5	7	67
	ranking among all 38 companies	26	21	22	20	32	17	26	7	11	11	17	

total score:	67	total score without questionnaire:	67.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**6.09**	valuation without questionnaire:	**6.09**
ranking among all 38 companies	**25**	ranking without questionnaire	**25**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.3. Aceralia Corporación Siderúrgica, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **ACR** **Aceralia Corporación Siderúrgica, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)				Score
1. General attitude towards shareholder value	98	10 sp	Among our corporate values we would like to emphazise the following: · Creation of value for our shareholders, customers and employees. [7 other objectives]	u	4			9
	99	7	I would like to end by thanking all shareholders, both personnaly and on behalf of the Board of Directors that I have the honour of chairing, for the trust they have placed in us, and assure them that we will continue striving to enhance the value of ACERALIA Corporación Siderúrgica. (José Ramón Álvarez Rendueles, Chairman)	u	5			
	00	7	ACERALIA, ARBED and UNISOR share the intention to achieve the consolidation and improvement required in a sector working in increasingly globalized markets and, within this framework, to generate value for their shareholders and their customers.					
		12	ACERALIA's mission focusses on the development, manufacture, and marketing of steel products that generate a differential value for its customers, while securing an adequate level of profit for its shareholders and the continuous improvement of its competitive position in the market.					
		12	the company's economic objective, which consists in obtaining a level of profitability higher than the cost of capital invested and than the sector average, throughout the cycle.	u	7			
	Q		Creation of shareholder value is the foremost objective of the company.	u	8			
						u	8	
						i		
						pt	1	
						nt		
						n		
						c		
						Σ	9	
2. Flexibility	98	28	The flexibility that facilitated the steel production by electrical and integral processes allowed to adjust in each moment the production avoiding to increase involuntarily stocks.	u	4			7
	99	7	Overall total fixed asset investment made under the ACERALIA Industrial Plan will exceed by a considerable sum the amount budgeted in the company's privatisation agreement, which was Ptas. 130 billion. At present, the Plan, which has flexible targets, envisages investment of Ptas. 160 billion over the 1998-2002 period.	i	1			
		10	Thanks to an extremely balanced and highly flexible productive facilities, the Group is able to achieve a high level of cost efficiency, produce a wide range of products high in value added and enjoy the benefits of considerable synergies along the distribution chain and in client service.					
		10	One of ACERALIA's main competitive advantages is the considerable flexibility in production, …	u	6			
	00	6	In 2000, ACERALIA optimised the performance of all its facilities, taking maximum advantage of the flexibility derived from its production structure which combines integrated steel production with electric arc furnaces, enabling it to continuously adapt to its customers' demands.	u	6			
		48	[The industrial plan is] a flexible Plan which gives permanent priority to those investments which fit best with the company's objectives.	u	6			
	Q		Typical for the company's flexibility is the organization by business sectors and decentralized decision making. The firm evaluates flexibility in numerical terms through profit and loss and return on invested capital.	u	4			
						u	6	
						i	1	
						pt		
						nt		
						n		
						c		
						Σ	7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACR** **Aceralia Corporación Siderúrgica, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)			Score
3. Investments	98	6 sp	The acquisition of Aristrain and the participation of 74,5% in Acería Compacta de Bizkaia strengthened the company's position in the national market.	i 1			
		8	From an economic point of view, our objectives concentrate on the creation of value by obtaining a profitibility higher than the costs of capital invested.	u 8			
	99	8	These acquisitions [steel assets of the MARCIAL UCÍN Group y 60% stake en Asturiana de Perfiles] marked important advances in the major expansion drive ACERALIA is currently pursuing, the main focus of which is to exploit opportunities in sectors where demand for steel and steel products is high.	i 1			
	00	6	The investments made under this Plan, which gives priority at all times to projects leading to an improvement in the Company's competitiveness, amounted to Ptas. 193,000 million (€1,160 million) for the 1998-2000 period, exceeding the commitments undertaken by the ARBED Group in the ARBED Group in the Aceralia privatisation agreement.	i 1			11
		12	the company's economic objective, which consists in obtaining a level of profitability higher than the cost of capital invested and than the sector average, throughout the cycle.	u 9			
	Q		Financial precondions: Internal Rate of Return and Return on Invested Capital must be positive. Pocedures to select investment projects: accordance to strategy of the group, Internal Rate of Return. Investments are related to the company's medium term strategy. A investment project's success is also measured by the Internal Rate of Return and the Return of Total Invested Capital. The international investment policy is according to risk factors.	u 9	u	9	
					i	2	
					pt		
					nt		
					n		
					c		
					Σ	11	
4. Human Resources	98	26 sp	Human resources policy focused on continuing all processes that contribute to increase the contribution of the staff to improve the Group's results.	hu 4			
		26	Aceralia aims to enhance the quality of the working environment, foremost concerning security and health.	hi 0.5			
		27	In order to increase staff's contribution to the group's result a continous training is necessary.	hi 0.5			
		27	Risk prevention has priority for the Aceralia Group what is reflected in a significant reduction of the accident index.	hi 0.5			
	99	11	The ACERALIA Group has a highly qualified workforce of 15,605 employees fully committed to the company and working in safe, secure and environmental-friendly conditions.				
		25	… these programmes are designed to boost employee motivation and increase their involvement, promote the positive aspects of teamwork, improve qualifications through on-going training, and establish flexible structures which can be speedly adapted to new requirements, as well as improving internal communication systems - all this in parallel with a progressive improvement in working conditions.				
		26	zero-accident target				
	00	6	These achievements would not have been possible without the dedicated involvement of the human resources of the Company who, with their high professional qualifications, their commitment and effort, have risen successfully to the most difficult challenges.				7.5
		14	[actions in 2000] "Internal Communication" Plan [and] "And what do you think?" opinion survey among the employees.				
		28	During 2000, the Human Resources area supported the entire Organization in the managment of its main asset - the people working in ACERALIA - , with the aim of making an efficient contribution to the accomplishment of the Mission, Corporate Values and Objectives defined in the Strategic Project Growth in the 21st c				
	Q		Aceralia has a variable remuneration system that includes all the management. It pays cash incentives within 3 months after year end closing. The members of the Board of Directors do not receive a variable remuneration. Executives are paid according to the fulfillment of 34 defined objectives. The company stresses as HR measure the policy of management by objectives.	ru 2	u	6	
					i	1.5	
					pt		
					nt		
					n		
					c		
					Σ	7.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACR** **Aceralia Corporación Siderúrgica, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)			Score
5. Dividends	98	7 sp	Shareholders of the company will participate in the good results obtained in the financial year through a dividend of 85 pesetas per share, as agreed by the Board of Directors in its session held in the month of March.	u 0			5
	99	7	At this year's General Meeting of Shareholders the Board of Directors will propose that our shareholders once again benefit from these good results in form of a Ptas. 85 dividend per share.				
		60	[On 31 December 1999 ACERALIA's market capitalization was €1,648.75 million (Ptas. 274.329 billion) and its P/E and price/book value ratios were 12.69x and 0.67x respectively.] The dividend yield for the year was 4%. These ratios make ACERALIA one of the most attractive stocks listed on the Spanish stock market.	u 0			
	00	7	it should be mentioned that, at this year's Annual General Meeting the Board of Directors will propose a dividend of Ptas. 115 (€0.69) per share, Ptas. 30 (€0.18) more than last year. This substantial dividend is in line with the outstanding results achieved by the Company in 2000 and is, therefore, and extraordinary dividend.	u 5			
	Q		Dividend payments create shareholder value because shareholder value = dividend + appreciation of shares. Dividend policy: fixed quantity equivalent to a minimum profitability (˜ 4 - 5%) yield. Aceralia considers that share repurchase programs, dividend cuts and gratis shares have no effect "in our company".		u i pt nt n c Σ	5 5	
6. Growth	98						5
	99						
	00	6	… the implementation of the Growth in the 21st Century Project, which sets the guidelines for the management of the Company.	u 1			
		24	A detailed analysis of the growth shows that 4% of this increase is attributable to a higher tonnage of sales to third parties, 3% to an improved product mix and 11% to the increase in sales prices.	i 1			
	Q		Growth may be a means to achieve other objectives, namely profitability and earnings per share.	u 4	u i pt nt n c Σ	4 1 5	

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00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACR** **Aceralia Corporación Siderúrgica, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)		Score
7. Mergers and Alliances	98	6	The acquisition of Aristrain and the 74.5% participation in Acería Compacta de Biskaia strengthened Aceralia's position in the national market and the alliance with Arbed allowed to increase its presence among the major groups of the European steel sector and worldwide. … the synergies realized with the integration of Aristrain, ACB and the alliance with the Arbed Group already showed first positive results.	u 6		8
		31	The frequent exchange of information and numerous benchmarks and workshops with Arbed contributed to improve logistics.	u 6		
	99	6	In the course of the year, the steel assets of the Marcial Ucín Group were fully integrated within the ACERALIA Group making us the leading manufacturer and supplier of steel for the construction sector as well as the leading Spanish supplier to all steel-consuming sectors. And this lead position was further strengthened when we acquired 60% of Asturiana de Perfiles and created ACH Paneles. On the international stage, meanwhile, our alliance with Arbed places us amongst the world's top-ranked steel groups.	i 1		
	00	7	This agreement [with Unisor] is aimed at combining the industrial, commercial and human strengths of the three groups in the creation of a new Company destined to be the world leader in the steel industry.	u 2		
		11	The alliance with Arbed, which gave birth to a company ranking third among steel producers world-wide, has brought benefits throughout the year, with the development of new synergies through benchmarking procedures and workshops, and advantages derived from joint purchasing and joint use of the commercial networks overseas.	u 5 i 1		
		66	financial markets welcomed the announcement of the merger…the share price rose by 45.50% in the first quarter of 2001			
	Q		The objectives to acquire another firm may be the product portfolio or the realization of synergies. Milestones of a merger process: integration in the firm's strategy and action plans to obtain synergies. Strategic alliances are in general rarely better than an acquisition or a merger.	u 5	u 6 i 2 pt nt n c Σ 8	
8. Liquidity of shares	98	53 sp	Aceralia is listed on the four Spanish stock exchanges through the continous market. … Aceralia shares are also traded as ADR's in the United States	u 4		7
		56	Share rotation equals 102.1% of total capital. The trade fequency was 100%.			
	99	62	In 1999, 74,362,659 ACERALIA shares were bought and sold on the Spanish Continuous Market, equivalent to a capital rotation of 59.5%. The total value of shares traded in the year was €859.736 million (Ptas. 143,048 billion). ACERALIA shares were traded on the Spanish Stock EX change on every working day of 1999 and the average volume traded each day was 297,450 shares, equivalent to an average daily turnover of €3.439 million.			
		63	The aim of the issue [Sponsored Level 1 Depositary Receipts] is to give ACERALIA easier access to the international capital markets and to increase awareness of our company on the international stage.	u 6		
	00	66	ACERALIA Corporación Siderúrgica S.A, trades on all four Spanish stock markets via the Continuous Market. …ACERALIA also forms part of the select IBEX-35 index … In 2000, 79,303,389 ACERALIA shares were traded on the Spanish Continuous Market, equivalent to a rotation of 63.44% on the total equity and of 120% on the free-float. … In 2000, ACERALIA's shares were traded on the Spanish Stock Market on every working day, with an average daily volume of 317,213 shares.			
	Q		Higher liquidity of shares increases shareholder value since more trade means higher value. Liquidity can be increased by a higher free float and a higher market capitalization.	u 7	u 7 i pt nt n c Σ 7	

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Empirical analysis of companies' success in creating shareholder value

Company: **ACR** **Aceralia Corporación Siderúrgica, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	15 sp	Its position of leadership permitted Aceralia to diversify its portfolio of orders in the way that no product or consumer market represents more than 20% of sales to third parties.	i 1	4
	99	11	ACERALIA has choosen to focus on the production of steel products involving a higher level of processing and thus higher in value-added. This specialisation should place the Group in a much stronger position to mitigate the cycical ups and downs inherent in this business.	u 3	
	00				
	Q			u 3 i 1 pt nt n c Σ 4	
10. Competitive advantages	98	9 sp	The integration of the acquired firms of the Aristrain Corporation as well as the acquisition of the control majority of ACB should strengthen Aceralia's leader position in the national market. The alliance with Arbed forwards the position in Europe.	2 market position architecture	5
		11	Aceralia awaits a stage full of challenges. To compete with global leaders in the sector of metallurgy requires to strengthen our competitive advantages and react anticipately on tenden-cies of the market.	1 innovation	
	99	7	Fixed asset investments totalled Ptas. 48 billion and were a major contributor to gains in the competitiveness the Group achieved.	1 dominance	
		8	through its alliance with the multinational ARBED Group, ACERALIA participates in one of the top steel groups in Europe and the world, a situation which, on an incrasingly global and competitive market, brings considerable competitive advantages.	architecture	
	00	6	this last year ACERALIA reinforced its leadership in the domestic market and its position on the in-ternational stage, a situation materialised in the agreement reached with its partner ARBED and UNISOR to create the leading steel corporation in the world.	architecture	
	Q		The main competitive advantages of Aceralia are: flexibility, product diversification, service to customers, and low costs.	1 u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACR** **Aceralia Corporación Siderúrgica, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	11 sp	In a difficult environment, like the present one, we seek to consolidate our position of leadership in costs, quality, service and profitability. Strategic action plan: · Permanent cost reduction - Benchmarking and groups of improvement of costs - Reengineering of processes - Total quality - Management of globalized purchasing and logistics	i 3	10
	99	8	Despite this difficult situation [economic climate], ACERRALIA was able to record sales growth of 14% including the Ucín Group, thanks to … an aggressive drive to reduce operating and sales costs.		
		9	The key action plans introduced in 1999 were: … ·Improvements to the efficiency and effective-ness of support processes, by providing the various business units with lower-cost but higher-quality service.		
	00	6	These achievements are the result of a strategy focussed on … reducing costs.	u 7	
		25	Better cost structure efficiency resulted in substantial savings attained thanks to good perfor-mance levels, lower manufacturing costs and improvements in quality and service, achievements that have become the key element of ACERALIA's competitiveness.		
	Q		The current cost cutting program comprises procurement, logistics, and production. Success is controlled by benchmarking.	u 7 i 3 pt nt n c Σ 10	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	6	9	6	5	4	6	7	3	5	7	66
i	additional information	0	1	2	1.5	0	1	2	0	1	0	3	11.5
pt	clearly positive tendency	1	0	0	0	0	0	0	0	0	0	0	1
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	9	7	11	7.5	5	5	8	7	4	5	10	78.5
	ranking among all 38 companies	12	7	3	10	27	27	19	7	26	11	4	

total score:	78.5	total score without questionnaire:	70.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	7.14	valuation without questionnaire:	6.41
ranking among all 38 companies	12	ranking without questionnaire	23

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.4. Acerinox, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **ACX** **Acerinox, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	7	The main objective of the Society, namely, the VALUE CREATION for the Shareholder is enhanced by the new installations and capacities of the Group factories which are comming onto stream at the end of the year 1999 …	u 9	10
	99	7	ACERINOX share has been revalued by 99.4% in the year, and it shows the highest revaluation among the IBEX-35 Companies which have been up only by 18.3%.	i 1	
	00	7	… there are only reasons to feel optimistic … on the value creation for our Shareholders, This is the commitment pledged by all who are working in ACERINOX Group. (Victoriano Muñoz Cava, Chairman and CEO)		
	Q			u 9 i 1 pt nt n c Σ 10	
2. Flexibility	98				-1
	99				
	00				
	Q			u i pt nt n -1 c Σ -1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACX** **Acerinox, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98					4
	99	6	ROLDAN [a Acerinox subsidiary] has invested 52.5 million € and INOXFIL, S.A. [another subsidiary] 15.6 million €, all exclusively self-financed by own generated funds. They have become the most competitive European factories in their sector.	u 3		
	00	26	The investments made by ACERINOX, S.A. in the year 2000 totalled 133,197,918 euros with the following breakdown: …	i 1		
	Q				u 3 i 1 pt nt n c Σ 4	
4. Human Resources	98	19	The Fellowship Training Programme has continued in the factory of Campo de Gibraltar, with the participation of 102 University students.	hi 0.5		3.5
	99	18	The ongoing training of the personnel is one of the characteristics of ACERINOX since its establishment.	hu 2		
	00	20	The ongoing training, one of the distinctive features of ACERINOX from the outset, has been carried out through 48 courses in different areas, integrated in FORCEM Programme, with the attendance of 986 participants. In the Fellowships Training Programme, in cooperation with several Universities, a total of 123 students have participated who underwent practical training in several centres of the Society.	hi 0.5		
		24	The General Shareholders Meeting of ACERINOX, S.A. held on 30 May 2000 authorized two capital increases for employees and retired personnel of ACERINOX Group at the issue value of 16.5 euros, from which 1 euro belongs to the face value and 15.5 euros to the issue premium.	hi 0.5		
	Q				u 2 i 1.5 pt nt n c Σ 3.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACX** **Acerinox, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	7	The return to the Shareholder in the year 1998 was of 130 Pts per share: 80 Pts as Dividend, and 50 Pts as Issue Premium Refund. This implies a 81.25% remuneration on the face value, or a 3.93% profitability on the traded value of 3,305 Pts at the end of the year.	u 6 i 1	9
	99	7	ACERINOX has continued the ongoing improvement policy of return to the shareholders by dis-bursing 0.90 € / per share dividends which is 15.4% more than the total amount paid last year.	u 2	
		21	In October 1998 an Investment Refund was disbursed on account of the Issue Premium for the amount of 0.30 €. In the year 1999 as there were doubts on tax treatment, the decision was rather preferred to pay an Interim Dividend of the year 1999 for the same amount.	i 1	
		21	The concern of the Society to increase the return to shareholders is proven in the annexed graph. In the last five years the dividend has risen by 87.5%		
	00	7	If the General Shareholders Meeting approves the Distribution of Results submitted by the Board of Directors, the total dividend paid in the year 2000 will amount to 1.08 euros/share, which is 20% more in comparision with that of the year 1999.	u 2	
		24	Three Interim Dividends on account of the year 2000 have been disbursed.	i 1	
	Q			u 6 i 3 pt nt n c Σ 9	
6. Growth	98	6	ACERINOX, S.A., in such a harsh year as this 1998, has once more proven the capacity to grow and generate clear profits.	u 4	4
	99				
	00				
	Q			u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACX** **Acerinox, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				
	99				
	00				0
	Q			u i pt nt n c Σ 0	
8. Liquidity of shares	98	21	The General Shareholders meeting held on 10 June 1998 approved the splitting of the shares in circulation, with the ratio of five new shares for each old one. Said split was made on 6 July 1998, and it was carried out without modification of the share capital which became represented by 58,479,105 shares with a face value of 160 Pts. each.	u 6	
		22	A daily average of 340,816 shares were traded for the amount of 1,320,138,857 Pts, showing once more the high liquidity of the shares of our Society.		
	99	22	A total of 71,273,089 shares were traded throughout the 250 sessions of the year in which Con-tinous Market operated for the amount of 2,009,875,543.54 €. A daily average of 285,092 shares were traded for the amount of 8,039,502 €.		
	00	25	ACERINOX shares were traded throughout the 250 days of the year in which Continuous Market operated for a total of 69,072,407 shares with the amount of 2,518,999,345 euros which implies a daily average of 276,290 shares traded for 10,075,997 euros.		6
	Q			u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACX** **Acerinox, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98		[The company depends extremely on raw materials and export. The annual report details the consequences of price fluctuations and currency devaluations in some countries but does not mention any measure of risk control or even active risk management.]		-1
	99				
	00				
	Q			u i pt nt n -1 c Σ -1	
10. Competitive advantages	98	3	This net Cash-Flow has tripled the one obtained in the year 1992 which was the lowest in the previous cycle. On the other hand, it shows the effort and expertise of our personnel, and it highlights how our Group is strengthened to be competitive even in such adverse circumstances as those of the year 1998.	1 differentiation personnel	5
	99	16	In the year efforts have been continued for the development of the market and to strengthen our commercial network with the start-up, at the end of the year, of a new Service Centre with 15,000 m^2 built in Gavá (Barcelona) to attend the market of the Catalonia area.	1 choice market / product	
		19	Our Laboratories are well equipped to study and optimize not only all and each of ACERINOX manufactoring processes but also the processes of our customers. Hence, every year hundreds of queries are solved, giving an added value to our position in the market.	1 reputation	
	00	7	The results of the year 2000, highly above those of the record year 1995, show the competitivity of our companies which has been confirmed by the performance of better results with clearly lower market prices.	1 cost leadership	
		21	The Innovation capacity of our Society is a decisive factor to achieve excellence in a performance frame every day more competitive.	1 innovation	
	Q			u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ACX** **Acerinox, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00				-1
	Q			u i pt nt n -1 c Σ -1	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	9	0	3	2	6	4		6	0	0	0	30
i	additional information	1	0	1	1.5	3	0		0	0	5	0	11.5
pt	clearly positive tendency	0	0	0	0	0	0		0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0		0	0	0	0	0
n	obligatory variable without statement	0	-1	0	0	0	0		0	-1	0	-1	-3
c	contradictory statement	0	0	0	0	0	0		0	0	0	0	0
	TOTAL	10	-1	4	3.5	9	4		6	-1	5	-1	38.5
	ranking among all 38 companies	6	37	35	29	3	30		22	37	11	36	

total score:	38.5	total score without questionnaire:	38.5
relevant variables:	10	relevant variables without questionnaire:	10
valuation:	3.85	valuation without questionnaire:	3.85
ranking among all 38 companies	36	ranking without questionnaire	36

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.5. Agbar, Sociedad General de Aguas de Barcelona, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **AGS** **Agbar, Sociedad General de Aguas de Barcelona, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				3
	99				
	00				
	Q		Creation of shareholder value is an important objective of the company.	u 4	
				u 4 i pt nt n -1 c Σ 3	
2. Flexibility	98				4
	99	50	This rating will allow the Agbar Group`to go to the international financial markets, opening the door to new sources of financing and increasing, as a result, the flexibility for obtaining the necessary resources for financing its expansion.	u 3	
	00	7	The delay in the regulation of the social works and the depressive nature of the Argentine economy in the last two years, have led to losses in the growth of the number of insured and the general evolution of the health insurance activity in Argentina, including the investments in new hospitals. Therefore, it is necessary to study the matter in depth and reconsider the future of this investment.	i 1	
	Q	sp	The hierarchy structure tends to be more horizontal.	u 2	
				u 3 i 1 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AGS** **Agbar, Sociedad General de Aguas de Barcelona, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	8	In 1998 the Group's heavy investment policy continued …	u 2		12
		8	Consolidated investments carried out by the Agbar Group in 1998 were 77.7% higher over these of the 1997 financial year. This spectacular increase is a consequence of the varied opportunities presented during the previous financial year, in all the sectors where the Agbar Group ususlly operates, and with low maturity periods.	u 5		
		43	As an overall result of these investments, there was a net increase in the network of 62 km to a total length of 4,188 km at the close of the year.	i 1		
	99	10	In 1999 the Group's heavy investment policy continued entailing, in aggregate terms, a total of MPTA 155,410 (MEUR 934), … Consolidated investments carried out by the Agbar Group in 1999 were 67% higher over those of the 1998 financial year.	i 1		
		25	We intensified our usual investment policy and provided permanent service in our traditional sectors, and were thus able to improve the Group's net result.	u 4		
	00	39	The total value of investments made by the Company during the financial year 2000 was 128,995 thousand euros (21,463 million pesetas). …	i 1		
	Q	sp	Preconditions of an investment decision: analysis of profitability (TIR), projections of the profit and loss statement, future cash flows, positioning in the market. Investment projects are analysed independently in function of the country risk and the future profitability of the investment. Investments are also relationated to the corporate strategy. Success of investments is analysed annually through an evaluation of the units which are in charge of the investment projects, achieved margins, potential of growth, expansion and internationalization. Investment projects are post-audited. The company invests only in countries where the country risk is not too high with the intention to apply know-how and manage activities.	u 9	u 9 i 3 pt nt n c Σ 12	
4. Human Resources	98	37	Amongst other interesting points, it is worth mentioning the creation of a new unit especially dedicated to the management of the installations' and people's security called wealth security.	hi 0.5		6
	99	47	The training effort carried out during the last year has favoured a very important increase of the employees' professional training.	hu 2		
	00	33	The training effort carried out during the last year has favoured a very important increase in the employees' professional qualification. The percentage of the workforce with professional training knowledge has gone from 24.6% in 1991 to the current 53.3%, with the resulting increased professionalism on carrying out operative tasks.	hi 0.5		
	Q	sp	The principle responsibles of the head quarter and the top responsibles of the group sectores are eligible for a bonus payment. The company has a stock option plan for the staff of the group. Options can be exercised in three years.	ru 3	u 5 i 1 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AGS** **Agbar, Sociedad General de Aguas de Barcelona, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)				Score
5. Dividends	98	14	At the end of December, and in accordance with the expected results, it was agreed to distribute to our shareholders a dividend on account of 10% and a complementary dividend of 11% is proposed to this Meeting. In this way, if the proposal is approved, the total dividend for the financial year will be 21%.	u	5			7
	99	23	At the end of December, and in accordance with the expected results, it was agreed to distribute to our shareholders a dividend on account of gross PTA 20 per share (EUR 0.12020242 per share), which represents a total amount of MPTA 2,729. A complementary dividend of MPTA 2,741 is proposed to this Meeting. In this way, if the approval is approved, the total dividend for the financial year will be MPTA 5,470 (MEUR 32.9). Thus, ove the total income for the 1999 financial year, finally, a total of MPTA 2,844 will be transferred to voluntary reserves and a total of MPTA 38 to the legal reserve.	u i	5 1			
	00	35	Once the financial year had finished and the annual accounts had been closed and audited, and given that the individual profit presents a profit after tax of 60,150,229 euros (10,008 million pesetas), the Board of Directors resolved to submit for the approval of the Shareholders' Meeting a gross supplementary dividend of 0.16828339 euros (28 pesetas), thus reaching a total gross dividend of 0.28848581 euros (48 pesetas) per share for the financial year 2000.	i	1			
	Q	sp	Agbar increases dividends in line with the increase of profits per share. 30% - 33% are paid out. Gratis shares serve to remunerate small investors offering them the possibility to increase the number of shares at a cost lower than the market price.	u u	5 0	u i pt nt n c Σ	5 2 7	
6. Growth	98	7	… growth of the Agbar Group through the acquisition of mature companies.	u	3			6
	99	8	The 1999 financial year of the Agbar Group was characterized by … a significant growth of the Group's consolidated economic magnitudes: operating cash flow, ordinary income and net income attributable to parent company.	u	5			
		18	During 1998, the Agbar Group proceeded to the development and launching of the remote commerce business, through its subsidiary Agbar Global Market (AGM), with a 100% shareholding of Aguas de Barcelona. This activity has been consolidated during 1999, developing intensely all the necessary infrastructure for the establishment of the electronic commerce, and thus being able to face the big growth expectations of this activity for the year 2000.	i	1			
	00	2	It is also worth mentioning the very important growth of the Group's consolidated economic magnitudes: operating cash flow, ordinary income and net profit attributed to parent company.	u	5			
	Q	sp	Growth is an important objective but it is seen to contribute to the achievement of other objectives, namely profitability and financial solvency. The company pursues growth of profit. It is a company objective because growth is a medium to see that the firm is prospering and nowadays it is necessary because of the globalization of the world economy. Market share growth can contribute to obtain profit growth year for year, gives credibility to the good management of the company and the continuity of profit achievements.	u	5	u i pt nt n c Σ	5 1 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AGS** **Agbar, Sociedad General de Aguas de Barcelona, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	32	The Company signed collaboration agreements on questions of cartographic information with most of the city councils of the municipalities whithin the supply field of Aguas de Barcelona in the last year.	i 1	8
	99	13	Within the international framework and with the idea of increasing the presence in the Argentinian market, BBVA and Adeslas [an Agbar company] have signed an agreement. According to this agreement, the Spanish bank will have a 50% shareholding in the health care business of Adeslas in Argentina, and the health care insurance commercialization will be possible through the commercial network of the BBVA's subsidiaries in the Latin-American country. A joint venture between Cepsa G.R., Teris and Trasa has been constituted in order to put in common and develop all the activities of the sector of special and hazardous waste of the three companies through a single subsidiary: Ecostat. The aim is joining the three companies and strengthening our presence in the sector of special waste in Spain and Portugal.	u 6 i 1	
	00	7	In the international field, BBVA and Adeslas signed an agreement … it allows the commercialisation of the health care insurance through the commercial network of BBVA's subisidiaries in this Latin American country [Argentina].		
		8	Given the strong growth potential of the activity of industrial waste, in June 2000 a joint venture between Cespa, G.R., Teris and Trasa was constituted in order to put in common and develop all the activities of the special and hazardous waste sector of the three companies through a single subsidiary: Ecocat. The aim is to join the potential of the three companies and strengthen the Agbar Group's presence in the special waste sector in Spain and Portugal.		
	Q	sp	Agbar was not involved in any merger and acquisition process. Strategic alliances are better than a acquisition or a merger when they lead to market leadership without loosing identity.	u 1 u 6 i 2 pt nt n c Σ 8	
8. Liquidity of shares	98	14	After these operations, the capital of the parent company would be represented by 137,057,796 shares with a par value of 1.001686 euros, which facilitates the calculation of the parity peseta/ euro and furnishes a bigger number of shares of Aguas de Barcelona circulating in the stock market.	u 6	7
		48	… having maintained a share traded in all sessions and the volume traded (in terms of par value) of PTA 10,365 million, equivalent to 46% of the share capital.		
	99	49	The Shareholder's Meeting of the Society, held on May 27 in Barcelona, approved the division by three of the par value of the shares, fixing it at EUR 1.001686 each share and issuing three new shares per each pre-existing share.	u 6	
	00	43	This 10.5 decrease [of the share price] - which recovered in the first months of 2001 - is basically due to portfolio movements in the last days of the year, which took place because the share left the Ibex-35. The volume traded (in terms of par value) was 61.2 million euros, 11.9% higher than the previous year.	i 1	
	Q	sp	Little share liquidity has negative implications when the weigh of institutional investors is intended to be increased. Given the current situation of the company it is difficult to increase share liquidity.	u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AGS** **Agbar, Sociedad General de Aguas de Barcelona, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	13	Due to the sparingness of tariff increases and the slight increase in consumption, the improvement of profits is only possible through expense saving policies.		5
	99	10	Given the strong investment policy carried out by the Agbar Group during the last year, at the beginning of 1999, the Group's rating was requested to the main companies: Standard & Poor's and Moody's. In June 1999, the Agbar Group was given the rating AA- by Standard & Poor's and Aa3 by Moody's, thus ratifying the excellent quality of the whole Agbar Group's indebtness in the financial markets. … Concentrating on the companies of the Ibex-35, only one third of them have rating. With the ratings obtained, Agbar is among the five companies of the Ibex-35 deserving the best evaluation.	u 4	
		47	The information and delivery of risk assessment and preventive measures to more than 800 employees also continued.		
	00	33	Operational risk prevention is the following activity in training volume, with 2,218 training hours and 96 people present.	i 1	
		37	The rating agencies Moody's Investors Service and Standard & Poor's Criditwire have ratified, during the financial year 2000, the credit rating in the long term Aa3 and AA-, respectively, to Sociedad General de Aguas de Barcelona, S.A. This rating has allowed the Society to go to the international debt markets for the amount of 148 million US dollars both to refinance the existing bank debt and finance the expansive process.		
	Q	sp	Agbar diversifies geographically and concerning the business lines in order to reduce risk.	u 4 u 4 i 1 pt nt n c Σ 5	
10. Competitive advantages	98	6	With regard to the Agbar Group, the 1998 year was characterised by … an improvement in our position in the industrial solid waste market and the technical inspection of vehicles	1 choice market	2
	99				
	00				
	Q	sp	Main competitive advantages are good relations to public administrations, sure businesses, and profitability.	1 politics u i 2 pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AGS** **Agbar, Sociedad General de Aguas de Barcelona, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	13	Due to the sparingness of tariff increases and the slight increase in consumption, the improvement of profits is only possible through expense saving policies.	u 2	
		28	The tasks for redesigning processes of service to the client, within the strategic line of quality management in the Company, continued with two basic objectives: the reduction of the costs with the improvement in efficacy and efficiency in proceses and elimination of "non quality" costs, and the increase in revenues with the development and launching of new products and services.	u 5	
	99	22	Due to the sparingness of tariff increases and the fall in consumption, the improvement of profits is only possible through espense saving policy.		
	00				5
	Q	sp	Agbar runs currently a cost cutting program including a re-engineering of processes, human resources and centralization of corporate treasury and procurement.	u 5	
				u 5 i pt nt n c Σ 5	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	4	3	9	5	5	5	6	6	4	0	5	52
i	additional information	0	1	3	1	2	1	2	1	1	2	0	14
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	-1	0	0	0	0	0	0	0	0	0	0	-1
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	3	4	12	6	7	6	8	7	5	2	5	65
	ranking among all 38 companies	35	30	1	16	10	24	19	7	20	31	26	

total score:	65	total score without questionnaire:	53.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**5.91**	valuation without questionnaire:	**4.82**
ranking among all 38 companies	**27**	ranking without questionnaire	**31**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.6. Corporación Financiera Alba, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **ALB** **Corporación Financiera Alba, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	9	This policy has served to increase the liquidation value and earnings per share, to the benefit of all shareholders.	u 6	6
	99	7	As we have often discussed in the past, the most important measure of a holding company's performance, in our opinion, is the evolution of its liquidation value and, in this connection, we may say that 1999 was an excellent year for Alba. … the unrealized capital gains have more than doubled, although it should be pointed out that the figures are not wholly comparable… These strong gains are explained by the increase in the value of some of our corporate holdings, most prominently Carrefour, Sogecable, Airtel and Media Planning.	indirect, not to own shareholders u 4	
	00	100	Alba's priority objective is to assure that the companies in which it has holdings obtain maximum returns, enhance their competitiveness and strengthen their human, financial and technological potential.	u 6	
	Q			u 6 i pt nt n c Σ 6	
2. Flexibility	98	95	[proposed resolution to the general meeting of shareholders:] To authorize the Board of Directors to increase the share capital in the amount and subject to the maximum time limits provided in article 153.1-b of the Public Limited Companies Act, including with the elimination of pre-emption rights under article 159.2 of said Act.	i 1	5
	99				
	00	100	the company's financial structure, its size and flexibility will allow us to pursue future business opportunities as they arise.	u 4	
	Q			u 4 i 1 pt nt n c Σ 5	

98 Annual Report 1998	sp spanish	u general understanding	n no statement
99 Annual Report 1999	ger german	i additional information	c contradiction
00 Annual Report 2000	en english	pt positive tendency	r.. remuneration
Q Questionnaire		nt negative tendency	h.. HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ALB** **Corporación Financiera Alba, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	8	Alba is now in the process of selecting new investments that allow us to expand and diversify our portfolio of holdings.			10
		8	In 1998 there arose opportunities to increase our investment in some of the affiliated companies at prices we considered attractive. Alba acquired additional shares of Carrefour, ACS, Sogecable and Airtel with a total investment in these companies in these companies of Ptas 10,000 million.	u 5 i 1		
		9	… we have continued buying back our shares, with an investment of Ptas 7,500 million for this purpose during the year.			
	99	8	Alba pursued an intense investment program during 1999. We participated in the capital increases carried out by our investee companies to support their expansion plans. … Yet, the most important investment of the year was made in Carrefour, in which we invested a net Ptas 30,000 billion (€180.3 million). The company's strong performance and merger with Promodès make Carrefour the leading European retailer and the second largest in the world, and have encouraged us to increase our stake in the company.	i 1		
		13	As for disinvestments, the most noteworthy one has been the sale of our holding in GDM, with significant capital gains.	i 1		
	00	8	During 2000 Alba continued to pursue the active investment policy of recent years.			
		13	So far into 2001 Alba's investee companies are performing well, indicating that net profits from holdings accounted for by the equity method, the most important recurring heading in our profit and loss account, should stay on the growth track.	u 7		
	Q				u 7 i 3 pt nt n c Σ 10	
4. Human Resources	98					4
	99	13	Likewise in line with the general parctice of publicly traded companies, the Board will bring a proposal before the general meeting of shareholders for the necessary resolutions to be able to establish a stock option plan, in the belief that this system of remuneration, when structured in the moderate terms of the Board proposal, is a highly valuable instrument for fostering stronger commitment by company executives to the creation of shareholder value.	ru 2.5		
		99	.. Authorize then implementation of a remuneration system for Company executives, including Directors with management responsibility, entailing grant of options to acquire company stocks, with a maximum of 0.75% of the company's capital.			
	00	101	The remuneration paid to the directors is described in the notes to the annual accounts. The most noteworthy development in this respect was the grant of stock options to executive directors and senior executives in an amount representing 0.69% of the share capital at price of 28.26 per share [closing price of the financial year 2000 was €24.73], of which the beneficiaries will pay 5% as acquisition price.	ru 4		
	Q				u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ALB** **Corporación Financiera Alba, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	9	As Alba's stock was trading at an appreciable discount to its liquidity value, we have continued buying back our shares, with an investment of Ptas 7,500 million for this purpose during the year. … This policy has served to increase the liquidation value and earnings per share, to the benefit of all shareholders.	u 8		9
		13	The Board of Directors is likewise proposing to the General Meeting of Shareholders a dividend distributioon of 120 pesetas per share against 1998 earnings.			
	99	9	Given the discount at which Alba's stock was trading during the year, we acquired 0.8% of our own share capital for Ptas 2,700 million, part of which was retired in the 3% capital reduction approved at the May 1999 annual general meeting.	u 8		
		13	Adjusting for the 6x1 share split carried out by Alba in July 1999, the dividend figure is the same as for previous years.	i 1		
	00	11	Given the excessive discount at which we believe our company's stock was trading in relation to its underlying net asset value, over the course of 2000 we carried out share buybacks for Ptas 2,545 million (15.3 million euros). During the early months of 2001 the company continued this share buyback policy, which we believe benefits our shareholders-	u 8		
		13	In relation to the distribution of profits for the year, the Board of Directors will also propose to the shareholders in general meeting a dividend distribution of €0.12 per share against 2000 earnings. … In addition, the Board is also bringing a proposal to the general meeting to reduce the company's capital by retiring treasury stock equal to 3.3% of the share capital.			
	Q					
					u 8	
					i 1	
					pt	
					nt	
					n	
					c	
					Σ 9	
6. Growth	98	8	Alba is now in the process of selecting new investments that allow us to expand and diversify our portfolio of holdings.	u 1		4
		8	In addition, we invested Ptas 560 million to acquire a 20% equity stake in the Company Quavitae, S.A. The company provides services to senior citizens, a sector with good growth prospects for the coming years.	u 3		
	99	10	[Carrefour] … the company continued to pursue its expansion by opening new hypermarkets and supermarkets. The French retailer recorded sales for the year of 245,000 million French francs (Ptas 6.2 trillion), 36% higher than in 1998.	i 1		
		10	Airtel had an excellent year in 1999. The mobile telephone operator signed up 2.8 million new customers to expand its customer base to nearly five million by yearend. Most noteworthy in this respect is that Airtel boosted its market share from 30.6% to 33% despite entry in the market of a new wireless operator.	u 1		
	00					
	Q					
					u 3	
					i 1	
					pt	
					nt	
					n	
					c	
					Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ALB** **Corporación Financiera Alba, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				
	99	10	As a result of the tieup of their parent companies, the steps toward merging Pryca and Continente have begun, with formal integration expected to be completed by mid-2000. The combined group will be the leading retailer in Spain.		
		28	The merger will accelerate profit growth and double the group's net ordinary profit…	u 5	
		11	Together with other Spanish shareholders, in the first quarter of 2000 we reached an agreement with Vodafone AirTouch strengthening our collaboration in the management and strategic direction of Airtel, while at the same time obtaining a valuation of our interest, in the form of a set of purchase options, that values Airtel at four trillion pesetas.	u 8	8
	00				
	Q			u 8 i pt nt n c Σ 8	
8. Liquidity of shares	98	13	A six-to-one share split is proposed in order to give the company's stock more liquidity and bring the share price in line with the levels typical on the Spanish stock market.	u 6	
	99				
	00				6
	Q			u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ALB** **Corporación Financiera Alba, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	17	Provisions declined to Ptas 6,794 million (40.9 million euros), some Ptas 3,691 million (22.2 million euros) lower than one year earlier as a consequence of the disappearence of part of the risk for which these funds had been set aside.	u 2	2
	99				
	00				
	Q			u 2 i pt nt n c Σ 2	
10. Competitive advantages	98				1
	99	10	In the early months of 2000 Carrefour has announced the startup of an ambitious internet project that will place it amongst the leading e-commerce operators.	1 innovation	
	00				
	Q			u i 1 pt nt n c Σ 1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ALB** **Corporación Financiera Alba, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00	22	Overheads reached Ptas 1,690 million (10.2 million euros), equivalent to 0.52% of the company's stock market capitalization.	u 1	1
	Q			u 1 i pt nt n c Σ 1	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	6	4	7	4	8	3	8	6	2	0	1	49
i	additional information	0	1	3	0	1	1	0	0	0	1	0	7
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	6	5	10	4	9	4	8	6	2	1	1	56
	ranking among all 38 companies	26	21	7	27	3	30	19	22	34	34	34	

total score:	56	total score without questionnaire:	56.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	5.09	valuation without questionnaire:	5.09
ranking among all 38 companies	31	ranking without questionnaire	29

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.7. *Acciona, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **ANA** **Acciona, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)		Score
1. General attitude towards shareholder value	98					10
	99	11	Acciona therfore enjoys a modern, flexible and dynamic structure, oriented towards optimizing the value of each of its component parts and leading to an efficient distribution of recources in this competitive global environment.			
		39	Acciona's business model is … based on a commitment to customers and shareholders, …	u 6		
		51	The guiding criteria in the Board of Director's conduct is to maximize the company's value while strictly respecting the ethical principals and values inherent to good business practice.	u 8		
	00	6	We have full confidence in our stock and in its future upside potential.			
		71	The Board of Director's guiding principle is to maximize the company's value while strictly respecting the ethical principles and values inherent to good business practices.	u 8		
		73	The company's transparency policy focuses especially on providing full information to shareholders on the proposed resolutions submitted for approval by the Shareholders' Meeting in order to facilitate the exercise of their voting rights. The company has a specific department dedicated to relations with shareholders and institutional investors.	i 1 i 1		
	Q					
					u 8 i 2 pt nt n c Σ 10	
2. Flexibility	98					6
	99	5	The balance between the sound, traditional and well-known business and a presence on the stage of innovation and technology	u 2		
		6	To this end, and in an effort to run our business in a more rational way, we have changed Acciona's corporate structure,…	u 4		
		6	the agreement [with Vodafone-AirTouch], which is based on a valuation of Airtel at four trillion pesetas, involves granting Acciona a number of sales options	i 1		
	00	24	Acciona will maintain its investment policy in real estate during 2001 and may diversify into other business areas, such as shopping malls and foreign markets, if favorable business opportunities arise.	u 4		
		36	Because the increase in the price of natural gas (still pending liberalization) was not accompanied by an increase in electricity tariffs, Acciona had to rethink its projects under way in order to adapt them to the new situation.	i 1		
	Q					
					u 4 i 2 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANA** **Acciona, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)				Score
3. Investments	98	94 sp	[Acciona does not explain its investment policy limiting itself to state that investments have increased 29% with respect to the previous financial year.]	i	1			10
	99	37	Acciona has acquired a stake in Radiotrónica, a company which, combined with Telson and a number of other assets of great strategic value, hopes to become one of the main beneficiaries of					
		35	a [telecommunication] market that is growing considerably faster than traditional economies and is creating value on an unprecedented scale.	u	5			
		45	Other Activities … Corporate consulting. The company operates in the field of corporate finance and is used by Acciona in analyzing potential investments, as well as in valuing companies and assisting in negotiations about stakes in new businesses, mergers, acquisitions, etc.	u	7			
	00	5	We believe that new technologies continue to be worthy of serious and continual attention, we are confident of its potential and we will continue to invest in this area in the conviction that it will be a key factor (but not the only factor) in improving management and productivity in the future, generating gradual changes and gaining in importance and influence, but not causing a revolution in ways and means.	i	1			
		6	in 2000 and in early 2001, we invested in treasury stock and now own slightly over 4% of our capital (worth over Ptas. 17 billion); we are asking the Shareholders' Meeting to redeem this capital and charge it to the capital account. … we … believe, that it is one of the most profitable investments that we could have made.	i	1			
	Q					u	7	
						i	3	
						pt		
						nt		
						n		
						c		
						Σ	10	
4. Human Resources	98	51 sp	Human resources is the most important element of an enterprise.	hu	2			6
		51	The integrated system of human resources management permits to know the personnel, evaluate possibilities of development, determine the area of its professional carreer and its necessity of training and measure professional behaviour.	hu	3			
	99	39	The members of Acciona's management team are utterly convinced that the secret in making a company as competitive as possible for as long as possible lies in its human resources, the people who strive to make a success out of the company's projects.					
		39	in the last few years the company has launched and developed a strategic human resources plan (GRH 2000) which was boosted considerably in 1999. It is an integrated management model, based on skills-based management, whose success hangs on the dedication of efforts and resources to each of the elements providing added value in the human resources chain: structure and dimensioning, selection and hiring, training, professional and career development, performance assessment, compensation policies, labor relations, and lastly, internal communications and marketing.					
	00	60	Acciona has implemented a strategic human resources plan - GRH 2000 - in which all the phases of personnel policy, i.e. selection, hiring, training, remuneration, services and occupational health and safety, organization climate and professional development, form an integrated business model aimed at adding value to the company. The model hinges on skill-based management implying that, in addition to knowledge and experience, employees require other abilities, such as understanding what they are doing, the will to act, an ability to adapt to the current environment, the potential to boost their capabilities in the future and, in short, everything that makes people a company's main competitive advantage.	hu	4.5			
		60	In 2000, Acciona continued to provide training courses as in previous years and created plans to foster rapid integration of new hires.	hi	0.5	u	4.5	
		60	Acciona continued its policy of collaborating with technical schools …	hi	0.5	i	1.5	
			In human resources, Acciona has its own workplace risk prevention service …	hi	0.5	pt		
						nt		
						n		
						c		
						Σ	6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANA** **Acciona, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	3 sp	The shareholder has seen an improvement of his or her retribution of dividends which increased more than 16%, …	u 2	2
	99				
	00	9	[Dividends statistic:] Dividend per share 1997 1998 1999 2000 ? 00/99 55 64 85 100 (*) 17.6% (*) Estimated after capital reduction	u 2	
	Q			u 2 i pt nt n c Σ 2	
6. Growth	98	4 sp	Acciona trusts fully in its capacity to maintain growth of benefits superior of 20% in the next years. That allows to be a more important and big company.	u 6	7
	99				
	00	12	The growth prospects for the Infrastructure division are excellent since the plan for Spain to attain real convergence with Europe implies Ptas. 19 trillion in investments in infrastructure between 2000 and 2006, paid for by government funds, European structural funds and private initiative.	i 1	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANA** **Acciona, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	9 sp	The financial year 1998, the first complete year of Acciona after the merger, can be qualified as very satisfactory since it was not only completed successfully the integration process of all companies but also turnover was increased to 409,365 million pesetas, 9% more than in 1997. And, what is most important, is that benefits after taxes grew 33% compared with the previous year, 15,202 million pesetas against 11,433 million in 1997.	u 7	8
	99				
	00	18	Acciona increased its stake in Polish company Mostostal Warszawa to 49%. Their close ties is evidenced by Nesco's technical and financial support in projects such as the Swietokrzyski and Skierkowski suspension bridges over the river Vistula (Warsaw). … The partnership was also involved in the AMICA household appliance factory (Wronki) and a Carrefour shopping mail in Warsaw.	i 1	
	Q			u 7 i 1 pt nt n c Σ 8	
8. Liquidity of shares	98	3 sp 3	In 1998, shares with face value of 1,000 pesetas were split into 6 shares of a face value of 167 pesetas each after having increased capital correspondingly with charge to free reserves. Our share was included in the Ibex 35 index as recognition of its trade volume and liquidity.	u 6 i 1	7
	99				
	00				
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANA** **Acciona, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	21 sp	From this necessity have emerged the concessions as new systems of collaboration where private companies offer to their customers global solutions in all projects of infrastructure: project, viability, financing, execution and explotation. This produces an effective restribution of all risks in that way that each participant takes the responsibilty corresponding and at the same time the global business vision keeps maintained.	u 5	8
		45	Acciona has its origines in the cyclical construction sector. Companies of this sector had to complement its principle activities with others which are more stable on the long run and which contibutes positively to the loss and profit statement.		
	99	41	Overall, more than three thousand people have taken part actively in the various training events. Among these events it is worth noting that special attention was paid to the prevention of accidents at work, based on the premise "Safty first," as part of the company's commitment to its employees in this area…. The appropriate focus and orientation of accident prevention has enabled the company to reduce accidents by 21.2% with respect to 1998, and Acciona's rate is well below the average figure for the sectors in which it operates.	i 1	
	00	5,6	We too believed that telecommunications stocks were overvalued and, therefore, we insured our stake in Airtel via an agreement with Vodafone, enabling us to maintain the value of our investment at its highest level, in anticipation of a fall in this sector.	i 1	
		6	The value of this investment is assured via a put option valid until July 2003, which earns interest.		
		71	Function of the Board of Directors … Identification of the company's main risks and implementation and monitoring of appropriate internal control and reporting systems.	u 6	
	Q			u 6 i 2 pt nt n c Σ 8	
10. Competitive advantages	98	4	All our actions are oriented to improve the competitivity of our company.		2
		4	The business model of Acciona is to make the group bigger, more global and more competitive.	1 size	
		51 sp	Human resources is the most important element of an enterprise. In a very competitive world, that practically does not know entrance barriers, peoples' training, integration, and motivation is most important for the firm's success.	1 differentiation personnel	
	99	39	Acciona's business model is oriented towards improving its competitiveness as a source of growth	size	
	00	6	Acciona is an industrial group with leadership qualities		
	Q			u i 2 pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANA** **Acciona, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00	119	The Group is also preparing a three-year Strategic Plan which will establish action guidelines for three areas: Productivity: Innovative products, processes and organization to improve the cost-effectiveness of our product lines. …	u 7	7
	Q			u 7 i pt nt n c Σ 7	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	4	7	4.5	2	6	7	6	6	0	7	57.5
i	additional information	2	2	3	1.5	0	1	1	1	2	2	0	15.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	10	6	10	6	2	7	8	7	8	2	7	73.0
	ranking among all 38 companies	6	14	7	16	32	17	19	7	11	31	17	

total score:	73.0	total score without questionnaire:	73.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**6.64**	valuation without questionnaire:	**6.64**
ranking among all 38 companies	**20**	ranking without questionnaire	**18**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.8. AUREA Concesiones de Infraestructura, S.A.C.E.

Empirical analysis of companies' success in creating shareholder value

Company: **AUM** Autopistas del Mare Nostrum, S.A. Concesionaria del Estado (AUMAR) / **AUREA Concesiones de Infraestructuras, S.A.C.E.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	8	Obviously, as a business, one of AUMAR's main objectives is to generate a profit from its operations, but the Company also aspires to benefit the community we serve through our activities, promoting wealth and well-being among the local population.	u 2	8
	99	11	Given the extremely healthy economic position of our Company, our objective must be to create value by optimising the financial solvency and technological capacity of the Company.		
		11	As the Company can now ensure optimum returns for its shareholders [the Spanish State has introduced legislation for 2000 (Law 55/1999) which will enable companies holding concessions for motorways to extend their activities], the next step is to position the Company in a highly active worldwide market, backed by the guarantee provided by proven experience in management of its team and a strong position in the capital market.	u 8	
	00				
	Q			u 8 i pt nt n c Σ 8	
2. Flexibility	98				7
	99	11	this project [becoming world leaders in the infrastructure concession sector] already involves participation i five concessions in Argentina, Puerto Rico, Colombia and the United Kingdom and the option to include a further eleven concessions. It also opens up a wide range of possibilities linked to concessions in developing countries, including the implementation and modernization of infrastructure.	u 7	
	00				
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AUM** Autopistas del Mare Nostrum, S.A. Concesionaria del Estado (AUMAR) / **AUREA Concesiones de Infraestructuras, S.A.C.E.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	6	In line with the Company's commitment to serving the public interest, AUMAR has continued with the investment programmes provided for the aforementioned Royal Decree.	u 1	12
		28	In accordance with its policy of participating in public initiatives of the Valencia Regional Government, in 1998 AUMAR acquired a 5% interest in the share capital of Parque Temático de Benidorm, S.A. For Ptas 500 million.	i 1	
	99	30	In accordance with its policy of participating in public initiatives of the Valencia Regional Government, in 1998 the Company acquired a 5% shareholding in Parque Temático de Benidorm, S.A. for Ptas. 500 million. … In line with the aforementioned policy, in 1999 the Company subscribed to the share capital increase… AUMAR paid in an amount of Ptas. 250 million to maintain its 5% interest.	u 1	
	00	4	This framework has permitted us, and will permit us in the future, to select the most attractive and sound opportunities, with a view to obtaining maximum return on our resources and optimum remuneration for our shareholders.	u 10	
	Q			u 10 i 2 pt nt n c Σ 12	
4. Human Resources	98				-1
	99				
	00				
	Q			u i pt nt n -1 c Σ -1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AUM** Autopistas del Mare Nostrum, S.A. Concesionaria del Estado (AUMAR) / **AUREA Concesiones de Infraestructuras, S.A.C.E.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	9	If the accompanying accounts are approved, the total remuneration of investors for the year will amount to 135 pesetas per share (12.5% up on the previous year), including the return of 35 pesetas resulting from the reduction in share capital agreed at the general meeting last year. As you will see in the Agenda, a similar agreement has been proposed this year as we consider that mixed remuneration system (dividends and the return of contributions to share capital) is the most efficient way to compensate shareholders.	u 7	9
		22	The Directors propose that the net profit for 1998, amounting to Ptas. 6,672 million, be distributed entirely as dividends.		
	99	10	AUMAR is once again in a position to offer its shareholders optimum returns on their investments, which, between dividends and repayment of 175 pesetas per share on capital contribution, have increased by 30% compared to 1998, one of the highest rates for IBEX 35 companies in relation with the price of the shares.	u 6	
		67	last quotation of the share in 1998: 3,970 ptas.; last quotation of the share in 1999: 2,849 ptas.		
		10	We will maintain this mixed remuneration policy, which represents a good balance between distribution of profits and repayment of capital contributions. The favourable tax treatment of the latter option has been extremely well received by our shareholders.	u 8	
	00	5	In the capital markets Aurea's shares have performed well, in spite of the instability which has characterized this year. The quotation value rose in 2000 and has shown a continuous upward trend to date in 2001. This evolution, in the opinion of experts, is a consequence of our business strength, the soundness of the project and the high level of returns offered to shareholders, among the market leaders in profitability per share. As a result of the above, 2000 has been a year of great importance, in which solid foundations for diversification have been laid, in keeping with our policy of increasing returns for shareholders.		
		33	share capital was reduced by decreasing the par value of the share by Euros 0.24 each and shareholders were reimbursed		
	Q			i 1	
				u 8 i 1 pt nt n c Σ 9	
6. Growth	98				5
	99				
	00	5	In these circumstances, we do not feel we are being overly optimistic in presenting a solid outlook for develpment and growing profitability.	u 5	
		5	The appropriate management of financial resources in 2000 has permitted us to undertake this process of growth, while maintaining a healthy financial position, even reducing debt by Euros 29.49 million (Ptas. 4,907 million).		
	Q				
				u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AUM** Autopistas del Mare Nostrum, S.A. Concesionaria del Estado (AUMAR) / **AUREA Concesiones de Infraestructuras, S.A.C.E.** page 4

Variable	Year	Page	Quotations and indications	(Observations)		Score
7. Mergers and Alliances	98					
	99	11	The merger by absorption of Valora 2000 is part of this policy [creating value by optimising the financial solvency and technological capacity of the Company] and reflects our goal of becoming world leaders in the infrastructure concession sector.	u 6		
	00	4	The year 2000 has been historical from both a strategic and economic standpoint, with the successful culmination of a business integration [Aumar and Valora] which has taken us to the vanguard of the private sector for the management of transport infrastructure at an international level. This operation has multiplied the capacities which the companies had separately, joining Aumar's experience in management of infrastructure, its solvency and financial prestige, with the potential for growth represented through the contribution by Valora of the right to acquire the largest portfolio of infrastructure concessions world-wide. These factors constitute a source of on-going creation of value for all involved through the new company's stake in the infrastructure market.	u 7		7
	Q				u 7 i pt nt n c Σ 7	
8. Liquidity of shares	98	59	AUMAR's shares are quoted on the Madrid, Barcelona, Valencia and Bilbao stock exchanges and are traded through the electronic market system.	u 3		
	99					
	00	33 33	The shares of Aurea are listed on the automated quotation system in the four Spanish Stock EX changes (Madrid, Barcelona, Bilbao and Valencia). [uncommented statistics of frequency, number of shares, rotation as a % of capital, millions of € effective, and average shares per session]	u 3		3
	Q				u 3 i pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AUM** Autopistas del Mare Nostrum, S.A. Concesionaria del Estado (AUMAR) / **AUREA Concesiones de Infraestructuras, S.A.C.E.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				4
	99	10	Mention should be made to the Euro 180 million bond issue referred to in the Directors' report for 1998. As shown by the subsequent performance of the capital markets, this issue was a wise decision, not only because it has permitted restructuring of debt, by consolidating a significant portion of long-term borrowings at fixed interest rates, but also it has enabled us to anticipate the increase in interest rates on short-term debt.	u 4	
	00				
	Q			u 4 i pt nt n c Σ 4	
10. Competitive advantages	98				1
	99				
	00	4	Aurea, which has all these features, is equipped to meet these challenges and achieve international leadership in the sector in the very short term. Aurea is now a reference point in the sector, as evidenced by the numerous international groups requesting our participation in projects in coutries all over the world.	1 reputation	
	Q			u i 1 pt nt n c Σ 1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AUM** Autopistas del Mare Nostrum, S.A. Concesionaria del Estado (AUMAR) / **AUREA Concesiones de Infraestructuras, S.A.C.E.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	43	Nevertheless, as a consequence of the fall in financial expenses and the ongoing policy of cost control, together with the considerable decrease in appropriations to reversion fund resulting from the forecasts included in the Company's financial plan, which was approved by Royal Decree 1674/97, profit for the year after tax has amounted to Ptas. 6,672 million, 11.11% higher than in the prior year.	u 5	5
	99				
	00				
	Q			u 5 i pt nt n c Σ 5	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	7	10	0	8	5	7	3	4	0	5	57
i	additional information	0	0	2	0	1	0	0	0	0	1	0	4
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	-1	0	0	0	0	0	0	0	-1
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	8	7	12	-1	9	5	7	3	4	1	5	60
	ranking among all 38 companies	20	7	1	38	3	27	26	35	26	34	26	

total score:	60	total score without questionnaire:	60.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	5.45	valuation without questionnaire:	5.45
ranking among all 38 companies	29	ranking without questionnaire	27

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.9. Banco Bilbao Vizcaya Argentaria, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **BBV** Banco Bilbao Vizcaya, S.A. (1998 only) / **Banco Bilbao Vizcaya Argentaria, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)		Score
1. General attitude towards shareholder value	98	7 sp	From a strategic viewpoint, the ultimate objective that BBV pursues through its activities in different markets is value creation for shareholders. … Intermediate objectives are: maximize profitability, diversify sources of income, maintain quality, and enhance efficiency.	u 9		9
	99	4	BBVA is thus born as the continuity of the ultimate objectives which both banks have been sharing as independent entities. Creating value is a concept which synthezises these goals in a modern business organization.	u 8		
	00	5	Its [project CRE@] principal goal consists of ensuring the sustained creation of value and consolidating BBVA's position as one of the best banks in the world in terms of profitability, efficiency and capacity for anticipation.			
		7	BBVA qualifies as a leader for its shareholders, by intensely creating sustainable value, capable of offering the best quality of service to its customers and attractive opportunities for professional development to its employees.	u 8		
	Q	sp	For BBVA creation of shareholder value is a foremost objective.	u 8	u 9 i pt nt n c Σ 9	
2. Flexibility	98					10
	99	11	Both BBV and Argentaria have demonstrated being in a position not only to adapt to the recent transformations of our financial system, but rather anticipate such changes and take advantage of the opportunities they offer.	u 5		
	00	82	All of BBVA's business areas and support are permanently involved in a process of transformation and optimization as a result of the implementation of the E-volution Program, …	u 5		
	Q	sp	Senior Executives change frequently their charges in order to get a global vision of the bank and its environment. So the bank creates motivated executives, entrepreneurs, where flexibility has an important role.	u 6	u 10 i pt nt n c Σ 10	
			Real options are used to evaluate determinated investment projects and companies belonging to the New Economy, as an alternative valuation model beside others which are more conventional.	u 10		

98 Annual Report 1998	sp spanish	u general understanding	n no statement
99 Annual Report 1999	ger german	i additional information	c contradiction
00 Annual Report 2000	en english	pt positive tendency	r.. remuneration
Q Questionnaire		nt negative tendency	h.. HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BBV** **Banco Bilbao Vizcaya, S.A. (1998 only) / Banco Bilbao Vizcaya Argentaria, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)				Score
3. Investments	98	7 sp	Concerning the objective to diversify the sources of income, it has to be stressed, that new acquisitions were realized in Latin America during 1998: 44% of Banco BHIF in Chile, 100% of Banco Excel in Brazil, 100% of Banco Ponce in Puerto Rico, and the business of Chase Manhattan Bank in that island for its integration in BBV Puerto Rico.	u	2			10
	99	48	[Industrial Group] Its goal consists of obtaining an adequate return on investment year after year, through management of a diversified portfolio, focused on high-growth strategic sectors with a stable presence and in collaboration with partners having a recognized management capacity.	u	6			
	00	6	The acquisition of a controlling stake in Mexico's Bancomer Financial Group has substantially strengthened our Latin American franchise by doubling our market share in the region in banking to 10% … The favorable economic and political outlook for this country, which presents around 30% of the sub-continent's GDP, and the standardization of its financial system, offer magnificent prospects for return on investment.	u	7			
	Q	sp	Investments are undertaken when making strategic sense, ROI exceeds cost of capital and on a short run EPS is accretive. The "Expansión Corporativa" department analyses options of non-organic growth reporting them to the CEO who makes the decision to propose them to the Direction Committee. All investments are completely related to the corporate strategy. The success of investments is measured by the market position reached through the investment and finally through the increase of EPS generated. Reaction of financial markets is important in a medium and long term horizon. Investments are continuously postaudited, comparing the ROI of the investment with the cost of capital, and therefore analysing the EVA created by this project. Internationally, BBVA is interested in the European and Latin American market, and analyses now the posibilities of the US market.	u	9	u i pt nt n c Σ	9 1 10	
4. Human Resources	98	31 sp	BBV considers training as a crucial variable to obtain permanent levels of quality, efficiency, and competitivity.	hi	0.5			8.5
		31	BBV disposes of a "Personal plan of training and development" for each employee and has its "BBV Finance School".					
		31	BBV has combined the retirement of employees with the incorporation of young and highly-qualified professionals.	hi	0.5			
		36	the schemes of incentives have been enhanced in order to increase productivity	hi	0.5			
		36	BBV pretends to improve internal communication processes and integration of all the personnel					
	99	7	BBVA's personnel form part of an organization which believes in talent and is proud to have one of the leading teams in the world financial sector. It is people who give excellence to organizations. It is the teams who, at the end of the day, build advantages over competitors.	hu	2			
		13	For the BBVA employee, opportunities are enormously expanded [through the merger] as a consequence of the new Group's attractive prospects;					
		54	The differentiation between financial institutions lies more in the human factor, in the excellence of their people. …At the BBVA Group training is a key variable in obtaining permanent levels of quality, efficiency, and competitiveness.					
	00	5	In the Group's transformation, the acquisition of new knowledge and skills is highly important, because it is people who encourage change and create value.					
		13	BBV's extraordinary human capital is the first key to value	hu	3.5			
	Q	sp	The majority of the staff has a variable retribution. The incentives include cash and stock options. The variable part of the remuneration is paid 3 months after year end closing. The bank's bonus system is not the same in all business areas but in all cases it includes three dimensions: level of group objectives achieved (profit, profitability, efficiency, and stock market performance), objectives of the respective business area, personal objectives. All the HR measures the bank takes should help to create value to the extent that the talent is one of the organization's basic capacities.	ru	3.5	u i pt nt n c Σ	7 1.5 8.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BBV** **Banco Bilbao Vizcaya, S.A. (1998 only) / Banco Bilbao Vizcaya Argentaria, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	5 sp	Quantity and quality of benefits allow BBV to continue with its traditional policy of strong retribution to shareholders. If including the pay back of part of the face value, total dividend amounts to 41.3 pesetas per share, 20% more the the year before.	u 7		10
		73	BBV continues the third consecutive year to pay back part of the nominal since this form of retri-bution is favorable for the shareholders from a tax point of view. … At the same time the Group is strengthening its capital base.	i 1		
	99	104	In accordance with the terms of the merger resolution, BBV and Argentaria's fiscal year 1999 earnings are attributed to the respective shareholders separately. The global amount of these dividends, after deducting the portion relating to treasury stock, was 854 million euros, up 22.3% on 1998. The total dividend proposed represents 48.9% of the earnings by the Group, with a slight reduction in payment (49.1% in 1998). This prudent dividend distribution policy reinforces the Group's capital base, in its highest-quality component -equity strictly speaking.	u 6		
		104	BBV also resolved a reduction of the par value of the shares from €0.54 to €0.52, the amount of which was 40,865,520 euros, which were paid back to the shareholders in July.	i 1		
	00	7	The dividend per share for fiscal year 2000, whose approval is proposed, amounts to 0.363 euros gross (60.4 pesetas). Total remuneration, including the stock buy-back carried out during the year, stands at 0.393 euros (65.4 pesetas), entailing the distribution to our shareholders of 1,226 million euros, up 37% on 1999.	i 1		
	Q	sp	Generally, for companies with a high level of liquidity, dividend payment is not an indispensable requisite to create value in the sense that the shareholder "could make his or her own dividend" by selling part of the shares, or the company could issue gratis shares and shareholders sell their rights. Therefore, a company could consider to cut dividends when their are extremely attractive and capital intensive investment proyects. BBVA is not considering dividend cuts at the moment. The bank pretends to maintain a stable pay-out (approximately 50%) so that dividends increase at the same rate as profits. Repurchase programs, dividend cuts, and gratis shares are seen as measures of a dividend policy taken in consideration of the shareholder basis and investment necessities.	u 7	u 7 i 3 pt nt n c Σ 10	
6. Growth	98	11 sp	A third axis consists in the development of an own model of value creation that is fruit of the own entrepreneurial culture of the BBV group. This model is fundamentally based in three key ideas: growth which is possible thanks to financial stength and the capacity to detect business opportuni-ties, demonstrated by the BBV group.	u 7		9
	99	4	In developed markets and in accelerated transformation, the crucial matter for financial institutions lies in finding the adequate channels to assure the generation of growing value for the future. In the case for Argentaria and BBV, we both shared the opinion that the fundamental response was to increase size in order to do business under optimal conditions of competitiveness and efficiency not only in the domestic market, delineated by our country's borders, but also, and even to a greater extent, in the broader European market.	u 8		
		21	The fruit of an adequate combination of growth and return, the Group's business translates into a major capacity for generating earnings, the fundamental stronghold of the BBVA Group.			
	00	11	With a view to bolstering the highest-quality tranche of its capital base and make the investments required by the Group's growth dynamics (…), in May it conducted a capital increase …			
		13	BBVA's strong financial position lets it invest in novel, new technology-intensive projects that guarantee the bank's sustainable growth in the long term, …	i 1		
		15	With a view to increasing value of our strategic expansion businesses, reaching the desired posi-tioning in the target markets sooner, and with the idea of passing on the management model and expertise gleaned from the aforementioned transformation process, BBVA is expanding in and to-wards high-growth potential markets.	u 8		
	Q	sp	Growth is one way to achieve the bank's objectives, namely, the creation of shareholder value. The company pursues a growth of EPS based on growth of revenues and market share. Just grow is not an objective, growth must contribute to shareholder value creation (means to an end). Growth of market share is not a final objective but a way to make investments more profitable con-sidering that on the medium / long run banks with a small market share (exception niches) cannot be profitable. This is most obvious in Latin America where BBVA always seeks to locate itself among the three first players in each market (positions that it ocupies today).	u 8	u 8 i 1 pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BBV** **Banco Bilbao Vizcaya, S.A. (1998 only) / Banco Bilbao Vizcaya Argentaria, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				11
	99	10	The merger between BBV and Argentaria is presented as a response to the new environment,… competition, which has already risen significantly in recent years, is going to be even greater in the future. … In order to successfully compete in this new [European] market … banks must re-define their strategic approaches. [p.11] The creation of BBVA is produced in this context. A response to the new challenges of the financial environment, from the conviction that joining together the best of both banks is going to significantly surpass the mere sum of both and that the new bank is going to enjoy the best conditions and opportunities for successfully undertaking future projects. [p.12] BBVA is better prepared to compete than the two banks giving birth to it.	u 6	
	00	4	Worthy of emphasis, firstly, is the completion of the merger, implemented in an exemplary fashion, with both timing and objectives pushed forward.		
		5	Due to its speed, magnificent execution and absence of conflicts, BBVA's integration can be rated model and constitutes an authentic paradigm in world banking for large-scale mergers.	u 9	
		5	The correct decisions and, perhaps even more decisive, the absence of errors, characterizing the integration process have at all times allowed focusing on quality of customer service and business growth, as well as on materializing the forecasted merger savings.		
		16	BBVA has signed an agreement with Telefónica … paving the way to huge potential growth…	i 1	
	Q	sp	In 1999 took place the merger between BBV and Argentaria. In 2000 BBVA acquired Bancomer, the largest bank of Mexico. Both operations served to create shareholder value. The best protection against hostile takeovers is to have high stock exchange multiples. BBVA counts on the highest multiples of the European banking industry and is one of the three largest banks in terms of market capitalization in the Euro zone. Objective of a merger must be value creation based on a well elaborated strategic approach, exhaustive due diligences, evaluation of costes and synergies, planification of the merger process, correct internal and external communication and integration of cultures. Milestones: leadership, defined executive structure, transparency, ambition.	u 10 u 10, i 1, pt, nt, n, c, Σ 11	
8. Liquidity of shares	98	76	BBV split the shares in the relation 1 to 3.	u 6	7
		sp	Shares are listed in the Spanish continued market, in New York as ADR's, in London, Frankfurt, and Zurich. On May 26th the share was delisted in Tokyo.	u 4	
		77	The elevated liquidity of the BBV share is evidenced by the number of 1,875,060,495 shares traded during the financial year, 91.8% of the capital and 3,970.6 billion pesetas. The foreign turnover of the share represents 1.6% of the Spanish trade volume.		
	99	107	BBV and Argentaria shares are listed on the Spanish electronic stock market, as well as on the New York Stock Exchange under the form of ADS's represented by ADR's. In addition, the BBV share is listed on the London, Frankfurt, Zurich and, from September 16, 1999, Milan stock ex changes. BBVA shares began to be quoted on January 31, 2000. BBVA shares are included in the Ibex 35 and Eurostoxx 50 benchmark equity indices, with a weighting of 11.9% and 1.5% respectively. … BBVA's share enjoys high liquidity in the security markets. In 1999, 1,847,057,787 BBV shares and 711,849,331 Argentaria shares [p. 108] (representing 98.1% of the capital of the new BBVA) were traded on the Spanish electronic stock market.	i 1	
	00	65	The BBVA share is characterized by high liquidity. During 2000 the equivalent of 4.32 billion shares were negotiated on the continous market, that is, 135.2% of the capital. The average daily volume of shares was 17.3 million, 0.54% of the Bank's capital. This represents an average daily cash level of 255.5 million euros (42.5 billion pesetas). Of this daily average volume, 38.4% was for special operations and the block market (the market for institutional investors requiring a minimum volume to negotiate), and the remaining 61.6% was negotiated in the ordinary market in over 3,500 operations a day.		
	Q	sp	Liquidity does not influence shareholder value since BBVA's shares are tremendously liquid with a free float of 100%.	u 6, i 1, pt, nt, n, c, Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BBV** **Banco Bilbao Vizcaya, S.A. (1998 only) / Banco Bilbao Vizcaya Argentaria, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	78 sp	The bank maintaine its AA rating inspite of the revisions of the agencies taken place in the light of the worldwide financial crisis at the end of the last quarter of 1998.	i 1	11
		40	The bank disposes of a series of politics and management systems implemented in all levels of the organization to manage and control business risks.		
		41	Management of credit risks		
		45	Management of market risks		
		47	The bank informs about the risk adjusted profitability.		
		48,49	Interest rate risk Liquidity risk management		
	99	6	The default index has declined and coverage rates risen, all in the context of strong growth in turnover of the various business areas.Secondly, they have been achieved in spite of the weak-ness of certain Latin American markets, where extremely cautious management of the risks taken on by our banking units in the region was advisable.	i 1	
		70	[Risk policy.] Contributing towards the decisions at any level -operational, tactical or strategic- aimed at creating shareholder value, based on the concept of risk-adjusted return.	u 9	
		70	Ten-point Guide to the risk function at the BBVA Group		
	00	66	Risk management at BBVA pursues the essential aim of actively managing exposure to uncertain-ty in order to optimize the Bank's return. In order to achieve this goal, the risk function ensures that all risks are duly identified, measured and assessed. Likewise, the risk variable is guaranteed important consideration in all decisions taken, thus contributing towards configuring the institu-tion's desired risk profile.		
		69	we are continuing with the process of implementing corporate tools and systems that enable the bank to be aware of economic capital consumption and risk-adjusted return at any level (customer, product, segment, etc.) from the minimum level of aggregation.		
	Q	sp	BBVA has a β=1.06 against the Ibex of the last two years. The company has very high ratings of S&P, Moody's and Fitch Ibca. The bank applies the Basilea II rules in its risk management. Pillars of its risk management are independency to assure adequate information for decisions, uniformity of structures and systems, homogenity of systems of measures of different risks and global risk management. Responsable of the risk management is a general director depending directly on the CEO and the Direction Board of the group. Risk is considered a variable in investment pro-jects, implicitly recognized in the specific cost of capital of each investment project.	u 9 i 2 pt nt n c Σ 11	
10. Competitive advantages	98	6 sp	BBV aims to strengthen its competitive position in the Latin American region.	1 choice market	6
	99	5	BBVA's competitive position in the principal business is truly solid. In Spain, our Group ranks first place in business with customers, both as regards credit investment as well as on-balance-sheet customer funds, with market shares of around 20% in the majority of business lines. We are also leaders in fund and portfolio management.	1 market position	
		7	BBVA stands out from other competitors for its high level of operation efficiency.	1 cost leadership	
		7	The domain of the myriad of new information technologies is an unrenounceable objective and a first magnitude competitive advantage of the BBVA Group.	1 innovation	
	00	5	We are pioneers in new businesses because we are convinced that technological change consti-tutes for BBVA a decisive competitive advantage.	innovation	
		13	Whereas talent [HR] and technology are BBVA's distinctive catalysts, size is the platform for ma-king the best use of such distinctive capabilities.	1 differentiation personnel	
	Q	sp	Principal competitive advantages of the group are: the staff, market position, customer base, technological platform, excellent risk management, and financial strength.		
	Q		The bank works already for 7 years under very ambitious strategic programs which led to a radical transformation of the entity (and an annual growth of accumulated 30% of the gross margin). In 1994 "Programa 1000 días" (Program 1000 days) was launched in order to obtain the competitive advantages earlier described. Therefore, the existence of a clear and motivating strategy helps to obtain competitive advantages. Competitive advantages are measured by comparing the bank's position with that of the principle competitors through the creation and monitoring of a map of values of the bank's capacities.	1 focus u i 6 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BBV** **Banco Bilbao Vizcaya, S.A. (1998 only) / Banco Bilbao Vizcaya Argentaria, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)		Score
11. Cost management	98	17 sp	Within the program DOS 1000 the bank lauched an action plan named PRACTYCO, that means plan to rationalize tasks and costs). … The plan is oriented to create value, and therefore is not only considered to cut costs but also to improve the results of management what includes the in-come.	u 8		
	99	98	Cost control was one of the Group's priorities in 1999. It continued with what has become a traditional policy, placing BBVA in an advantageous position vis-à-vis its principal competitors. The rationalization and cost-savings plans, assumed as priority objectives by the entire Organization, contributed towards improving the efficiency ratio to a magnificient 54.6% (55.4% in 1998). …	u 6 i 1		
			Personnel expenses, representing nearly two-thirds of the total, rose considerably more than the rest of administrative expenses, caused (especially at BBVA excluding America) by the effect of supplementary compensation for meeting objectives.	i 1		11
	00	7	The earnings of BBVA (ex-America) will be stimulated by the favorable interest rate scenario, especially during the first half, and by new cost savings.			
		19	The main priority of each plan has been to achieve the cost savings established for the year and until 2002 and last year these savings amounted to 30.5 billion pesetas, in other words, just over 35% of the 3-year total of 85 billion. These savings have enabled the Group to cut its personnel expenses and overheads by 1.5% in constant terms, i.e., without considering America or the new e-business costs.	i 1		
	Q	sp	Currently the bank runs two cost cutting programs. One, which had an enormous success at BBV is now applied in Latin America, and the other program is established in order to improve procedures. Results could not have been more satisfactory enhancing efficiency of domestic activities at a 10% rate and more than 10% in Latin America in the last twelve months. The bank's strategy is to locate itself among the most efficient banks of the euro zone since costs play a dicisive role.	u 7	u 8 i 3 pt nt n c Σ 11	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	9	10	9	7	7	8	10	6	9	0	8	83
i	additional information	0	0	0	1.5	3	1	1	1	2	6	3	18.5
pt	clearly positive tendency	0	0	1	0	0	0	0	0	0	0	0	1
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	9	10	10	8.5	10	9	11	7	11	6	11	102.5
	ranking among all 38 companies	12	1	7	3	1	5	7	7	2	6	2	

total score:	102.5	total score without questionnaire:	90.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	9.32	valuation without questionnaire:	8.18
ranking among all 38 companies	2	ranking without questionnaire	2

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.10. Bankinter, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **BKT** **Bankinter, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	3 sp	The proposition to create value for shareholders should be stated in all the Annual Reports of companies which shares are listed on the stock exchange.		9
		5	The essential capacities of Bankinter are quality of the staff, innovation, technology and efficiency, profitability and benefits for shareholders.	u 6	
	99	2	Bankinter shares appreciated by nearly 60% in 1999… In short, this market recognition has been due to a sustained policy of creating shareholder value.		
		111	In line with its objectives, the Bank follows a policy of ongoing optimization of equity and of generating shareholder value. The creation of shareholder value in the long term is the Bank's foremost strategic priority.	u 9	
	00	7	Our challenge in the coming year is to accelerate the process of transformation which in 2000 amply exceeded initial expectations and to seek out new challenges and opportunities, always from the standpoint of sustained creation of long term shareholder value.		
		107	The creation of long term shareholder value is the most important and the strategic priority of Bankinter.	u 8	
	Q			u 9 i pt nt n c Σ 9	
2. Flexibility	98	83 sp	With the objective to create a flexible organization, the bank has adopted a style of direction based on delegation and combination of talents and different experiences, that allows to respond with agility to environment changes.	u 6	9
	99	2	With these initiatives and a record of innovation and change, Bankinter has once again outstripped its competitors: we were the first to provide free Internet access (1996), to open a general portal (km0.com) in Spain, and to offer an Internet banking operating system (1997).	i 1	
		79	The main feature characterizing Bankinter's history is its capacity for transformation.	u 6	
		79	Other priorities for Bankinter are flexibility (both in organization and in the working procedures),…	u 6	
	00	7	The Bankinter success story has been built over the years through innovation, versatility, an ability to anticipate, adapt and change, and through our coherence, firmness and resolute strategy.	u 8	
	Q			u 8 i 1 pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BKT** **Bankinter, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	99	The investments in technology gives the bank a competitve advantage and allows Bankinter a spectacular and efficient growth, as well as diversification in new channels of distribution.	u 3	10
	99	112	The creation of value for shareholders involves remunerating the capital invested in the Bank at a rate higher than that which would be obtained if it sas invested in equivalent risk-free assets (government debt securities), plus the corresponding risk premium applied by the market to securities similar to Bankinter shares. EVA is used to measure the creation of value in all the Bank's centers, segments and distribution networks. … 1999 was the second year in which EVA was used as a management tool and the first year in which it was used to determine part of the variable compensation of employees. The objective for the year 2000 is to achieve EVA growth of more than 10%.	u 9	
	00	6	In 2000 Bankinter, in line with the forecasts at the beginning of the year and with our mission, invested more than 20% of the Group's total operating costs in new technologies, particularly the Internet; … The increases in our Internet Banking customer funds, transactions and volumes enable us to anticipate a prompt return on the investment made.	i 1	
		7	Bankinter opted for a voluntary reduction in 2000 income in order to speed up its planned forward-looking investment and place the Bank in a privileged position to face the challenge posed by new Internet banking…	u 7	
	Q			u 9 i 1 pt nt n c Σ 10	
4. Human Resources	98	sp 3	[Bankinter set up a Plan 2.600 that includes a lot of HR measures, for example:] we arranged an ambicious program, named Plan 2.600, that is above any other quantitative objective and pretends to promote initiatives and staff's professional careers, by means of rotation, training, transmission of know-how, participation, teamwork, and the creation of a satisfying and attractive working environment. [Bankinter dedicates 20 pages of its annual report to human resources.]	hi 1.5 hu 4	5.5
	99	2	Special mention must be made of the development of intellectual capital and of the Bank's valuable intangible assets, with particular emphasis on the involvement of all employees in creating shareholder value through initiatives such as our convertible debenture programs. Issue I, launched in December 1998, for € 100.97 million (Ptas. 16,800 million) was subscribed by more than 95% of the staff, and Issue II for up to € 132.2 million (Ptas. 22.000 million) was recently approved. On maturity of these two transactions, more than 11% of the capital stock can potentially become property of employees. The productivity and earnings per employee of Bankinter are far above the industry average.		
		77	Bankinter's intangible values are its best assurance for the future, because the activity and the long-term performance of any company depend above all on its people.		
	00	19	A company's differentiating assets, which will determine its future, are its people and the value of its intangible assets. In 2000 Bankinter set up the new people and knowledge management department. For Bankinter, bringing together people and knowledge was an obvious step on the way to maximizing the bank's intellectual capital, the intangible assets resulting from the intellectual and creative activity of its people, whose value is crucial in the new economy.		
		23	By starting up the Training Portal, Bankinter made a qualitative leap in Training in 2000,…		
		25	The II convertible debenture issue subscribed in March 2000 by 91.10% of the staff (…) introduced as new variables affecting the allocation criteria, … the employee's participation in shared databases and his/her level of contribution of ideas…		
	Q			u 4 i 1.5 pt nt n c Σ 5.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BKT** **Bankinter, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	3 sp	Bankinter fulfills the objective to create shareholder value through the amortization of own shares benefiting directly all shareholders who do not sell their shares. Since 1992, the bank amortized 34.47% of the subscribed capital through 10 operations of capital reductions, 3 of them during the 1998 financial year. Another measure consists in progressive increases of dividend payments which includes a refund of the issue premium and reached 151 pesetas per share in 1998, an increase of 17.5% with respect to 1997 and a dividend yield of 3.50%.	u 7 i 1	10
	99	105	The most significant figure in 1999 was the total return of 62.71% obtained by the Bank's share-holders as a result of the spectacular share price appreciation (59.56%) and the return arising from the dividend and the additional paid-in capital distributed in the year (3.15%).	i 1	
		107	Between 1992 and 1998 the Bank reduced its capital stock by 34.47% through the retirement of treasury stock, thereby draining excess equity and generating value for its shareholders.	i 1	
		108	The total dividend paid in 1999 was € 0.9866 (Ptas. 165 per share), which, taking into account the distribution of € 0.15 (Ptas. 25) per share with a charge to additional paid-in capital, represented an increase of 9.27% with respect to 1998 and a dividend yield of 3.15%.		
	00	114	The total dividend earned in 2000 was €0.8694, distributed in four quarterly payments as follows: €0.2076 in July 2000; €0.2141 in October 2000; €0.2206 in January 2001 and €0.2271 in April 2001 (to be paid).		
		115	The Bank has historically implemented a policy of maximum return to shareholders which it decided to maintain also in 2000. Despite the lower earnings obtained, Bankinter increased its pay-out ratio (the portion of net income allocated to dividends).		
	Q			u 7 i 3 pt nt n c Σ 10	
6. Growth	98	5 sp	The bank doubles virtually every 4 years its size, growing faster than its competitors, without sig-nificant new employments of opening additional branches.	u 8	9
	99	19	1999 was a year of intense growth, although business growth has been a constant factor in Bank-inter's history. The Bank has doubled the size if its business every three or four years depending on the business indicator considered, and has done so with practically the same number of em-ployees and branches, due to the increases in productivity made possible by current technology and to the consolidation of new distribution channels. The Group consistently grew at a higher rate than its competitors and in addition, the permanent quest for shareholder value and customer service quality mean that this growth has been particularly solid. Bankinter continues to lead the Spanish financial market in organic growth.	u 9	
	00	108	Bankinter continues to grow significantly and this growth rate is expected to be maintained in the future. Therefore, the Bank adopted the policy of adjusting its capital structure to the level re-quired by the Bank's activity and growth at the time in question, thus reaching an appropriate balance between leverage and equity.		
	Q			u 9 i pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BKT** **Bankinter, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				0
	99				
	00				
	Q			u i pt nt n c Σ 0	
8. Liquidity of shares	98				9
	99	111	[between] other measures taken to create value for shareholders in 1999 [is:] - Two stock-splits. This measure does not involve any change in value, but does increase share liquidity. In 1997 the split was three new shares with a par value of Ptas. 500 for one old share, and in 1998 it was two new shares with a par value of Ptas. 250 for one old share.	u 9	
	00				
	Q			u 9 i pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BKT** **Bankinter, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	23 sp	As a rigorous entity in analysis and concession of credit facilities the bank has one of the lowest indices of nonperforming loans of all Spanish credit entities.	u 4	4
	99	3	Nonperforming loans decreased from 0.44% of total risk exposure in December 1998 to 0.38% in December 1999, far below the industry average, evidencing the high quality of our loans.	u 4	
	00	7	Bankinter's nonperforming loans were again among the lowest of all European banks: 0.31% of the Bank's total credit risk exposure and 0.28% of mortgage loans.	u 4	
	Q			u 4 i pt nt n c Σ 4	
10. Competitive advantages	98	2 sp	Bankinter emphasizes that strong investments in information technology have to be taken in order to assure the leadership the bank holds in this field.	1 innovation	5
	99	7	At Bankinter, quality is the foundation on which competitive advantages are achieved and exploited, and involves identifying and responding to the needs and expectations of our customers by means of policies, resources and procedures designed to satisfy them. The Bank's entire staff has an absolute commitment to quality. … 60.05% of the Bank's staff received part of their compensation based on how customers perceive the quality of service.	1 differentiation quality (personnel)	
	00	28	In the last five years Bankinter has steadily gained market share in the main banking businesses except mutual funds, while maintaining practically the same number of branches and employees. This has been made possible by the increased productivity permitted by current technology and the ever-increasing contribution from new distribution channels.	1 market position 1 cost leadership	
		95	These distribution channels (telephone banking, interactive banking, agent network and the Internet), which offer an alternative to the traditional branch network, were set up during the 1990s. Since then, the quality, efficiency and variety of Bankinter's services have enabled it to maintain its leadership of this market in Spain.	1 choice market products	
	Q			u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **BKT** **Bankinter, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99	2	Bankinter is now a technology-based enterprise and our focus on multiple integrated distribution channels has enabled us to attain and hold a leadership position in information systems, investing and innovating at a pace far superior to the industry average and consolidating a growing technological advantage over our competitors. For this reason, the 7.3% growth in the Group's operating expenses in 1999, with an investment in technology of € 52.62 million (Ptas. 8,756 million), representing 22% of operating costs, is positive. Bankinter's efficiency ratio of 47.6% is one of the best in the entire Spanish financial system.	u 3	3
	00				
	Q			u 3 i pt nt n c Σ 3	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	9	8	9	4	7	9		9	4	0	3	62
i	additional information	0	1	1	1.5	3	0		0	0	5	0	11.5
pt	clearly positive tendency	0	0	0	0	0	0		0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0		0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0		0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0		0	0	0	0	0
	TOTAL	9	9	10	5.5	10	9		9	4	5	3	73.5
	ranking among all 38 companies	12	2	7	19	1	5		3	26	11	33	

total score:	73.5	total score without questionnaire:	73.5
relevant variables:	10	relevant variables without questionnaire:	10
valuation:	7.35	valuation without questionnaire:	7.35
ranking among all 38 companies	10	ranking without questionnaire	8

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.11. Hidroeléctrica del Cantábrico, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **CAN** **Hidroeléctrica del Cantábrico, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)		Score
1. General attitude towards shareholder value	98					13
	99	8	When I became Chairman of this company barely one year ago, I took on the challenge of increasing and expanding it while maximizing the return on our shareholders' investment in Hidrocantábrico. (Oscar Fanjul)	u 10		
		8	We believed it was important for the market to know and judge our plans and achievements and, for this reason, we commenced a campain to inform analysts and investors. The reaction was very positive and our share price performed very well, attaining a record high, which confirmed that the company was on the right track.	i 1		
		24	Relations with individual shareholders were managed through the toll-free Shareholder Hotline	i 1		
	00	54	The shareholders relations office attended to numerous requests for information received in person and via the toll-free hotline (900 210509). The Annual Report and quarterly reports on the Group's activities and results were sent to shareholders, investors and analysts. In February, the company unveiled its strategic plan for 2000-2005 and conducted a road-show to present it to the main institutional investors in Spain and the United Kingdom. Also during the year, meetings were held with a large number of investors and analysts. Also, in the field of communications with investors, shareholders and analysts, the company's web site at www.h-c.es was expanded and improved; the web site provides on-line information about the company's share performance …	i 1 i i i i		
	Q				u 10 i 3 pt nt n c Σ 13	
2. Flexibility	98					6
	99	8	During 1999, all our group's businesses performed very satisfactorily, and the company evidenced its ability to benefit from the process of liberalization in the electricity sector.	u 1		
		28	Hidroeléctrica del Cantábrico, S.A.'s Seventeenth Collective Labor Agreement was in force during 1999. The year was characterized by a climate of dialog and cooperation with the employee representatives, and management policy focused on attaining innovation and flexibility in the organization.]	u 4		
		31	Implementation of major modifications to enhance the thermal plants' operational flexibility so as to reduce start-up times and the rate of load variation with a view to appropriately adapting the plants to the competitive environment in which the generation business operates.	i 1		
	00	30	Other moves aimed at limiting the cost of delays at Gijón port by using alternative docks and managing the program by negotiating flexible clauses in the supply contracts.	i 1		
	Q				u 4 i 2 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CAN** **Hidroeléctrica del Cantábrico, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	17	Despite investments of over Ptas. 27,000 million in fixed assets and the funds used by working capital, indebtness at 1998 year-end was Ptas. 97,207 million, only Ptas 6,307 million up on 1997, …	u 2		4
	99	9	The output of our generating unit increased by 40% and our share of the Spanish market increased by almost 200 basis points. This excellent result was underpinned by the decision to purchase two-thirds of the Soto de Ribera plant, which boosted the Group's generating capacity by 30%.	i 1		
	00	29	The Hidrocantábrico Group's principal project in 2000 was the Castejón (Navarra) combined cycle power plant, which is being developed by Eléctrica de la Ribera del Ebro, S.A., a company owned 90% by Hidroeléctrica del Cantábrico, S.A. and 10% by Corporación Caja Navarra.	i 1		
		51	During the year, the Group invested Ptas. 33,592 million in fixed assets, broken down as follows: ..	u 2		
	Q				u 2 i 2 pt nt n c Σ 4	
4. Human Resources	98	19	The Second Organization and Human Resources Plan was approved in 1998, to be implemented over five years (1998-2002). Its basic targets are: … To adapt the headcount to these new requirements, in order to reduce costs.	hi 0.5		4.5
		19	Most noteworthy with respect to this [Seventeenth Collective Labor] agreement was the introduction of a new classification, remuneration and promotions system, which should become a fundamental tool in the process of modernizing and improving the Company's human resources management model.	hu 2.5		
		20	the 1998 Training Plan focused primarily on providing employees with the necessary knowledge and skills to meet the …			
	99	28	As in previous years, occupational health and safety continued to be priorities for Hidrocantábrico so as to maintain the high levels already attained. We also completed our Safty Management Process by conducting an Occupational Risk Prevention Audit.	hi 0.5		
		28	Due to the Group's awareness of the challenges posed by the future, the 1999 Training Plan's objective was to enhance the organization's intellectual capital, giving all persons the skills required to participate actively in the change and innovation processes and facilitating, transferring and disseminating information of use to the entire organization.	hi 0.5		
	00	43	The human resources policy is closely aligned with the Group's objectives, aiming to place all the people who work in our organization at the heart of the company and make them active participants in implementing our strategy. To achieve this goal, distinct labor relationship frameworks are being developed which enhance each Group company's operating autonomy, plus training programs to enable people to adapt to change while developing their careers.	hu 3		
		43	A total of 101 employees signed up for an Early Retirement Plan that was established in 2000.			
	Q				u 3 i 1.5 pt nt n c Σ 4.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CAN** **Hidroeléctrica del Cantábrico, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	8	The favorable results for 1998, a year that looked set to be a hard one, and the Group's sound financial position, led the Board of Directors to propose to the Shareholders' Meeting that it ratify a dividend of Ptas. 225 per share to be paid out of 1998 income, representing a 4.65% increase with respect to the dividend paid in 1997.	u 5	6
	99	10	The Group's soundness and the good industrial and economic results attained during 1999, which are amply documented in this Annual Report, should benefit those who, by their ownership of the capital, provide financial support and place their trust in the company. Accordingly, the Board which I preside proposes that the Shareholders' Meeting ratify a dividend out of 1999 income amounting to 0.5230 euros per share, a 16% increase over the dividend distributed in 1998. I would like to note that the company's dividend has increased steadily, without interruption, in the last decade. (Oscar Fanjul, Chairman)		
		25	Hidrocantábrico pays out four dividends each year, on the fifteenth of March, June, September and December. A total dividend of 0.523 euro (Ptas. 87.02) per share was paid out of 1999 income. This was a 16% increase over the 1998 dividend, in proportion to the increase in earnings.	i 1	
	00	54	During the year, three dividends were paid out of 2000 earnings, each one amounting to € 0.1474 per share, and at the time of writing this Report, the Board of Directors had declared a fourth dividend for the same amount, € 0.1474. Accordingly, the total dividend out of 2000 earnings amount to € 0.5896 (Ptas. 98.1) per share, implying a 12.7% increase with respect to 1999.		
	Q			u 5 i 1 pt nt n c Σ 6	
6. Growth	98	90	In this favorable macroeconomic environment the Group expects to increase its electricity production, gain a share in the wholesale power generation market and also extend its electricity and natural gas distribution network.	u 3	4
	99	8	… good results were obtained [in 1999] and a five-year plan was set in motion with the aim of attaining double-digit annual growth and thereby multiply Hidrocantábrico's earnings and fundamental aggregates two-fold in that period.	u 4	
	00	8	Hidroeléctrica del Cantábrico pursued its goal of transforming from a regional company to a national player and expanded significantly in electricity generation, distribution and retailing while continuing with its telecommunications activities.	u 3	
	Q			u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CAN** **Hidroeléctrica del Cantábrico, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)		Score
7. Mergers and Alliances	98	8	The Group also signed agreements with Eastern's parent company, Texas Utilities, and with other Mexican partners, through which we now have a holding in the company which holds the concession for gas distribution in Mexico DF, and we are negotiating entry to other Mexican gas markets. This type of strategic agreement is a good example of the corporate initiative shown by Hidrocantábrico to develop in a more global, deregulated and competitive environment.	u 4		11
	99	8	However, on 13 March last, Texas Utilities, one of the largest US companies in the sector, presented an unsolicited tender offer to acquire 100% of the shares of Hidroeléctrica del Cantábrico for 21.25 euros per share. Some days later, this Company issued its first public reaction to the effect that the price being offered was insufficient. Subsequently, another electric utility, this time a Spanish company Unión Eléctrica Fenosa, presented a counterbid at 24 euros per share and Texas Utilities then decided to withdraw its offer. … [p. 9] Since the first offer was launched, I and the Board have sought to avoid defensive positions that might impair the interests of the shareholders, the company and, generally, of those who work in or depend on it. (Oscar Fanjul)	u 10		
	00	7	During the year, the company was the target of a number of take-over bids … The process commenced on March 2000, when one of the main shareholders made an unsolicited tender offer of 21.25 euros per share. From the outset, the Board of Directors adopted a flexible approach: it did not reject the offer, but actively sought to obtain the best outcome for shareholders and employees and it was this goal that took precedence at all times. … The final offer was for 27.3 euros per share, 30% higher than thei first one. … Analysts and the financial community in general gained a very positive impression of the process due to its transparency and its objectives and, above all, due to the results which were obtained.	u 10 i 1		
	Q				u 10 i 1 pt nt n c Σ 11	
8. Liquidity of shares	98	18	The trading volume for 1998 was 18.7 million shares, 49.6% of capital stock. [The Directors of Hidrocantábrico own more than 35% of the capital stock. Treasury stock represents 3.5%] The average daily rate was 75,480 shares …	u 2		7
	99	23	On 23 June, in compliance whith the Shareholders' Meeting resolution, the par value of the shares was redenominated in euro and a three-for-one split was performed with the result that, from that date, the capital stock was represented by 113,196,768 of 2 euro par value each.	u 6		
		24	The shares of Hidrocantábrico are traded on the Madrid, Barcelona and Bilbao stock exchanges and are included in the IBEX 35 index.			
	00	53	The shares of Hidrocantábrico are traded on the Madrid, Barcelona and Bilbao stock exchanges and are included in the IBEX 35 index and in the DJSTOXX, DJSTOXSmall, DJEUROSTOXX, and DJEUROSTOXXSmall indexes.	i 1		
	Q				u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CAN** **Hidroeléctrica del Cantábrico, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	17	Lastly, the customized promissory note program of Ptas, 25.000 million was renewed in 1998, with the maximum short-time Moody's (P1) rating, and various bank financing transactions amounting to a total of Ptas. 19.000 million were arranged.	i 1	10
	99	23	In 1999, Moody's granted Hidrocantábrico an A1 rating as a long-term issuer and ratified the maximum rating (P1) for its short-term debt.	u 4	
		37	HC has established a risks committee which oversees its managers' code of conduct and compliance with the business risk limits defined by the Board of Directors.	u 7	
	00	30	Coal procurement policy focused on optimizing supplies while paying particular attention to logistics, stocks management and imported coal prices by orienting long-term contracts to the spot market and buying in advance. Specifically, coal supply contracts were signed with producers on the five continents. As part of its risk-mitigation policy, HC was one of the first companies in Europe to enter into financial contracts.	i 1	
		52	During the year, a number of interest-rate hedges were arranged to adjust the interest rates to the debt to current and expected future levels. Taking advantage of temporary dips in the yield curve, a number of fixed-rate swaps, collars and caps over a period of three years were arranged for a total of €141 million (Ptas. 23,460 million).	i 1	
	Q			u 7 i 3 pt nt n c Σ 10	
10. Competitive advantages	98	7	… by the start of competition and a cut in revenues, the Hidrocantábrico Group was able once again to increase its income.	1 cost leadership	4
	99	32	National electricity production market HC's power plants participated intensively and our share of the market increased considerbly after the acquisition on May 1 of the remaining two-thirds of the Soto de Ribera plant. At year-end, the market share was 7.4%, 35% higher than in 1998 (5.4%).	1 market position	
	00	33	Because of the Company's concern with steadily improving the quality of service, it has installed the most modern information technology resources for network control and telecontrol and incident detection and repair and, generally, for all aspects that contribute to enhancing supply security and quality and providing more direct and personalized customer care.	1 differentiation quality	
		35	Once again, through its supplying company Hidroeléctrico Energía, Hidrocantábrico played an active role in the competitive market and attained 1300 customers in this new market segment while consolidating its position among users of over 1 GWh, and it boosted its sales from 965 GWh in 1999 to 2,942 GWh in 2000.	1 focus	
	Q			u i 4 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CAN** **Hidroeléctrica del Cantábrico, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	7	I [Martín González del Valle y Herrero, Chairman] am also happy to say that management efficiency was a key factor in obtaining these results. With regard to income, sales were enhanced by increases achieved in gas and electricity output and distribution, whilst as regards expenses, personnel, operating and financial costs were significantly reduced.	u 4	
	99	21	The trend in operating costs was due to the Group's expansion during the year through the aforementioned acquisition of Soto de Ribera and SINAE and the surge in new businesses such as electricity trading and, in particular, retailing. In comparable terms, costs were contained, as reflected by a 0.2% decline in personnel expenses.	i 1	
		31	During the year, a number of initiative were taken to rationalize processes, improve efficiency and reduce operating costs;	u 5	
	00				6
	Q			u 5 i 1 pt nt n c Σ 6	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	10	4	2	3	5	4	10	6	7	0	5	56
i	additional information	3	2	2	1.5	1	0	1	1	3	4	1	19.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	13	6	4	4.5	6	4	11	7	10	4	6	75.5
	ranking among all 38 companies	1	14	35	21	18	30	7	7	5	22	22	

total score:	75.5	total score without questionnaire:	75.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	6.86	valuation without questionnaire:	6.86
ranking among all 38 companies	16	ranking without questionnaire	14

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.12. Gas Natural SGD, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **CTG** **Gas Natural SGD, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	6	Lastly, on behalf of the Board of Directors and myself, I should like to express our most sincere gratitude to all those persons who make up the Gas Natural Group, whose professionalism, dedication and motivation make it possible for thousands of people to improve their quality of life each year, while at the same time helping our Group to win greater social recognition and a greater capacity for generating value for our shareholders. [Antonio Brufau Niubó, Chairman]	u 4	6
		31	The achievement of these objectives is considered from the prospect of maintaining an ongoing increase in productivity levels and in management efficiency, such that they may provide the necessary balance for financing future investments and guarantee the appropriate profitability for shareholders.	i 1 u 5	
	99	31	All of these [measures] are intended to continue while maintaining adequate levels of value generation for shareholders, through constant increases in productivity and management efficiency, thus affording the necessary balance between the financing required for future investments and profitability for shareholders.	u 5	
	00	33	All this will allow the Group to continue creating value for shareholders of Gas Natural SDG, maintaining the necessary balance between financing investments to continue growing, and profitability for its shareholders.	u 5	
	Q			u 5 i 1 pt nt n c Σ 6	
2. Flexibility	98	8	In January, work on the first phase of the enlargement of the regasification plant in Cartagena was completed, and the Cartagena-Orihuela gas pipeline came into operation, enabling the Group to integrate this plant into the Iberian Gas Pipeline Network. This served to reinforce the supply structure of the Peninsula and to increase the flexibility and reliability of the entire Mediterranean area, where a major part of the demand for natural gas is located.	u 5	6
	99	5	A special effort will be made regarding the new information technologies, which will allow us to develop a new offer of value-added services throughout the Internet, in order to reinforce and increase our business opportunities.	u 5	
		8	The Gas Natural Group reorganises [during the first quarter 1999] its activities in order to adapt to the new environment created by the Hydrocarbons Law, which estabilshes a new regulatory framework for the gas industry in Spain, and calls for the separation of regulated activities (transport, regasification, and distribution) and unregulated ones (saloes to qualified customers).	i 1	
	00				
	Q			u 5 i 1 pt nt n c Σ 6	

98 Annual Report 1998	sp	spanish	u	general understanding	n no statement
99 Annual Report 1999	ger	german	i	additional information	c contradiction
00 Annual Report 2000	en	english	pt	positive tendency	r.. remuneration
Q Questionnaire			nt	negative tendency	h.. HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CTG** **Gas Natural SGD, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	31	Another of the Gas Natural Group's strategic objectives is to consolidate its current position in Latin America where it commenced activities in 1992 and to increase its international presence by means of participation in projects which offer an interesting profitability.	u 4		5
		9	The chief executive officer of the Group, Guzmán Solana, announced investments of nearly 550,000 million pesetas over the next five years, which will enable the Group to increase its sales volume by 85% and reach a total of 8.5 million customers in the year 2002.	u 3		
	99	6	Consolidated net profit reached the sum of 426.2 million euros (70,914 million pesetas), an increase of 21.5% with respect to the last years results, mostly due to the investment and sales effort made by the Group during recent years, and the significant contribution of international activity to operating profit, which was approximately 18%.	u 3		
		6	Total investments reached 1,028.4 million euros (171,105 million pesetas), an increase of nearly 24%.	i 1		
	00	6	Total investments amounted to 1,726 million euros (287,200 million pesetas), an increase of 68% over the previous year, of which 1,032 million euros (171,800 million pesetas) were assigned to investments in fixed assets, and 645 million euros (107,300 million pesetas) to financial investments.			
	Q				u 4 i 1 pt nt n c Σ 5	
4. Human Resources	98	28	Training activities were mainly aimed at reinforcing the major aspects of the Group's strategy.	hu 2.5		4.5
		28	In addition to the usual fields of training in business operations, a special effort was made in training related to quality, safety and management.	hi 0.5		
	99	29	Training activities focused mainly on reinforcing key aspects of the Group's strategy.			
		31	Another one of the areas that will receive special attention will be the development of all of its human resources, through ongoing training programs and the stimulation of channels of internal communication, in an effort to achieve optimal development of both the human and professional potential of the people that make up the Group.	hu 2.5		
	00	31	Main training efforts were focussed on strengthening aspects related to the multiutility strategy designed by the Gas Natural Group.			
		32	In addition, there was continuing development of quality, environmental and safety programmes along the strategic lines followed in previous years.	hi 0.5		
		32	agreed was the funding of a pension plan for the staff of Gas Castilla-La Mancha…	hi 0.5		
		35	One of the main competitive advantages of the Gas Natural Group is the capacity and qualification of its staff when taking on new projects. … continuous training plans … stimulation of sources of internal communication that contribute to the encouragement of this capacity to take on new challenges, …	hu 3		
	Q				u 3 i 1.5 pt nt n c Σ 4.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CTG** **Gas Natural SGD, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	6	As you can see, the strong profitability and solidity of our Group continue to be our differentiating factors, enabling us to increase the dividend from 77 pesetas in 1997, to 90 pesetas in 1998, a growth of 16.9%.	u 5	6
	99	7	This [the solidity of the Gas Natural Group, its potential for growth, and its high profitability] has permitted a dividend increase of 33.3%, up from 0.18 euros (30 pesetas) per share in 1998, to 0.24 euros (40 pesetas) in 1999. This upward trend in dividends during the last five years represents a 140% increase in dividend per share. During 1999 specifically, the pay out has increased to 25% of the Group's total profits.	i 1	
	00	7	the soundness, potential for growth and high profitability that continue to be the main features of our Group have allowed us once again to make an increase in our dividend, from 0.24 euros (40 pesetas) per share in 1999, to 0.28 euros (47 pesetas) per share in 2000.		
	Q			u 5 i 1 pt nt n c Σ 6	
6. Growth	98	5	Another major factor is the continuation of our expansion in Latin America, via the acquisition of new concessions in Colombia and Mexico. This consolidation of our international presence means that of the Group's present 6 million customers, almost half are located beyond our borders, making a significant and increasing contribution to results.	i 1	9
		5	… laying the basis for profitable growth in the future, by means of prudent and strict selection of opportunities.	u 6	
		31	The prospects for growth of demand for natural gas in Spain […] are the factors which determine the strategic lines of action of the Gas Natural Group for the forthcoming years.		
	99	5	[because of] the significant increase in demand for natural gas which is forecast in Spain, … our basic objectives are the acceleration of growth in the domestic-commercial and industrial markets in Spain …		
	00	6	During the coming years, we will continue to increase the number of new customers at a rate of 700,000 per year, half of these in Spain and the other half in Latin America. Furthermore, we will maintain our growing activity outside these areas, which is already the source of a quarter of our operating profit, and we will develop our participation in new businesses such as generation and commercialization of electricity, telecommunications and integral services for the home.	i 1	
		7	the stock market value of Gas Natural SDG shares does not reflect in anyway the excellent results of our company, nor to the significant prospects for growth that we have before us. Our objective is to continue to maintain an interannual growth rate of two figures, …	u 7	
	Q			u 7 i 2 pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CTG** **Gas Natural SGD, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	9	In June, an agreement was signed between the Portuguese company Transgas and the Gas Natural Group for the joint use of the Huelva regasification plant. The aim of the agreement is to increase the reliability of supplies to the Iberian Peninsula and optimise the utilisation of the existing gas infrastructure.	u 5	13
	99	7	The agreement will regulate the industrial operation of Repsol YPF and Gas Natural SDG in the natural gas sector, and at the same time will allow the maximisation of value of both companies with respect to their shareholders, as well as reinforcing their competitive capacity as leading companies in the Spanish energy sector, with extensive possibilities for development on the international scene.	u 10	
	00	23	The Gas Natural Group continued to cooperate with the various Autonomous Communities in the development of infrastructures for transport and distribution in their respective territories, and the extension of Group services to a greater number of their citizens.	i 1	
		23	Other bodies with which agreements were signed during 2000 to promote the use of natural gas were the University of Murcia, and the Federación de Hostelería de Valencia and Mercavalencia.		
		28	In collaboration with other important gas companies in Europe, it continued to work on different projects studying the safety of gas pipelines for transporting natural gas.	i 1	
		29	The Group also maintains agreements for collaboration with other gas companies, such as Gaz de France and Osaka Gas.	i 1	
	Q			u 10 i 3 pt nt n c Σ 13	
8. Liquidity of shares	98				6
	99	16	a three-way share split was agreed to, effective 12th July 1999. Through this operation, the share price was reduced to one third its previous value and the number of shares issued was multiplied by three.	u 6	
		16	The frequency of quotation was 100%, with 146 million shares traded, at an average rate of 585,000 per day. The effective volume traded was 3,679.8 million euros (612,267 million pesetas), a figure slightly higher than the previous year's.		
	00	16	The frequency of share trading rate was 100%, with a total of 182 million shares traded, 25% more than in 1999, and the effective trading volume was 3,589 million euros, similar to the previous year. The daily trading average was 730,000 securities.		
	Q			u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CTG** **Gas Natural SGD, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	14	At year end, the Group's net borrowing rose to 350,189 million pesetas, 2.5% up from 1997. Equity rose by 12.9% leading to an improvement of the financial leverage ratio from 45% to 44%.	i 1	7
	99	8	Standard & Poor's and Moody's Investors have given the Gas Natural Group and AA- and A1 rating, proof of its outstanding long-term credit wothiness.	u 4	
		11	The Gas Natural Group is not affected in any way by the so-called Year 2000 effect, thanks to the prevenitve measures taken during recent years.	i 1	
		20	The main priority for the Gas Natural Group continued to be the guarantee of reliable supplies and the diversification of supply sources.	u 3	
	00	21	it must be emphasised that during 2000 the legal limit set for importations from a single country at 60% was not exceeded, due largely to the efforts made by the Gas Natural Group during the last few years to guarantee safety and to diversify the sources of supply. It is also maintained a wide range of suppliers of liquid natural gas, which permitted the limited capacity of international gas pipeline connections to be offset.	i 1	
	Q			u 4 i 3 pt nt n c Σ 7	
10. Competitive advantages	98	4,5	Given the new situation [liberalization of the energy markets], and the Gas Natural Group's aim of achieving fast and optimum adaption to the increasing globalization and liberalization of the sector, we have this year commenced development of a new organizational model, based on specialization by activities and market orientation, to enable us to simplify management and explore cost synergies which will doubtless increase our competitiveness.	1 focus 1 cost leadership	5
		5	Our strategy will continue to focus on boosting the Gas Natural Group's competitiveness, via on-going improvements in efficiency and quality levels in company management and customer service…	1 reputation	
	99	5	[Gas Natural] transferred Enagás' distribution assets to Gas Natural SDG, and carried out the organisational adaptation of the various companies which make up the Group, with the dual objective of fulfilling the requirements of the Hydrocarbons Law and increasing its competitive capacity.		
		31	Another of the Group's objectives is to continue improving the levels of quality and efficiency in the company's management as well as in customer service, in order to increase competitiveness.	1 differentiation quality	
	00	4	"We are one of the energy services companies that is best positioned to face up to the new competitive environment" (initial statement of Antonio Brufau Niubó, Chairman of the Board of Directors)		
		6	I would like to make special mention of the fact that our capacity to compete in this new environment was demonstrated once again last year, since we secured new contracts with large clients who can already choose their supplier from among almost twenty commercialising companies.		
		6	we approved a reorganisation of the Group's Top Management team, and the creation of three new specialist areas: e-Business, New Businesses and Commercialisation in Spain, to strengthen our presence in new areas of activity and reinforce our ability to compete.	1 innovation	
	Q			u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **CTG** **Gas Natural SGD, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	5	we have this year commenced development of a new organizational model, based on specialization by activities and market orientation, to enable us to simplify management and explore cost synergies which will doubtless increase our competitiveness.	u 4	5
	99				
	00	28	During 2000, the Gas Natural Group continued to carry out diverse activities involving technological innovation, aimed at reduction of costs, …	u 5	
	Q			u 5 i pt nt n c Σ 5	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	5	5	4	3	5	7	10	6	4	0	5	54
i	additional information	1	1	1	1.5	1	2	3	0	3	5	0	18.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	6	6	5	4.5	6	9	13	6	7	5	5	72.5
	ranking among all 38 companies	26	14	33	21	18	5	1	22	15	11	26	

total score:	72.5	total score without questionnaire:	72.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**6.59**	valuation without questionnaire:	**6.59**
ranking among all 38 companies	**21**	ranking without questionnaire	**20**

98 Annual Report 1998 sp spanish u general understanding n no statement
99 Annual Report 1999 ger german i additional information c contradiction
00 Annual Report 2000 en english pt positive tendency r.. remuneration
Q Questionnaire nt negative tendency h.. HR measures

3.2.13. *Grupo Dragados, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **DRC** **Grupo Dragados, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				7
	99	2-4	In summary, then, we can say that we closed an excellent year in every respect and that the prospects for the future are exceptionally good. Therefore, we hope to continue counting on the confidence of our shareholders.	u 1	
	00	11,12	In summary, the excellent results obtained and the brilliant perspectives created offer our shareholders soundness and profitability that we will endeavor to increase in the future to continue to be worthy of the confidence placed in us. These results are the evidence of our capacity to generate value.	u 6	
		83	Grupo Dragados, S.A., has a Shareholders' Services Department to answer any questions asked by our shareholders by phone or in writing and to provide information on the company, including the latest quote in real time.	i 1	
	Q			u 6 i 1 pt nt n c Σ 7	
2. Flexibility	98	2-3	In 1998, due to substantial changes in the circumstances that were considered in 1996 when the basic and complementary agreements were signed with Fomento de Construcciones y Contratas, S.A., to develop international construction and service activities together, Dragados y Construcciones, S.A., considered it convinient to request these agreements be terminated.	i 1	8
	99	2-3	The spirit of innovation and creativity, the continuous improvement of our work processes and the proper managment of human resources guarantee the Group's future.	u 5	
	00	10	We also purchased 2.9% of the share capital of Jazztel, plc, and we have a purchase option for another 3%.	i 1	
		16	As a result of the Group's continuous process of adapting to the demands of new markets and products, the Infrastructure Concessions Division was created in the year 2000. Furthermore, the Services, Industrial and Real Estate Divisions were restructured.	i 1	
	Q			u 5 i 3 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DRC** **Grupo Dragados, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98				
	99				
	00	2	… the adequate selection of investments … will allow the profits and shareholders' value to increase significantly.	u 7	8
		8	For this, throughout last year we continued to adjust the Group's structure of these strategies, creating a selective backlog and making a large investment in strategic fields, especially in services, logistics, transport infrastructure concessions and new technologies, in order to improve and increase the range of the products and services we offer and introduce them to new markets.	i 1	
	Q			u 7 i 1 pt nt n c Σ 8	
4. Human Resources	98	7-1	[Project Dragados XXI] ·In-depth study of the selection and development of personnel with degrees from higher institutions, stimulating their identification with the company's project. ·Put into practice a variable remuneration system in order to base retribution and promotion on each employee's contribution to reaching the Group's objectives, including a company stock based incentive plan for the management team, in order to involve managers more directly in the value creating process.		8
		7-1	In line with the policies of change contained in Dragados XXI on increasing economic and financial awareness, a seminar was given on creating value for the shareholder in order for the Group's management team to become even more closely identified with these policies.	ru 3.5 hi 0.5	
		7-2	department "Risk Prevention Service" and courses of work risk prevention	hi 0.5	
	99	2-3	Along this line, towards the end of the year we ran a "Survey of Personnel Satisfaction". There was a very high participation and the results will help to determine new focuses on managing our personnel.	hi 0.5	
		2-3	One of our main concerns is to train our employees. A total of 137,500 hous were spent on a variety of activities to improve and expand their skills and know-how.		
		7-1	.. Completion of the management incentive plan based on the quote of the company stock, a measure taken to increase the shareholders' value and improve profitability.	ru 2.5	
	00	10,11	Our human resources is another of our priorities, as well as one of our strong points. Their professionalism, experience, know-how and continuous desire to learn about new developments make our employees share our business project. They are our clearest competitive advantage and, therefore, we dedicate a great deal of attention to them. One of the policies on human resources to which we give special interest is preventing risks at the jobsite to assure safe and healthy work environments for the Group's personnel. We also make tremendous efforts in training and providing information.	hu 3	
	Q			u 6.5 i 1.5 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DRC** **Grupo Dragados, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	2-4	The dividend to be distributed is 5,171 million pesetas (31 million euros), with a pay-out of 39.2% of the consolidated profit.	u 2	2
	99				
	00	11	A dividend of 5,171 million pesetas (31 million euros) will be distributed, with a pay-out of 17% of the consolidated profit.	u 2	
	Q			u 2 i pt nt n c Σ 2	
6. Growth	98	int.	Towards the end of 1997 a new strategy project called Dragados XXI was put into practice to improve profitability and create value for the shareholder through growth, internationalizing activities and developing new products.	u 7	9
	99	2-2	This Project [Dragados XXI], established at the end of 1997, has helped to orient the Group's capacities towards the objective of improving our profitability and increasing our shareholders' value by growing in the most profitable areas, internationalizing all our activities and making our management systems more efficient.	u 7	
	00	2 7,8	The strategies of the Dragados XXI Plan to increase the Group's value and profitability and to grow selectively are still in force. They will continue to guide future actions through the Group's periodical planning process. … and the orientation towards profitable growth, are what have made it possible to surpass all the goals set in Dragados XXI.	u 9	
	Q			u 9 i pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DRC** **Grupo Dragados, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	2-4	Our main shareholder [Banco Central Hispanoamericano] also collaborates with us actively and effienciently on our commercial and financial management activities in Spain and in other countries.	i 1	9
		8-3	In Spain, Research and Technological Development activities were based on collaborating with different organizations such as the Cotec Foundation, in which the Group is active in various technology commissions.	i 1	
		8-3	Collaboration increased with the Eduardo Torroja Institute, the Higher Council of Scientific Research where we have participated in courses and conferences …	i 1	
	99	2-2	The growth of activities other than construction in Spain has been possible thanks to an adequate policy on obtaining new contracts backed by the application of a policy on acquiring new companies, taking advantage of profitable opportunities in the areas in which we wanted to direct the Group's development.	u 6	
	00	23	The merger of Maritima Valenciana and the Terminal in Sagunto (Temarsa) in 1999, that, when added to the enlargement of the terminal in Valencia will make it possible to reach 2.3 million TEUR/year in the future.		
	Q			u 6 i 3 pt nt n c Σ 9	
8. Liquidity of shares	98	10-1	The liquidity of Dragados shares is demonstrated by the trading volume which was 73,697,809, equivalent to 128.3% of the share capital (109.4% in 1997 and 84.3% in 1996).	u 5	6
	99	2-4	Fulfilling the agreements reached at the last Annual Shareholders Meeting, the capital stock was redenominated in euros and there was a 3x1 split. As a result, the share capital is now 172,351,362 euros and there are 172,291,362 ordinary shares and 60,000 preference shares in circulation, each with a par value of one euro.	u 6	
		2-4	Our shares continued to have high liquidity, being quoted on 100% of the trading days and with a contracting volume of 324,536 million pesetas. The number of shares traded over the year was slightly more than the total number of shares in circulation.		
	00	83	Our stock was quoted on every trading day during 2000 and the trading volume was 329,278 million pesetas (equivalent to 1,979 million euros). This is 1.5% higher than the year before. The number of shares traded was 23.5% more than the total number of shares in circulation.		
	Q			u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DRC** **Grupo Dragados, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	2-3	… we continued to apply our policy of Construction Risk prevention	u 3	5
		7-2	Once the Prevention Management System was put into practice, its efficiency continued to improve and all our subcontractors were also required to apply it to assure that the obligations set by the Labor Risk Prevention Law be fulfilled at all our jobsites. … It is noteworthy that the accident frequency and seriousness indexes (that relate the number of hours worked to the number of accidents and work days lost) were 25.6 and 1.07 respectively, much lower than the figures for the construction field in general which were 94.4 and 2.3, according to the official data of the Ministry of Labor.	u 4	
	99	2-2	As a result of the diversification strategy established in the Project Dragados XXI, 56% of the Group's billing was in activities other than construction in Spain and 60% of the profits is the result of its community services and transport infrastructure concessions. The degree of diversification reached gives great stability to the Group's Statement of Income and frees it from fluctuations in the economic cycle that periodically affect the construction industry in Spain.	u 1	
		2-3	One of our most important obligations is to protect the safety and healthy of our employees and this is the purpose of our Work Risk Prevention policy. Improvement in this field runs hand-in-hand with providing training and adequate information.		
	00	8	One of the main reasons for setting up the strategy to develop other activities was to modulate the influence of economic cycles in construction and give more stability to the financial accounts. The result of this strategy is that in the year 2000, 46% of the Group's turnover and 61% of the profits before taxes were from activities other than construction.		
	Q			u 4 i 1 pt nt n c Σ 5	
10. Competitive advantages	98	-8.1	Research and Technological Development … The activities were: · Development of a specific Research and Technological Development Program for the Group's activities and to increase competitiveness. … To do this, the Group participated in seminars, courses and congresses in order to turn the innovation made in the construction market into competitive advantages	1 innovation	2
	99	2-3	We will continue to apply Total Quality as part of the Group's management, convinced that by improving work processes we will be able to consolidate our leadership.	1 differentiation quality	
	00	2	Its [the group's] culture, presided by a vocation for leadership, is based on the concepts and values of quality, competitiveness, transparency, professional ethics, risk prevention, respect for the environment and serving the community.		
	Q			u i 2 pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
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00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DRC** **Grupo Dragados, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	2-3	During 1999, we will continue to apply the strategies defined placing special emphasis on cost reduction and innovation in order to constantly improve our processes and satisfy our clients with products that fulfill their needs more satisfactorily.	u 7	7
	99	2-3	During 2000 we will continue to apply the policies defined in the Dragados XXI Project, placing special emphasis on increasing profitablity, reducing costs and improving personnel management.	u 7	
	00	36	Dragados Obras y Proyectos, S.A. … The quality of the work contracted, the cost reduction policy and the improvements in productivity allow us to look towards the future with optimism, expecting to reach even higher levels of billing and profits.	u 6	
	Q			u 7 i pt nt n c Σ 7	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	6	5	7	6.5	2	9	6	6	4	0	7	58.5
i	additional information	1	3	1	1.5	0	0	3	0	1	2	0	12.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	7	8	8	8	2	9	9	6	5	2	7	71
	ranking among all 38 companies	24	3	22	7	32	5	13	22	20	31	17	

total score:	71	total score without questionnaire:	71.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	6.45	valuation without questionnaire:	6.45
ranking among all 38 companies	23	ranking without questionnaire	22

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
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00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.14. *Endesa, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **ELE** **Endesa, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)				Score
1. General attitude towards shareholder value	98	20	Last year also saw major initiatives undertaken by the ENDESA Group to develop the strategies required to ensure its expansion, maintain the pace of creation of stockholder value, improve the level of customer service, strengthen its position of leadership and consolidate the Group while enhancing its competitiveness.					11
		22	We now have more than one-and-a-half million stockholders, which is both a great responsibility and a great incentive.	u	4			
	99	15	… overriding aim of ensuring an adequate return for its shareholders.	u	5			
		18	All in all, 1999 was a satisfactory year for ENDESA, once again demonstrating the Company's commitment to creating value for its stockholders. This commitment means we will not shrink from any alliance or processes on concentration that may be required in the future, and we are prepared for all favorable opportunities that might arise.	u	6			
		93	[Endesa] maintains continuous relations with its shareholders through two units: the Investor Relation Office, which caters for the needs of institutional investors and stock market analysts, and the Shareholders Office, which deals with private investors.	i	1			
	00	14	This [business] strategy [2001-2005] is centred on the creation of value,…	u	8			
		49	ENDESA keeps up a constant relationship with its shareholders, both institutional investors and equally, private individuals, and with the stock market analysts.	i				
		49	A total of 52 financial institutions prepare periodic analysis on the Company, which means that ENDESA is one of the electricity companies with a greater degree of market follow-up. In this year 2000, more than 120 reports were prepared on ENDESA, in which, some 51 per cent of the total, were for buy recommendations being greater than the 45 per cent neutral recommendations or sell recommendations to sell which made up the remaining 4 per cent.	i	1			
	Q							
						u	8	
						i	2	
						pt	1	
						nt		
						n		
						c		
						Σ	11	
2. Flexibility	98	64	… new work timetables have been agreed upon with more flexible working days	i	1			5
		77	This reduction in average cost was possible because of the flexibility of the structure of the Group's debt, which fell from 5.82% in 1997 to 4.96% in 1998, …	u	4			
	99	44	As regards operational flexibility, it is worth noting that in 1999 ENDESA's fossil-fuel generation units completed the series of control alterations and adaptions required for them to take an active part in the secondary control market.	u	5			
	00	12	several countries in the region [Latin America] have stated to regulate the creation of trading companies and energy pools, likewise the access of third parties to the transport and distribution networks, in this way intensifying the process of electricity deregulation set in progress several years ago. ENDESA is keeping itself alert to theses movements for the purpose of being in the right place in the markets in which it is present and being able to take advantage of new business opportunities that might emerge from these changes.	u	5			
		14	after the decision to abandon the merger project [with Iberdrola, see 7.], ENDESA has reacted positively and has presented its new business strategy for the period 2001-2005.	u	5			
	Q							
						u	5	
						i		
						pt		
						nt		
						n		
						c		
						Σ	5	

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99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ELE** **Endesa, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	20	Another outstanding feature of last year was the continuation of the Group's investment policy with investments to a value of pesetas 389,038 million, self-financed in their entirety.	u 2	8
	99	17	ENDESA has a hefty investment portfolio in the Spanish telecommunications market with excellent prospects of growth in the future, and in which it has already accumulated latent capital gains worth Pta 0.7 billion. These prospects will be enhanced this year through the telecoms investment pool that ENDESA and its partners have set up in a holding to coordinate their interests. Proof of the portfolio's capacity to create value came in 1999 in the capital gains from the sale of ENDESA's stake in Airtel, amounting to 135,957 million.	u 7	
		50	A diagnostic analysis identified measures that will make it possible to improve cash flow by some $845 million per year from 2003 [in Latin America]. These improvements will come from greater operative and financial efficiency and a rationalization of capital investments.	u 1	
	00	36	although these investments [in telecommunication projects] are charged to the 2000 result account, they mean an important source for the creation of value for the shareholders of ENDESA.	u 7	
	Q			u 7 i 1 pt nt n c Σ 8	
4. Human Resources	98	63	The ENDESA Group's human resources constitute a notable competitive advantage.	hu 2.5	4.5
		63	Integrated Management of Executive Plan, the aim of which is to have a highly trained and committed team: ·list of Prospective Executives ·compensation plan ·development plan ·Executives Workshops ·Assessment and Function Systems	hu 3	
		64	The Group considers training to be a vital strategic function.	hi 0.5	
		65	Throughout its new Labour Risk Prevention Service, the ENDESA Group has developed different activities and initiatives aimed at guaranteeing the safety and health of its workers.	hi 0.5	
	99	69	Within the framework of the labour force adaption policy, there was a net reduction of 1,280 employees in the Spanish sector in 1999, which represents a reduction of 6.57% with respect to 1998. In the international realm, there was a total employee reduction of 1,427 workers during the period of the year when Enersis and other Latin American companies consolidated by global integration.		
		70	In the course of last year, an initial occupational hazard evaluation was made on 98% of the working posts with the purpose of determining priorities and taking necessary measures.		
		71-74	[Endesa has various HR plans concerning renovation, involvement, trainees, selection of managers, personnel development, and training]	hi 0.5	
	00	102	This [Human Resource Strategic] plan, started in 1998, is to try to facilitate the attraction, development and retention of people with high potential, in conditions with appropriate costs. In the 2000 financial year, it continued to adapt to new situations and perspectives of the company, giving special attention to disclosure of the Company Values, both in the internal and external spheres. In addition to the projects that are being developed from the introduction of the Plan, new projects were taken on in the year 2000, such as those of the Classification of Functions, Management of Knowledge and New Policy of International Assignations, all of which are geared towards boosting the changes necessary in order to consolidate the Model of People Management.	hu 3	
	Q			u 3 i 1.5 pt nt n c Σ 4.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ELE** **Endesa, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	80	Furthermore, the Company, as part of its policy of creating value for the shareholder, has carried on increasing its dividend. After the 10% increase of the dividend paid out for the yield in 1997, the dividend of 88 pesetas proposed for 1998, amounts to an increase of 14.3%.	u 2	9
		22	Furthermore, complementary to the public offering, we undertook an 8.19% reduction of ENDESA's stock capital. This operation was possible thanks to the Company's financial solidity and generation of funds, and it created a considerable amount of value for our stockholders. In this regard, it should be noted that earnings per share rose by 14.2% over the previous year.	u 7	
	99	17	Despite the capital increase arising from the takeover of the affiliate companies, this result yielded earnings per share of Pta 200.8, 9.7 per cent higher than the previous year, and a dividend per share of Pta 98, ie, a 48.79 per cent rate of return and a yield per dividend of 2.82 per cent.	i 1	
		90	In 1999, ENDESA's shares fell by 12.8%. Taking into account, dividends paid to shareholders total shareholder return was -10.5% during the financial year.	i 1	
		91	As part of its policy of creating value for the shareholder, ENDESA has continued to increase its dividend. Following the 14.3% increase of the dividend paid out on account of profits in 1998, the Pts. 98 dividend proposed for 1999 signifies an 11.4% increase.		
	00	13	in 2000 the Company continued to apply its policy of viability for the shareholder by means of the dividend: that paid and charged to the 1999 results supposed an increase of 11.3 per cent and the proposal to be charged against the 2000 financial year represents growth of 10.2 per cent. It is worth underlining that, in the period 1996-2000, ENDESA has seen an average annual growth of 11.5 per cent, one of the private electricity companies in the world that has increased the dividend per share by a greater proportion.		
		48	As part of its policy of creating value for the shareholder, ENDESA has continued to increase its dividend in the year 2000.		
	Q			u 7 i 2 pt nt n c Σ 9	
6. Growth	98	12	… implementing a growth strategy aiming at increasing the Company's net worth in the medium and long term	u 7	8
		21	In 1998 we further pursued our strategy of international expansion by increasing our presence in Latin America.	i 1	
	99	17	ENDESA remained firmly committed to increasing its involvement in businesses with good growth prospects and that generate synergies with the core activity.	u 6	
	00				
	Q			u 7 i 1 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ELE** **Endesa, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	21	The agreements reached in October with GAS NATURAL, S.A. also represent a major step in our strategy. The main areas they dealt with were the supply of natural gas, collaboration in the construction of new combined-cycle generation plants, the distribution and marketing of natural gas, cogeneration, and international expansion.	u 7	12
		23	This process [of corporate consolidation], a milestone in the history of ENDESA, will be carried out by means of mergers by takeover, and will enable us to combine unitary management with the maintenance of the major role that our companies play in their various geographical areas. It should also bring significant savings in costs through the elemination of redundant structures.	u 8	
	99	16	The year saw the culmination of ENDESA's corporate consolidation process, of which a major consequence was the incorporation of minority stockholders from the Spanish electric subsidiaries into the Company's hub of value creation. The operation had two stages: the first one, … was the merger by takeover of the Spanish affiliate electric utilities. …The second stage … was the separation of the activities of electricity generation and distribution … As a result of these operations ENDESA is now structured around six lines of business… This has provided a simpler, leander and more flexible corporate structure, fully able to respond to the changes occuring in an increasingly dynamic and competitive economic and business environment.	u 8	
	00	13	one relevant fact of the last financial year was the passing of a merger project of ENDESA and Iberdrola by the Board of Directors of both companies on 17th October and that finally fell through.	i 1	
		14	the Council of Ministers adopted an agreement on 2nd February 2001 in which the conditions that would have to be complied with were detailed, for the authorization of the merger of ENDESA and Iberdrola. In the opinion of the Companies, these conditions, together with those arising from the Royal Decree law passed on the same day on the treatment of the costs of transfer to competition, altered the merger project in a significant manner. It affected the fulfilment of its objectives for the creation of value, it subjected it to a large degree of legal uncertainty and gave rise to a discriminatory treatment for the shareholders of ENDESA and Iberdrola in regard to that which would be applied to the shareholders of other electricity companies in other possible corporate operations of a similar nature.	u 10	
	Q			u 10 i 1 pt 1 nt n c Σ 12	
8. Liquidity of shares	98	80	The importance of the value on the Spanish market, became apparent when it occupied the second highest position in the Stock Exchange trading volume ranking, with a figure of 5,080,687 million pesetas and an daily average of 6 million shares, and was third in the ranking of stock market capitalisation with a total amount of 3,590,077 million pesetas as of 31st December 1998. On the New York Stock Exchange, ENDESA continued to be listed in the form of American Depositary Receipts (ADR). The number of ADR's as of 31st December 1998, was 45,411,482.	u 5	4
	99	90	ENDESA's shares were the fourth most negotiated value on the Spanish Stock Exchange, …		
		91	On the NYSE, ENDESA continued to be listed in the form of American Depositary Receipts (ADR).	u 4	
	00	46	In the year 2000, ENDESA was the sixth most traded security on the Spanish Stock Market, with an average daily volume of 5.5 million shares and and annual volume of 27,783 million euros.	u 3	
	Q			u 5 i pt nt -1 n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ELE** **Endesa, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	60	The percentage of debt at fixed interest rates has slightly increased, because of the favourable situation regarding long-term interest rates. With respect to the structure of debt by exchange rates, it must be pointed out that the foreign currency risk has undergone a substantial decrease, because several European currencies have become incorporated into the Euro.	u 3	11
		60	As of 31st December, most of the rest of the currency is subscribed in dollars, with a view to potential covering the risk of change from international investment made, espacially in South American currencies.	i 1	
	99	34	To optimize the profitability/risk ratio, ENDESA makes risk management an integral part of its portfolio of generation assets and customers. ENDESA also periodically analyzes the potential impact of risk factors on its results, both in Latin America and Europe.	u 8	
		35	These analyses currently focus on a horizon one year ahead. Long-term modeling to quantify the effect of risk factors on the generation portfolio is still at the development stage.		
		35	In the area of trading, ENDESA has also established procedural limits and systems to gauge and control risk. A committee is also being set up to set overall management guidelines and to ensure that they are met.	i 1	
	00	36	in the entirety of the diversification businesses of ENDESA, the losses sustained in the telecommunications are seen partially offset in the year 2000 by the positive results obtained from gas, water, power & heat and renewable energies, and other business. In this way, the net losses corresponding to ENDESA for its stakes in non-electricity activities are in the sum of 9,792 million pesetas (59.9 million euros).	u 1	
		37	The increase of the debt in dollars is consistent with the indications coming from the Financial Risk Management System (RMS), which has been operational since the beginning of 2000, and coincides with the upward situation of the parity of the dollar to euro. The RMS allows the evaluating of riks and optimising the debts and it is designed to incorporate the charcteristics of investments made in currencies, correlations and levels of dollarisation of income by countries.	i 1	
	Q			u 8 i 3 pt nt n c Σ 11	
10. Competitive advantages	98	19	The major changes introduced into the regulatory framework made competition one of the vital elements of the Spanish electricity system and put Spain in the vanguard of the electricity deregulation in Europe. This sweeping changes prompted our Group to take the measures needed to guarantee its position in the industry and within the Spanish economy as a whole.	1 market position	5
	99	15	ENDESA responded to this new environment [deregulated market] by improving its competitive position, maintaining its leadership of the domestic market and continuing its profitable expansion into new markets and associated businesses.	1 choice market product	
	00	14	This [business] strategy [2001-2005] is centred on the creation of value and based on the consolidation of electricity leadership in Spain, the strengthening of the position in the electricity market in Latin America … in such a way as to complement and contribute value to its main business.	1 choice market region	
		63	In this context of intensified competition, ENDESA has developed a commercial strategy of reference supplier based on three basic lines: marketing of integrated packages of electricity, piped gas, water and other services; indexing of contracts, extending their validity in time, and opening commercial offices in markets in which ENDESA was not traditionally present in order to attract new customers.	1 reputation 1 access customers	
	Q			u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ELE** **Endesa, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	20	In the course of 1998 efforts were stepped up to implement the Group's program to cut costs by a total of pesetas 114,000 million for the period 1997-2002. It is worth remarking in this regard that, at the end of last year, a saving of pesetas 47,000 million had been achieved. 41.2% of the program's final objective has therefore been fulfilled in the first two years of its application.	u 6 i 1	9
	99	16	Measures to maintain and increase margins and improve the Company's competitive position bore fruit as the cost reduction plan for 1997-2002 was applied. At year-end, 56 per cent of the plan's goals have been achieved, with a saving of Pta 74,600 million over the starting point in 1996.	i 1	
	00	34	The result of the International Electricity Business operation was 216,793 million pesetas (1,303 million euros) in 2000. This amount represents an increase of 47.4 per cent compared with that achieved in 1999. The increase of 23.1 per cent in the figure of business had a significant influence on this increase, which came to 822,092 million pesetas (4,940.9 million euros). It is worth mentioning that it was achieved with an increase of only 18.6 per cent in operating costs.	i 1	
	Q			u 6 i 3 pt nt n c Σ 9	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	5	7	3	7	7	10	5	8	0	6	66
i	additional information	2	0	1	1.5	2	1	1	0	3	5	3	19.5
pt	clearly positive tendency	1	0	0	0	0	0	1	0	0	0	0	2
nt	clearly negative tendency	0	0	0	0	0	0	0	-1	0	0	0	-1
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	11	5	8	4.5	9	8	12	4	11	5	9	86.5
	ranking among all 38 companies	2	21	22	21	3	13	5	32	2	11	7	

total score:	86.5	total score without questionnaire:	86.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	7.86	valuation without questionnaire:	7.86
ranking among all 38 companies	8	ranking without questionnaire	5

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.15. Fomento de Construcciones y Contratas, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **FCC** **Fomento de Construcciones y Contratas, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				4
	99	4	On the third of January I took over as Chairman of the Board of Directors, embarking on a new period for me characterized by responsibility and trust. A responsibility to the shareholders and customers of the Group's companies … (Marcelino Oreja Aguirre, Chairman of the Board of Directors)	u 3	
	00	4	FCC's traditional pattern of action has always been to pursue the primary objective of constantly improving our profitability, even before increasing our sales volume.	u 4	
	Q			u 4 i pt nt n c Σ 4	
2. Flexibility	98				2
	99	4	… a future which we must continue to interpret from a business perspective with clarity and determination within an economic framework in which important changes are taking place.	u 2	
	00				
	Q			u 2 i pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **FCC** **Fomento de Construcciones y Contratas, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	5	During the year, we made investments of over Ptas 100 billion, of which more than Ptas 36 billion went to buying machinery and capital goods, while nearly Ptas 70 billion went ot the acquisition of holdings in other companies.	u 2		6
	99	4	we have acquired the companies of the Vivendi group which operated in Spain in the areas of water distribution and industrial waste treatment. This operation has enabled us to substantially increase our presence in the water sector with a share in privatised Spanish market in excess of 30%.	i 1		
		4	Investments in other sectors with a high potential for growth and profitability and for which we have created a special business unit, are focused on the search for investment opportunities in new technologies. In this regard, two events which have taken place in the year 2000 are worthy of mention: one is the concession of a UMTS telephone licences to the Xfera consortium which is composed of a group of companies that includes FCC, and the other is an initial investment in Internet.	u 5		
	00	5	The incorporation of part of our profits in our produciton circuit as a cost-free financial resource, together with the cash flow we have generated (which in the last year was on the order of 90 thousand million pesetas), is actually what enabled us to make the heavy investments we have shouldered.	u 0		
	Q				u 5 i 1 pt nt n c Σ 6	
4. Human Resources	98	71	The Group permanently pays special attention to staff training.	hi 0.5		3
		71	The Group continued to collaborate with faculties and university-level technical colleges, through courses, seminars, scholar-ships and training at the company, with a view to increasing students' knowlege of business activities and make it easier for them to join the labour market in the future.	hi 0.5		
	99	5	One of main objectives of the FCC Group is to train its personnel, particularly in technical areas and aspects related to prevention and safety in the workplace. Last year, some 9,000 employees attended more than 275,000 hours of company-sponsored training.			
		57	The Board of Directors wishes to express its recognition to all the Group's employees of their efforts and dedication, without which it would not have been possible to achieve the results indicated.			
		58	The traditional cooperation with faculties and university colleges has been intensified this year. Through courses, grants, seminars and on-the-job training, an effort has been made to improve the knowledge of business studies students and to assist them in finding their first job.			
	00	55	As in previous years, the activity was intense in the area of personnel training which included refresher courses to hone employees' professional skills and training courses on innovative techniques in different activities.	hu 2		
	Q				u 2 i 1 pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **FCC** **Fomento de Construcciones y Contratas, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	6	The Board of Directors proposes to the Ordinary General Shareholders' Meeting assigning Ptas 3.22 billion to dividend payment. If this motion is passed, a dividend of Ptas 55 per share will be paid, as against the Ptas 41.50 last year, an increase of 32.5%. A further Ptas 1.25 per share must be added for attending the Shareholders' Meeting, which gives a total return of Ptas 56.25 per share.	u 3	8
	99	5	The proposed distribution of profits which must be approved by the General Meeting of Sharehol-ders would pay a dividend of 48 pesetas per share plus a premium of 0.625 pesetas for meeting attendance for a total yield of 48.625 pesetas per share compared to the dividend of 28.125 paid out the year before for an increase of 72.9%.	i 1	
	00	5	Given these excellent results, the Board of Directors will submit a motion to the Shareholders' Meeting calling for the payment of a dividend of 78 pesetas per share, compared to the 48 pese-tas paid out last year. So, if this motion is passed, the returns on our equity securities will have gone up by 62.6%. One trait that defines FCC's career is that we have always tried to combine giving our shareholders a compensation that stacks up well against our results, and the necessary self-financing to drive future expansion.	u 7	
	Q			u 7 i 1 pt nt n c Σ 8	
6. Growth	98	6	In addition, the transaction included a strategic alliance with Vivendi, the outlines of which can be summarized as follows: · Primarily to boost the service sector, both in Spain and abroad, especially in Latin America [and] · To move into new areas of business with strong growth potential. This alliance opens up the growth of the FCC Group to new horizons and business opportunities, which will lead to higher levels of business development.	u 3 i 1	7
	99				
	00	4	FCC's traditional pattern of action has always been to pursue the primary objective of constantly improving our profitability, even before increasing our sales volume.	u 6	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **FCC** **Fomento de Construcciones y Contratas, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	6,7	… the transaction included a strategic alliance with Vivendi, the outlines of which can be summarised as follows: · Primarily to boost the service sector, both in Spain and abroad, especially in Latin America. · To move into new areas of business with strong growth potential. · To sell part of the current holding in the share capital of FCC Construcción, S.A. and FCC Inmobiliaria, S.A. so that the funds obtained can be used to finance the investments deriving from the operations described in the two points above.	u 7	7
	99				
	00				
	Q			u 7 i pt nt n c Σ 7	
8. Liquidity of shares	98	7	… establishing the par value of our shares at Euro 1, by means of a split whereby each of the current shares with a par value of Ptas 250 are divided into 2 shares with a par value of Ptas 125. This involves a rights issue of Ptas 4.97 billion, charged to reserves, totally paid up for the shareholder. In this way, once these operations have been completed, the holder of a share with a par value of Ptas 250 today will then have two shares with a par value of Ptas 166.386 (Euro 1).	u 6	7
		75	The company has bearer shares, which are represented by book entries and which trade on all four Spanish Stock Markets.	i 1	
	99	5	In compliance with the decision of the Meeting held in September of 1999, the shares were split and the share capital redominated in euros so that there are currently 120,101,976 shares in circulation with a par value of one euro each.		
	00	57	The Company's shares are owned by the bearer, recorded by account entries and traded on the four Spanish stock exchanges		
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **FCC** **Fomento de Construcciones y Contratas, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	71	Prevention of risks and accidents at work in all areas of production.	u 3	3
	99				
	00				
	Q				
				u 3 i pt nt n c Σ 3	
10. Competitive advantages	98	4	The FCC Group performed very well las year, and new record achievements were made. Thus, FCC reafirms its leading position whithin the sector, both in terms of size and profits.	1 size	5
	99	4	[one of the group's principles:] Promotion of the Group's activities in these areas [core activities] so as to increase its market share in Spain and abroad.	1 market position	
	00	9	The FCC Group is the leader in Spain and one of the largest operators in Latin America in city maintainance services, including solid waste collection, street cleaning, waste treatment and/or disposal, sewer cleaning and complementary services.	2 market product and region	
		22	Corporación Española de Transportes, S.A. [a subsidiary] and all of its transportation networks obtained ISO 9002 certification, thus becoming the only Spanish passenger transportation company to certify the services rendered to citizens, as well as its administration and operations departments, its shops and marketing activities.	1 reputation	
	Q				
				u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **FCC** **Fomento de Construcciones y Contratas, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00				-1
	Q			u i pt nt n -1 c Σ -1	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	4	2	5	2	7	6	7	6	3	0	0	42
i	additional information	0	0	1	1	1	1	0	1	0	5	0	10
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	-1	-1
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	4	2	6	3	8	7	7	7	3	5	-1	51
	ranking among all 38 companies	33	35	30	34	9	17	26	7	31	11	36	

total score:	51	total score without questionnaire:	51.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	4.64	valuation without questionnaire:	4.64
ranking among all 38 companies	33	ranking without questionnaire	32

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.16. Iberdrola, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **IBE** **Iberdrola, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	5	Finally, I would once again like to confirm that the IBERDROLA Group is ready to meet the challenges posed by growing competition in the electricity industry, that is in a position to consolidate expansion at home and abroad and to continue with its diversification initiatives by including new activities that will help to optimize the remarkable capabilities of our organization and contribute increasing value and greater profitability for our shareholders. [Iñigo de Oriol Ybarra, chairman]	u 4	7
	99	2	In 1999, the essential objective, which is to create value for shareholders, clients and employees alike, led to the generation of resources totalling more than 240,000 million pesetas (1,458.019 million euros) and consolidated net profits of 121,531 million pesetas (730.416 million euros), 9.8 per cent more than in 1998.	u 4	
		60	… freephone shareholder line 900.100.019. During the year IBERDROLA inaugurated a free-access Virtual Shareholder office in Internet (www.iberdrola.es/infoaccionista) …	i 1	
	00	11	For one hundred years, IBERDROLA has been the model of a profitable business. The passage of time is showing increasingly clearly that the IBERDROLA Group continues to progress and that, even in the most difficult conditions, it always looks to the future, working incessantly to create value for its shareholders.	u 5	
		40	Last year, the IBERDROLA Shareholder Office dealt with more than 50,000 enquiries either at its Bilbao and Madrid centres or the 900 100 019 freephone shareholder line, a thirty per cent increase in calls over the 1999 figure. …	i 1	
	Q			u 5 i 2 pt nt n c Σ 7	
2. Flexibility	98	3	In the Report for 1997, I stated that we had taken the necessary measures to meet the competitive challenge ushered in with the new electricity industry. Today, in light of the figures for the year, I am pleased to be able to inform you that IBERDROLA has successfully negotiated this first year of the deregulation process.	u 1	6
	99	5	All these challenges and changes entail a new organisational structure. … The objective of this restructuring is to adapt to the new situation and ensure the organisation operates and responds to the demands of the global market with the necessary agility and flexibility.		
		6	In this new framework, competition is bound to be tough. To meet the situation, we need to be confident, robust, secure in our approach and, above all, highly flexible.	u 5	
	00	7	Once again our power generation facilities proved fully competitive and more than flexible enough to ensure supplies at a profit even under the most difficult conditions, which last year included increases in fuel costs, tariff reductions and constant modifications to the regulatory framework.	u 5	
		10	For the above reasons, together with the degree of legal uncertainty entailed by the Council of Ministers' resolution, the Boards of Directors of IBERDROLA and Endesa unanimously agreed to abandon the merger project.	i 1	
	Q			u 5 i 1 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **IBE** **Iberdrola, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	4	I would like to draw particular attention to a major qualitative change which has led to the orientation of the IBERDROLA Group activities towards telecommunication, a sector with enormous potential for the future. (Iñigo de Oriol Ybarra, Chairman of Iberdrola)	u 3		10
	99	4,5	As a Global Services Operator, we continue, and shall continue in the future, to follow and implement our policy of new investments in industries and sectors we consider to be of vital strategic importance, in particular, Electricity, Gas, Water and Telecommunications, combining investments in sectors and geographical areas with high growth prospects, like Latin America, with business acquisitions in more mature markets in Europe and the USA, as a means of balancing our assumption of risk. All this to achieve our priority objective of maximising value for our shareholders.	u 9		
		41	Mediapark - a firm in which IBERDROLA DIVERSIFICACIÓN has a 30 per cent holding - acquired 15 per cent of the Onda Digital consortium, to develop land-based digital TV.	i 1		
	00					
	Q					
					u 9 i 1 pt nt n c Σ 10	
4. Human Resources	98	42	The IBERDROLA workforce has always been a key factor in efficiency and the generation of value.	hu 3.5		7.5
		42	Cultural Change Seminars were held for our degree and technical staff, whose full, active participation has enabled us to gauge the workforce's level of adaption to the new business culture and confirm the success of the action plans introduced to facilitate the process.	hi 0.5		
		42	At the same time, a new Executive Development Plan was launched. The Plan is designed to ensure the Company has executive personnel available to deal efficiently and effectively with the new kind of strategy requirements and challenges facing what is now conceived as a multiutility, international, diversified Corporation.	hi 0.5		
	99	4	Despite the adverse circumstances, the highly effective performance of the management team in keeping costs down and improving business all round, means that we are able to present to the General Meeting results for the year that are 9.8 per cent higher than in 1998: …			
		5,6	During the year, IBERDROLA intensified work on developing new skills in its top management team and took on new professionals in some area of the Company, including Finance, Human Resources and Communication and Image.			
		54	The Group is fully aware that only a highly-trained, committed workforce will be capable of making a success of its role as Global Services Operator for electricity, gas, water and telecommunications.			
	00	10	It is only fair to emphasise the extraordinary professionalism of the people from both companies involved in the frustrated merger [Iberdrola and Endesa] process. We should also remember that the Company maintained its levels of activity uninterruptedly while the integration project was in full swing. This fact alone speaks volumes for the capacity of everyone working at and for the IBERDROLA Group.			
		54	The Human Resources Plan was designed and completed during the year. Thanks to the HRP, the Company knows it has the right people with the right skills and qualifications in the right jobs. With a view to sharing the Company strategy with all our employees, the target-linked remuneration system was applied to the entire workforce.	hi 0.5 ru 2.5		
	Q					
					u 6 i 1.5 pt nt n c Σ 7.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **IBE** **Iberdrola, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	23	IBERDROLA continued to be a safe, profitable investment for its shareholders in 1998. Bearing in mind IBERDROLA's results in 1998, the proposal to be put to the General Meeting of Shareholders involves a shareout of 78 pesetas gross per share, of which 34 pesetas were paid out through an interim dividend in January, leaving 44 pesetas to be paid out next July. The IBERDROLA dividend is equivalent to 15.6% on the nominal price, an increase of 5.41% over the sum paid in 1997 … .	u 2	7
			In the last four years, the IBERDROLA dividend increased by 20.02%, while the pay-out - the percentage of profits earmarked for the payment of dividends - was reduced from 70.8% in 1995 to 63.5% in 1998.	i 2	
	99	4	We have kept to the path of growth in results and dividends in a year by no means free of difficulties.		
		58	Thanks to the excellent performance of the Group's businesses and the results obtained by IBERDROLA in 1999, the General Meeting of Shareholders will consider a proposal to distribute a dividend of 82 pesetas gross per share. … Profit per share came to 134.8 pesetas, 9.8 per cent up on the previous year's figure and 46.8 per cent up on the return for 1995. … In 1999, return per dividend amounted to 3 per cent, well above the average figure of 1.8 per cent for companies in the electricity industry as a whole.	u 5	
	00	37	Total return for the shareholder (including dividends paid) amounted to 0.7 per cent.		
		38	Thanks to the IBERDROLA Group's excellent results in 2000, the General Meeting of Shareholders will consider a proposal to distribute a dividend of 0.54 euros gross per share		
		39	The dividend proposed is equivalent to 18 per cent on the nominal share price and an increase of 9.6 per cent with regard to the figure of 1999. …Payments on IBERDROLA dividends have increased 27.64 per cent in the last five years … In 2000, IBERDROLA profit per dividend came to 3.6 per cent, as opposed to the figure for Ibex-35 businesses of 1.5 per cent and the figure for companies in the electricity industry, which fell on average below 2.9 per cent.		
	Q			u 5 i 2 pt nt n c Σ 7	
6. Growth	98	3	In line with our declared strategy of growth, in 1998 we continued the processes of diversification and internationalization, both designed to bring us closer to our goal of becoming a global services operator.	u 1	7
	99	2	Now present in more than 20 countries in Europe, America and Asia, ithe IBERDROLA Group's strategic objective is to become a Global Service Operator in electricity, gas, water and telecommunications. This target is to be achieved through profitable growth involving geographical expansion and diversification of the range of customer services on offer.		
		4	Today, growth is the principal instrument for the creation of value for the IBERDROLA Group, more so even than our permanent objectives of improving productivity and cost efficiency.	u 7	
	00	8	2000 was also a key year for consolidating our platform for growth in the NAFTA trade area from Mexico.	u 3	
		9	IBERDROLA will continue to grow in the 2001-2004 period, under the strategic development framework established for it to become a Global Services Operator in the power (electricity and gas) and water industries, in telecommunications infrastructures and new technologies.		
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **IBE** **Iberdrola, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	4	A major development in our policy of expansion within the power industry was the strategic alliance with Electricidade de Portugal (EDP), an alliance which entailed, among other things, an ex - change of holdings, which now means that we hold more than 3% of the equity capital of this im- portant Company. Thanks to this alliance, a consortium led by IBERDROLA, and of which EDP is a member, made a successful bid for the privatization of Central American power company Empresa Eléctrica de Guatemala (EEGSA), which has provided us with a new operational base in the region.	u 6	13
	99	21	Strategic alliances with other business groups area an extremely useful for helping the IBER- DROLA Group to grow.		
		41	Special mention should be made of the alliance with the world leader in Internet, Proxicom, and the incorporation of Kristina IBS, a company owned by IBERDROLA DIVERSIFICACIÓN (60 per cent), IBERDROLA SISTEMAS (20 per cent) and Proxicom (20 per cent). Kristina IBS is expected to become a key player in the Group's drive to provide professional services via Internet.	i 1	
	00	7	Alliances struck with Portuguese hydrocarbon concern Galp and Italian power Group Eni-Snam were two major moves in the Company's ongoing bid to strengthen its position throughout the en- tire gas industry value chain and in the Spanish, Portuguese and Mediterranean power markets.	i 1	
		8	Through the ABRARED consortium, we obtained a licence to establish and run fixed public net- works accessed by radio on 3.5 GHz (LMDS).	i 1	
		10	Our acceptance of the conditions [to merge with Endesa] imposed would have had far-reaching implications for the merger project and would have directly affected our ability to comply with our stated mission of creating value for our shareholders.	u 10	
	Q			u 10 i 3 pt nt n c Σ 13	
8. Liquidity of shares	98	22	[the annual report informs about the main trading figures without commentating the liquidity of Iberdrola shares]	u 2	5
	99	58	The IBERDROLA share was one of the most heavily traded on the Spanish stock market, with an average 2.9 million shares being traded daily throughout the year, giving 80.3 per cent annual turnover in equity capital … .	u 5	
	00	38	The IBERDROLA share was in fact one of the most heavily traded on the Spanish stock market, with an average 3.7 million shares being traded throughout the year, a 27.7 per cent increase over the previous year and an annual turnover of share capital of 102.2 per cent.	u 5	
	Q			u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **IBE** **Iberdrola, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	45	With a view to promoting closer relations with autonomous communities, business associations, foundations, universities and European bodies, IBERDROLS introduced a series of measures designed to increase our involvement in Spanish and international programmes, defend our interests, detect opportunities, promote new businesses, run projects and forestall risk.	u 5	6
		51	IBERDROLA Diversificación, as the former UIPICSA is now known, is the flagship company for the IBERDROLA Group's diversification activities. Its basic mission is to promote, develop and manage business projects that contribute to the growth of the Group, improvements in the return for shareholders and risk dispersal.	u 1	
	99	39	IBERDROLA DIVERSIFICACIÓN is the holding company of the IBERDROLA Group's Diversification Area and its mission is to lead business developments that contribute to growth of the Group, to improved profitability for shareholders and risk dispersal.		
		54	the pensions of the current beneficiaries of Subplan B of the IBERDROLA Pensions Plan and of the Juan Urrutia Fund were also assured, thereby definitely guaranteeing the payment of these pensions. The associated risk for the Company was also thus eliminated.	i 1	
	00	45	IBERDROLA Group financial strategy during the year was aimed largely at reducing currency risk and to maintaining a fixed-variable mix in the debt structure, in line with the economic conditions forecast.	u 3	
	Q			u 5 i 1 pt nt n c Σ 6	
10. Competitive advantages	98	2,3	ordinary profit came to 150,085 million pesetas, an increase of 14%. … Two major factors in bringing about these results were the limitation of manageable operating costs, … and the sustained increase in unit operational margins, an increase that goes along way to confirm the excellent competitive position now enjoyed by IBERDROLA in the new [deregulated] market.	1 cost leadership 1 market position	4
	99	39	One of the most significant features of the year was the launch of Proyecto Internet Telecom (I@T), which aims to put IBERDROLA into the lead in the use of Internet as a basic tool for the competitiveness of the Company and of its customers.	1 innovation	
	00	9	All the Group's actions are oriented towards consolidating our leadership in the power industry and, as a Global Services Operator, towards achieving maximum value from our capabilities and our client base, which is currently over 16 million customers, 45 per cent of whom are outside Spain. Forging new businesses and providing new services using new technologies continues to shape up as one of the best ways of diversifying the traditional business and of improving competitiveness, in close association with our client base.	1 access customers	
	Q			u i 4 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **IBE** **Iberdrola, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	3	Two major factors in bringing about these results were the limitation of manageable operating costs, itself a result of the efficiency improvement programmes introduced in 1994, …	u 5	8
	99	44	Financial management at IBERDROLA in 1999 was basically oriented towards reducing the cost of debt … A favourable economic situation, combined with the financial strategy followed by IBER-DROLA in recent years (oriented towards eliminating currency risks in Company debt, and to maintaining a significant proportion of debt at variable rates), has led to a substantial reduction in financial costs, despite the increase in the average debt.	u 7	
		45	Organisational restructuring and savings on operational costs enabled the Company to reduce Personnel Expenses and Other Operating Costs and led to joint savings of 13,302 million pesetas.	i 1	
	00	45	Financial management at IBERDROLA in 1999 was basically oriented towards reducing the cost of debt …		
	Q			u 7 i 1 pt nt n c Σ 8	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	5	5	9	6	5	7	10	5	5	0	7	64
i	additional information	2	1	1	1.5	2	0	3	0	1	4	1	16.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	7	6	10	7.5	7	7	13	5	6	4	8	80.5
	ranking among all 38 companies	24	14	7	10	10	17	1	30	18	22	13	

total score:	80.5	total score without questionnaire:	80.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	7.32	valuation without questionnaire:	7.32
ranking among all 38 companies	11	ranking without questionnaire	9

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.17. *Corporación Mapfre, Compañía Internacional de Reaseguros, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **MAP** **Corporación Mapfre, Compañía Internacional de Reaseguros, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)		Score
1. General attitude towards shareholder value	98					6
	99	15	At the beginning of 2000, CORPORACION MAPFRE, together with its subsidiaries, established target returns on equity (ROE) based on the individual characteristics of each business unit.	u 2		
	00	13	CORPORACION MAPFRE's general management, finance management and investor relation department went to great length to expand communication with analysts and investors. …	i 1		
		15	[objective] To increase ROE from 9% in 2001 to 14% by 2005.	i 1		
	Q		Shareholders are seen as important as other stakeholders.	u 4	u 4 i 2 pt nt n c Σ 6	
2. Flexibility	98					3
	99					
	00					
	Q		Typical forms of organizational flexibility are the decentralization of marketing and sales functions and the specialization by product areas (units). Flexibility is very worthwile. It is measured in qualitative terms.	u 3	u 3 i pt nt n c Σ 3	

98 Annual Report 1998	sp spanish	u general understanding	n no statement
99 Annual Report 1999	ger german	i additional information	c contradiction
00 Annual Report 2000	en english	pt positive tendency	r.. remuneration
Q Questionnaire		nt negative tendency	h.. HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **MAP** **Corporación Mapfre, Compañía Internacional de Reaseguros, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	11	CORPORACION MAPFRE invested a total of Pta 10,164 million in 1998, of which the most significant operations were: …	i 1	10
		18	At the beginning of 1999, CORPORACION MAPFRE established a policy of ROE objectives for its subsidiaries in accordance with their individual characteristics with the aim of improving its own profitability as a holding company. … Without losing sight of the period of slow maturity of its investments in the insurance and re-insurance business, the company is focusing more heavily on increasing the profits and the estimated returns on its new investments.	u 7	
	99	15	Whilst remaining aware of the slow period of maturity for the investments in the insurance and re-insurance activities, the Company is gearing all its efforts towards boosting the results and profitabilities of its investments.		
		15	The investments in non-life insurance in Latin America, as well as in reinsurance and assistence world-wide, show significant scope for growth as well as shared risk across the different profit centres, without diverging from the special areas selected by the MAPFRE's management.		
		15	Major efforts to transfer technology to the direct insurance subsidiaries in Latin America have left them better positioned to grow, and the group to achieve a rapid return on its investments.	i 1	
	00	12	in 2000 CORPORACION MAPFRE invested a total of Pta 17,566 million in Group and associated companies … MAPFRE ASISTENCIA's Pta 1,000 million capital increase to fund the company's continued international expansion.		
	Q		Precondition to undertake an investment is the improvement of the overall ROE (after initial 1-3 years) taking into account the cost of capital. The investment selection procedure consists of a full analysis (including synergies, ROE) by the proposing Unit, review by Corporación MAPFRE Ex Committee and Group Executive Committee. (New) investments are part of the corporate strategy. Investment success is measured through growth and return on investment. There is a continued audit and performance review established. The international investment policy fouces on Insurance and Reincurancce in Portugal and Latin America, also US and Europe in limited "niche" areas.	u 8 u 8 i 2 pt nt n c Σ 10	
4. Human Resources	98				3.5
	99				
	00	25	Training courses and seminars for employees, brokers and agents related with products and activities, as well as meetings and sectoral seminars (construction and real estate development associations, fishing and boating trade fairs, etc.), in order to promote the distribution of the insurance products and services sold by the Company.	hu 2	
	Q		All managers and sales employees (aprox. 60% of total) receive bonus payments in form of cash within 3 months after year end closing, sometimes quarterly or monthly. The characteristics of the company's bonus system are adapted to each business Unit and to each geographical situation, generally: percentage of growth in sales <u>and</u> of operating profit.	ru 1.5 u 3.5 i pt nt n c Σ 3.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **MAP** **Corporación Mapfre, Compañía Internacional de Reaseguros, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	40	The above proposal implies the payment of a gross Pta 91 per share dividend for shares numbered 1 through 60,521,512, inclusive. Part of the dividend (gross Pta 42.50) was already paid out on 2nd December 1998, as per agreed by the company's Board of Directors. The remainder will be paid as from 1st June 1999.	u 1		6
	99	11	The decline in the share price, which the Group considers excessive, underpinned an increase in the dividend yield to 3.35%			
		35	The above proposal implies the payment of a gross Pta 91 per share dividend for shares numbered 1 through 60,521,512, inclusive. Part of the dividend (gross Pta 42.50) was already paid out on 2nd December 1999, as per agreed by the company's Board of Directors. The remainder will be paid as from 1st June 2000.	i 1		
	00	43	The proposal detailed above implies the payment of a gross Pta 95 per share dividend for shares numbered 1 through 60,521,512, inclusive. Part of this dividend (gross Pta 45) was already paid out, as agreed by the company's Board of Directors on 30 November 2000. The remainder will be paid as from 1st June 2001.			
	Q		Dividend payments are indifferent from the shareholder's point of view. However, in practice, many small shareholders opt for dividend. Mapfre's payout (on consolidated profit) amounts to approx. 35/40 per cent.	u 5	u 5 i 1 pt nt n c Σ 6	
6. Growth	98					4
	99	22	In 1999, MAPFRE AMERICA proceeded to implement specific measures aimed at achieving continous improvement as well as paving the way for its future growth. Among the steps taken, perhaps the most important were the analysis and purging of its customer portfolios; the adaption of measures to reduce management expenses (which in all cases should feed through a reduction in the claims/premiums ratios); the implementation of measures to enhance technical claims (e.g. specific plans to battle insurance fraud); and lastly, the adoption of commercial strategies by all subsidiaries, including actions aimed at the development of individual distribution networks.	u 3		
	00					
	Q		Growth is the most important objective of the company. It may be a means to achieve an other objective, namely profit. The company pursues to grow in income, profit and earnings per share. Growth is an objective of the company because it is the condition for continued good service and independence. Market share growth can contribute to shareholder value creation when it is based on technical (operating) profit as "sine qua non" requisite.	u 4	u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **MAP** **Corporación Mapfre, Compañía Internacional de Reaseguros, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	14	As appearing in CORPORACION MAPFRE's consolidated management report for 1997, on 20 January 1998 an agreement of intent was entered into between MAPFRE and CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID, and on 28 July 1998, the two parties signed an agreement which set the framework for the development of corporate co-operation between CAJA DE MADRID and MAPFRE. This co-operation initially embraced three specific areas: activities in Latin America, and banking and insurance operation in Spain.	u 6	8
	99	15	the new agreement with CAJA MADRID implies a major expansion in CORPORACION MAPFRE's insurance operations in Spain, and significantly enhances its potential for future growth by combining the distribution of products through SISTEMA MAPFRE's network with the vast banking network of CAJA MADRID, which has more than 1,700 branch offices. … In addition, the formula choosen (i.e. the creation of the MAPFRE CAJA MADRID SEGUROS holding company) also paves the way for future acquisitions or takeovers of insurance companies without losing control of its current subsidiaries.	i 1	
	00	11	On 31 March 2000 a new framework agreement was signed between SISTEMA MAPFRE and CAJA MADRID, which extended the strategic alliance between the two groups through the merger of their respective insurance activities in Spain, the acquisition by CAJA MADRID of a controlling interest in BANCO MAPFRE and by CORPORACION MAPFRE of the stakes in CAJA MADRID's brokerage and mutual and pension fund subsidiaries, and the full and reciprocal co-operation of the group's sales networks in the distribution of insurance and banking products.	i 1	
	Q		The objective to acquire another firm is to establish an operation in a new country or new business area, [and/or to] strengthen the leadership on domestic market. An adequate ownership structure (mutual holds majority of listed subsidiary) prevents hostile takeovers. Financial and strategical motives must be complementary for a successful merger. Significant milestones of a merger process and post merger integration: reciprocal knowledge, joint planning for further developments. Strategic alliances are better than an acquisition or a merger if there are equal partners with synergy interests.	u 6 u 6 i 2 pt nt n c Σ 8	
8. Liquidity of shares	98	12	Shares of CORPORACION MAPFRE traded for 247 days on the Electronic Market in 1998, implying a trading frequency of 100%. A total of 52,190,259 shares exchanged hands, compared with 43,463,484 a year earlier, an increase of 20% in trading volume. The effective value of these transactions amounted to Pta 235,324 million, against Pta 166,365 million in 1997, a increase of 41.5%.	u 3	6
	99	11	Shares of CORPORACION MAPFRE traded for 250 days on the Electronic Market in 1999, implying a trading frequency of 100%. A total of 42,707,977 shares exchanged hands, compared with 52,190,259 a year earlier, a decline of 18% in trading volume. The effective value of these transactions amounted to Pta 133,785 million, against Pta 235,324 million in 1998, a decrease of 43%.	u 3	
	00	12	Shares of CORPORACION MAPFRE traded for 249 days on the Spanish electronic market in 2000, implying a trading frequency of 100%. A total of 55,729,784 shares changed hands, compared with 42,707,977 in 1999, an increase of 30% in trading volume. The effective value of these transactions was Pta 153,329 million, against Pta 133,785 million in 1999, an increase of 15%.	u 3	
	Q		Liquidity of the company's shares influence shareholder value. The free float of the company is limited to approx. 45%. Liquidity of the share can by enhanced through better communications (Investor relations).	u 6 u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **MAP** **Corporación Mapfre, Compañía Internacional de Reaseguros, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				8
	99	16	[Mapfre Vida] The separation and diversification of the investment protfolios, the optimisation of risk and the return achieved on the portfolios' assets have proven to be key factors underpinning the Company's success until now, as well as the consolidation of its future prospects.	u 5	
		26	The international ratings agency STANDARD & POOR'S has reiterated its AA- rating for MAPFRE RE.		
		28	BANCO MAPFRE continued to follow a strict policy in terms of risk selection, whilst developing and perfecting its risk management systems in order to enhance the quality of its loan portfolio.	u 7	
	00				
	Q		Mapfre is rated AA- by S&P and A+ by BEST. Diversification and optimization of the capital structure reduce risk. Responsible for the Mapfre risk management is the Internal Audit. Concerning the determination of the risk of investment projects a risk map is under elaboration.	u 8 u 8 i pt nt n c Σ 8	
10. Competitive advantages	98				3
	99				
	00	15	[objective] To reinforce its leadership position in the Iberian Peninsula through new products and, as necessary, acquisitions of companies that complement its current operations.	2 choice markets and products	
	Q		Main competitive advantages of the company: best network in the domestic market, Latin America: unique continent-wide franchise.	1 dominance u i 3 pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **MAP** **Corporación Mapfre, Compañía Internacional de Reaseguros, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)		Score
11. Cost management	98	9	In 1998, the company restructured staff in its operations in Venezuela, Chile and Puerto Rico, with the largest reduction in headcount coming in Venezuela (400 employees).	i 1		
		13	Cost ratios in 1998 improved in virtually all of the group's subsidiaries, though we would point out the relative increase in expense at MAPFRE SEGUROS GENERALES as a result of the transfer of its portfolio in Portugal.	i 1		
	99					
	00	27	[Mapfre Caja Salud] Management expenses declined during the year, from 18.16% of premiums written to 15.59%, owing to the policy of tight control over spending.	i 1 u 5		8
	Q		Mapfre runs currently a cost cutting program. Cost management is continued policy in all Units.	u 5		
					u 5 i 3 pt nt n c Σ 8	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	4	3	8	3.5	5	4	6	6	8	0	5	52.5
i	additional information	2	0	2	0	1	0	2	0	0	3	3	13
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	6	3	10	3.5	6	4	8	6	8	3	8	65.5
	ranking among all 38 companies	26	33	7	29	18	30	19	22	11	29	13	

total score:	65.5	total score without questionnaire:	47.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**5.95**	valuation without questionnaire:	**4.27**
ranking among all 38 companies	**26**	ranking without questionnaire	**35**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.18. NH Hoteles, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **NHH** **NH Hoteles, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	3 sp	The inclusion of NH Hoteles in the Ibex 35 index confirms our conviction that we have developed the right formula to create value.	u 6	6
		5	NH has now the objective and the commitment to our shareholders to seek for and find with determination and work new opportunities to grow in order to obtain substantial improvements concerning size and profitability.	u 6	
	99				
	00	20	NH Hoteles continues to focus all its efforts on creating shareholder value.	u 6	
	Q			u 6 i pt nt n c Σ 6	
2. Flexibility	98	6 sp	At the end of 1998 we decided to sell our participation in Arco Bodegas Unidas, a decision, based fundamentally on the incertain evolution of prices of raw material and the following loss of profitability of the business of commercialization of wine as well as the conviction that the funds obtained for the sale increased value if invested in reinforcements of the hotel business.	u 5	5
	99				
	00				
	Q			u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NHH** **NH Hoteles, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	4	[the company has in its 5 executives team of directors one for expansion]			8
		6 sp	As already announced in previous years, the company's strategy consists in selling non-strategic assets and concentrating and strengthening those assets the have the capacity for growth and in which we are market leader.	u 5		
		3	During 1998, the company has initiated two new projects that, without doubt, contribute to maintain the high rhythm of growth in the next years: conquist the economic segment of the market and expand to the Mercursur region.	i 1		
	99	4 sp	During 1999, the company invested end acquired for a value of 59 billion pesetas (€ 354 million) and opened a total of 16 hotels with 2,111 rooms.	i 1		
		4	According to the policy of NH Hoteles to have a product better maintained and more homogeneous than anyone European operator of urban hotels, the company invested 3.6 billion pesetas (21.6 million euros) in renovation and modernization of the existing establishments.			
		9	The planned acquisition of the Duch Krasnapolsky-Golden Tulip group will diversify the base of customers, reduce dependency of the national economy and allows to realize economies of scale.	i 1		
	00					
	Q				u 5 i 3 pt nt n c Σ 8	
4. Human Resources	98	23 sp	The employees of NH Hoteles are the key of our capacity to satisfy the expectatives of our customers regarding the service. Therefore, we maintain a center of training, named "NH University" where our staff has the opportunity to receive courses on a voluntary basis.	hu 2 hi 0.5		4.5
	99	45 sp	NH Hoteles considers that the selection, training and profesional development of its staff contributes to increase their satisfaction and, therefore, facilitates the fulfilling of the objective of the company to offer customers the best service.	hu 3		
		45	Personnel fluctuation was considerably less than in other companies of the sector contributing to the positive image that NH Hoteles holds in the Spanish hotelery industry.	hi 0.5		
	00	48	NH Hoteles prides itself on running the best and most prestigious hotel school in Spain.			
		48	An independent study was carried out in early 2000 in the part of the Group that was formerly owned by Krasnapolsky to measure employee satisfaction. Based on these results, a plan was designed to increase employee satisfaction and improve the Company's business. The conclusions after the first few months of implementation are very positive, with a reduction of absenteeism as well as staff turnover (which is high in Holland because of the job market situation there).	hi 0.5		
	Q				u 3 i 1.5 pt nt n c Σ 4.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NHH** **NH Hoteles, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98					0
	99					
	00					
	Q					
					u	
					i	
					pt	
					nt	
					n	
					c	
					Σ 0	
6. Growth	98	5 sp	NHH Hoteles has the objective to look for new opportunities of growth in order to increase in size and profitability.	u 4		10
		3	During 1998 the company initiated two projects that will contribute to maintain the rhythm of growth in the coming years. First, we launched the brand NH Express destinated to cover the economic segment of the market, and, second the company began its expansion in Latinamerica, concretely in those countries belonging to the area Mercosur.	i 1		
	99	4 sp	In 1999, continued the strong growth of NH Hoteles both on national level in the segments of four stars and economics and on international level in the Mercosur region of Latin America.			
		9	The integration of the Dutch Krasnapolsky-Golden Tulip hotels belonging to the most profitable in Europe lets us maintain our high rate of growth and, thanks to our major size, seek actively the creation of value added because of our greater possibilities of growth.	u 7		
	00	6	Thanks to the merger with the Dutch chain, Krasnapolsky, and the policy of constant, organic growth, the company has almost doubled in size, from 89 hotels with 10,432 rooms, to 168 hotels with 22,468 rooms as of 30 April 2001. … the chain has kept up this growth and in the first months of the year opened 4 new hotels in Switzerland and Germany with 641 rooms, and 2 in Holland with 231 rooms.	i 1		
		7	The Company has maintained a high rate of growth in the first quarter of 2001, achieving a 100% rise in revenue.	i 1		
	Q					
					u 7	
					i 3	
					pt	
					nt	
					n	
					c	
					Σ 10	

98 Annual Report 1998 — sp spanish — u general understanding — n no statement
99 Annual Report 1999 — ger german — i additional information — c contradiction
00 Annual Report 2000 — en english — pt positive tendency — r.. remuneration
Q Questionnaire — nt negative tendency — h.. HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NHH** **NH Hoteles, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	7 sp	NH Hoteles states that the merger between COFIR [Corporación Financiera Reunida, S.A.] and NH Hoteles [Grupo Catalán, S.L.; Cartera NH, S.A.; Gestión NH, S.A.; NH Hoteles, S.A.] culminated the change of strategy of the society.	u 7	10
		40	It was intentioned to simplify the structure of the group by merger.		
		24	In 1998, NH Hoteles has exceeded 45,000 contracts with Spanish and foreign companies, between them the principle listed companies, financial institutions, and consulting firms which form part of the hard core of our clientele.	i 1	
	99	30	NH Hoteles entered in a strategic alliance with Equity International Properties, Inc., an investment fund, that obliged itself to invest a total of 42.5 million dollars for a participation of 25% in Latino-americana de Gestión Hotelera, S.A. … EIP will contribute a significant experience of great impor-tance. Secondly, the investment helps NH Hoteles to continue with a rapid growth in the region.	u 7	
	00	5	Following last July's merger with the Dutch chain, Krasnapolsky, the NH Hoteles Group (www.nh-hoteles.com) has become Europe's third business hotel chain and is the market leader in the major cities in which it is present.	i 1	
		14	The success of the operation [merger] was mainly the result of the Group's strategic apporach, the synergies between the two companies and the strength of their brands in their respective countries.		
		20	The stock market has responded very positively to the decisions taken by the Company in 2000, especially the NH Hoteles-Krasnapolsky merger. As a result, the share price of NH Hoteles rose by 17.7% in 2000 while the IBEX fell 21.75%…	i 1	
	Q			u 7 i 3 pt nt n c Σ 10	
8. Liquidity of shares	98				4
	99				
	00	5	The NH Group is quoted on the Madrid stock exchange (forming part of the selected IBEX 35) and on Euronext (which combines the Amsterdam, Brussels and Paris stock exchanges). The Com-pany forms part of the European stock exchanges' Stoxx 600 that include Europe's leading com-panies, and is listed on the New York stock exchange as a level 1 ADR (American Depositary Re-ceipts).	u 4	
	Q			u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NHH** **NH Hoteles, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	6 sp	In this sense, at the end of 1998 we took the decision to sell our participation of Arco Bodegas Unidas, a decision, that is fundamantally based in the uncertain evolution of raw material prices.	i 1	5
	99	26	In 1999 the company introduced clausulas of variable rentings in the contracts of rented hotels with the owners in order to participate them in the success of those hotels and to reduce costs. At the end of the year, approximately 25% of the renting costs were variable.	u 4	
	00				
	Q			u 4 i 1 pt nt n c Σ 5	
10. Competitive advantages	98	sp 11 15	The NH concept has crossed all barriers converting itself in an imperative reference. It is not rare to listen to slogans like those:'Its like a NH…', 'in that copied the NH…', 'The NH do have…'. At NH Hoteles little details convert to big differences.	1 reputation 1 differentiation	4
	99	7 sp 11	NH Hoteles continues to maintain its strong position as principal operator of hotels in Spain. … However, not only the number of hotels characterizes our leadership. In 1999, the company launched the credit card NH Club American Express in Spain, that allows the customers of NH Hoteles to participate in the world's biggest program of fidelity, Membership Rewards, and at the same time it gives our clients access to American Express. In Spain, NH Hoteles is known for its motto "Question of detail". Customers consider and expect the difference in products and services that NH offers them.	1 market position 1 size differentiation	
	00	7 15	NH Hoteles and Golden Tulip (the main Krasnapolsky brand) are the best-known brands in their sector in Spain and the Benelux countries, respectively. NH is recognised by 92% of Spaniards as the leading urban hotel company. Market research clearly positions NH Hoteles as the leading chain in Spain in terms of quality and service and as the preferred choice for business travellers. through the creation of a Global Marketing Department to support the adopted brand structure, the Group's image will be reinforced and shareholder value enhanced.	differentiation quality reputation	
	Q			u i 4 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NHH** **NH Hoteles, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99	12 sp	NH Hoteles has centralized the purchase of fish and seafood for all its hotels in Madrid realizing a 8% cost reduction and a significantly higher quality. The measure will be extended to other products like meat and in other cities as Barcelona, Sevilla and Valencia in the year 2000.	i 1	
		14	The concentration of demand by 14 hotels reached to lower electricity prices by more than 20%. During thisn year, the company is amplifying this practice to 18 hotels, what represents another 24% of total electricity costs.	i 1	
	00	8	Starting with the Golden Tulip hotels, the Group has introduced the "benchmark" financial system for their food and beverage departments. This system improves order management, facilitates catering planning, increases cost savings and enhances product conservation and quality.	u 6	9
		9	due to the large purchase volumes [of wine], significant cost savings have been achieved.		
		15	The cost savings [because of the merger NH - Krasnaplosky] should easily exceed 25 million euros in 5 years.	i 1	
		42	The prime objective of the maintenance and engineering divisions of the NH Hoteles Group is the installation of systems that guarantee total safety for guests and generate maximum savings on energy for the Company.		
	Q			u 6 i 3 pt nt n c Σ 9	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	6	5	5	3		7	7	4	4	0	6	47
i	additional information	0	0	3	1.5		3	3	0	1	4	3	18.5
pt	clearly positive tendency	0	0	0	0		0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0		0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0		0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0		0	0	0	0	0	0	0
	TOTAL	6	5	8	4.5		10	10	4	5	4	9	65.5
	ranking among all 38 companies	26	21	22	21		2	11	32	20	22	7	

total score:	65.5	total score without questionnaire:	65.5
relevant variables:	10	relevant variables without questionnaire:	10
valuation:	**6.55**	valuation without questionnaire:	**6.55**
ranking among all 38 companies	**22**	ranking without questionnaire	**21**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.19. Banco Popular Español, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **POP** **Banco Popular Español, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				9
	99	8	The creation of economic added value for shareholders on an ongoing basis over time is the ultimate management objective at Banco Popular, and the only framework of reference to justify any decision or action for change. In pursuing this objective, the regularity and growth of earnings must be the permanent priority. Likewise, active management of the capital base unquestionably contributes to the creation of value for shareholders by increasing the return of equity, efficiency and productivity, and earnings per share.	u 9	
	00				
	Q			u 9 i pt nt n c Σ 9	
2. Flexibility	98	12 sp	One of Popular's permanent objectives is to maintain a light, horizontal and flexible structure.	u 7	8
	99	7	Banco Popular, while maintaining its own identity, also changed during 1999. The year opened with a broad-ranging ronovation of the organization structure, with the accent on flexibility and on adapting it to the new circumstances of the environment.	u 7	
		8	Maintenance of the Bank's own identity and of its management model, the validity and efficacy of which have been demonstrated in widely varying social, political and economic circumstances, cannot signify immobility, resistance to change, rigidity of approaches, nor a descent into complacency. On the contrary, openness, capability to change, flexibility and self-criticism are the elements that make it possible to maintain and strengthen the credibility of the model in the future.	u 8	
	00	12	Management criteria - … Flexible, flat and customer-orientated organization	u 7	
	Q			u 8 i pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **POP** **Banco Popular Español, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98				6
	99				
	00	45	in 2000 the ROIF [return on invested funds] was 3.26% and the ROFL [return on financial leverage] was 23.90%, with increases of 0.37 and 1.91 percentage points, respectively, over 1999.	u 6	
	Q			u 6 i pt nt n c Σ 6	
4. Human Resources	98				3.5
	99	8	Active management of the Bank's intellectual capital, by means of the rejuvenation, dynamization and skill-enhancement of the staff, and the availability of suitable technologies for operation of the business are essential elements for achieving that regularity in earnings growth.	hu 3	
		37	… the final result of the four [early retirement] plans .. show clearly that their importance lay both in the annual savings of personnel costs and in the rejuvenation and dynamization of the Bank's intellectual and human capital which the plans made possible through the recruitment of new staff	hi 0.5	
	00				
	Q			u 3 i 0.5 pt nt n c Σ 3.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **POP** **Banco Popular Español, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	37 sp	The Board of Directors proposes to pay a dividend of 325 pesetas per share - a total of 36,002 million pesetas - to the 110,775,000 shares in circulation. This means to pay out 53.2% of the net income for the year.	u 1		7
	99	41	In 1999 the number of Banco Popular shares was altered as a result of the buyback in the market of 2,197,942 shares and their subsequent cancellation in December.	u 4		
		41	Out of the amount allocable to the shareholders, the Bank's Board of Directors proposes to distribute a dividend of Euros 2.15 per share (involving a total of Euros 234,041,000). This proposed dividendn represents a pay-out of 54.09% of the net income for the year.	i 1		
	00	12	Management criteria - … Regularity in the conduct of the business, in earnings and in dividends	u 5		
		45	The closing price of Banco Popular common stock was Euros 37.10 at 2000 year-end, compared with Euros 32.38 at the end of 1999, a revaluation of 14.6%; including the dividends paid during the year, the revaluation was 17.8%.			
		46	In 2000 the Bank acted in the market as a buyer for 2.06% of the shares traded ans as a seller for the same percentage, mainly in connection with the share buyback and subsequent cancellation described in Note 2 h) to the financial statements.	i 1		
	Q				u 5 i 2 pt nt n c Σ 7	
6. Growth	98					8
	99	8	Concentration on the basic principle of growth with profitability enabled the Bank to end the year with net interest revenue in excess of Euros 1,000 million, 4.9% higher han in 1998.	u 6		
	00	8	The business objective in quantitative terms is an ambitious one: to grow more than the system as a whole and to increase the Bank's market share, with its sights set on doubling its size at medium term.	i 1		
		8	To this end, the Group will in the first place opt for the route of organic growth, together with the purchase of going concerns if and as market opportunities arise.	i 1		
		12	Management criteria - Profitable growth of the business (increase of market share and maximization of income)	u 6		
	Q				u 6 i 2 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **POP** **Banco Popular Español, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				0
	99				
	00				
	Q			u i pt nt n c Σ 0	
8. Liquidity of shares	98	47	[The annual report informs about the daily average of traded shares.]		6
	99				
	00	13	On February 14, 2000, the resolution adopted by the Shareholders Meeting on December 16, 1999, to reduce the face value of each share from Euros 1 to Euros 0.5 and to simultaneously double the numbers of shares outstandingn from 108,577,058 to 217,154,116 (a 2x1 split), consequently without altering the amount of capital stock was put into effect.	u 6	
		46	The volume of trading in Banco Popular shares form 1996 to 2000 is plotted in Figure 22 [from 4,429 million Euros to 8,056 million Euros; +81.9%], highlighting the high degree of liquidity of the stock. The number of shares traded in 2000 was 211,194,588, representing 97.3% of the total common stock outstanding.	u 5	
	Q			u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **POP** **Banco Popular Español, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	15 es	In June 1998 Moody's increased the long-term rating from former Aa2; the same rating agency qualified the bank globally with an "A" rating for its financial strength. …These ratings have now a special meaning since many leading banks were downgraded because of the international financial crisis which has its origin in South-East Asia.	u 4	10
		21	[the bank details its management of various sorts of risk]	u 8	
		22	The bank seeks always to revise and improve processes of prevention and control. The system bases in two lines of action: daily control and monthly rating of risks		
		24	The insolvency rate amounts to 1.10%,0.40 points less then the average of the sector.	i 1	
	99	16	Leading international rating agencies have awarded Banco Popular the highest ratings in the Spanish financial sector.		
		22	The performance and quality of a banking group's management are basically measured by its ability to develop policies and procedures which enable the risk assumed to be managed efficiently.		
	00	16	The ratings assigned to Banco Popular by the three leading international rating agencies are the highest of any in the whole Spanish financial system.		
		20	61.2% of total loans and discounts related to single transactions not exceeding Euros 150,000, 19.5% to transactions between Euros 150,000 and Euros 600,000. These figures evidence the high degree of diversification of risks.	i 1	
		23	The core factor in the banking business is efficient risk management, and its analysis is therefore a key element in evaluating a credit institution.	u 7	
	Q			u 8 i 2 pt nt n c Σ 10	
10. Competitive advantages	98	15 sp	The principal international rating agencies qualify Banco Popular with the best ratings within the Spanish financial system. This gives the bank a competitive advantage with respect to the interest margins.	1 cost leadership	1
	99	8	At the end of 1998, Banco Popular had an efficiency ratio of 41.9%, significanly better than in the previous year and again with a clear differential over Spanish banks as a whole.	cost leadership	
	00				
	Q			u i 1 pt nt n c Σ 1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **POP** **Banco Popular Español, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	43 sp	Banco Popular has in place, on a permanent basis formal mechanisms for monitoring and controlling operating costs, aimed at eliminating nonproductive expenses, achieving growing rationalization of back-office processes, technological development, and tailoring its human resources - both in number and quality - to the real needs of the business. All this has enabled the Bank to maintain, with natural annual fluctuations, levels of efficiency which compare very favorably with those of other Spanish and international banks. In this context, the bank designed an extraordinary plan of pre-jubilation. The result is personnel cost savings of 1,737 million pesetas in 1996, 2,298 million pesetas in 1997, and 1,997 million pesetas in 1998.	u 7 i 1	9
	99	8	The effort to optimize and contain operating costs so as to achieve greater operating efficiency is a permanent requirement.	u 5	
		37	Banco Popular has in place, on a permanent basis formal mechanisms for monitoring and controlling operating costs, aimed at eliminating nonproductive expenses, achieving growing rationalization of back-office processes, technological development, and tailoring its human resources - both in number and quality - to the real needs of the business. All this has enabled the Bank to maintain, with natural annual fluctuations, levels of efficiency which compare very favorably with those of other Spanish and international banks.		
	00	35	The level of operating efficiency - i.e. the percentage of ordinary revenue absorbed by operating costs - continued to improve and at 2000 year-end stood at 39.11% (after elimination from ordinary revenue of the aforementioned gain because of its nonrecurring nature), compared with 41.90% in 1999.	i 1	
	Q			u 7 i 2 pt nt n c Σ 9	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	9	8	6	3	5	6		6	8	0	7	58
i	additional information	0	0	0	0.5	2	2		0	2	1	2	9.5
pt	clearly positive tendency	0	0	0	0	0	0		0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0		0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0		0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0		0	0	0	0	0
	TOTAL	9	8	6	3.5	7	8		6	10	1	9	67.5
	ranking among all 38 companies	12	3	30	29	10	13		22	5	34	7	

total score:	67.5	total score without questionnaire:	67.5
relevant variables:	10	relevant variables without questionnaire:	10
valuation:	6.75	valuation without questionnaire:	6.75
ranking among all 38 companies	18	ranking without questionnaire	16

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.20. *Centros Comerciales Carrefour, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **PRY** Centros Comerciales Pryca, S.A. (1998 only) / **Centros Comerciales Carrefour, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				-1
	99				
	00				
	Q			u i pt nt n -1 c Σ -1	
2. Flexibility	98	15	Pryca has historically been a change leader in market trends, seeking flexibility in our commercial formulas and adapting to customer needs.	u 7	7
	99				
	00				
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PRY** **Centros Comerciales Pryca, S.A. (1998 only) / Centros Comerciales Carrefour, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	19	During 1998 and 1999, Pryca will invest some six billion pesetas in modernizing its malls. Once done, the company will operate the most modern shopping centers in the country, with a new, fresh offering in the way of shopping, leisure, and restaurants.	u 3	4
	99	4 sp	Investments reached 31,293 million pesetas in 1999 which were assigned fundamentally to realize reforms in hypermarkets and to prepare future openings of new markets. At the moment there are three new hypermarkets in construction: Pamplona, Covera (Asturias) and La Maquinis-ta (Barcelona).	i 1	
	00				
	Q			u 3 i 1 pt nt n c Σ 4	
4. Human Resources	98	3	we invested heavily in our human resources, with special attention to promoting teamwork.	hi 0.5	4.5
			The opening of a new training center was an important part of this effort.	hi 0.5	
		21	Pryca is striving to transform internal training into an integral part of its corporate culture, making it a strategic component of long-term company plans.		
		21	A total of 2,165 people on the Pryca payroll were converted from temporary to permanent labor contracts. This is proof of the company's commitment to promoting job security.		
		21	1998 saw a strong reinforcement of our policy toward internal promotion. 320 members of the Pry-ca staff were promoted during the year, up by 110 in comparision with 1997.	hi 0.5	
	99	4 sp	Personnel and other general expenses increased sligthly at a 2% rate principally because of a strong investment in training …		
		11	This year's training plan comprised 45 courses for executives and 39 courses for the staff what permitted to train 13,300 people.		
	00	11	In October an employee share plan was set up with the slogan A Shared Value. All employees of the group worldwide had the opportunity to acquire Carrefour shares. The operation was a com-plete success, reaching a 38% participation in this country.		
		19	In the area of human resources the strategic objective for the year 2000 was the integration of people coming from the two companies that merged to form the new Carrefour. The coordinated action of the different departments involved has enabled this to be achieved efficiently and effectively. For Carrefour, human resources' policy plays a vital role in future de-velopment, since one of the most important assets the company has is its own employees. This policy is built on three basic pillars: Employment, selection and development; Personnel management; Training.	hu 3	
	Q			u 3 i 1.5 pt nt n c Σ 4.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PRY** **Centros Comerciales Pryca, S.A. (1998 only) / Centros Comerciales Carrefour, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	5 sp	The Board of Directors proposes the distribution of a dividend totalling 64% of the net profits of the financial year, that means 13,247 million pesetas. The gross dividend per share amounts to 70 pesetas.	u 1	1
	99				
	00				
	Q			u 1 i pt nt n c Σ 1	
6. Growth	98	3	Our expansion plays an important role in helping to promote the commercial development of the areas of influence where we locate, by modernizing the retail distribution network and stabilizing prices.	u 0	4
	99				
	00	24	Carrefour will maintain constant growth in the hypermarket channel with the scheduled opening of 20 new centres in the 5 year period 2000-2004 and an investment of over 1,500 million euros.	u 1	
		38	[chapter "Supermarkets"] The expansion plan for 2001-2003 sets a target of 100 new stores to be opened, with a total investment of 150 million euros. Together with a progressive growth of profitability, the plain aims to achieve greater consumer awareness of the Champion ensign, to increase customer loyality and to develop a new retail model based on the company's recognised attributes, but striving day by day to improve on those aspects that give it its competitive edge: quality, price and personal service.	u 4	
	Q			u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PRY** **Centros Comerciales Pryca, S.A. (1998 only) / Centros Comerciales Carrefour, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				6
	99	3 sp	I would like to stress the willingness to serve customers and consumers, who jointly with the share-holders, will benefit from this merger. (Pablo Vallbona, Chairman)	u 3	
		3	Pryca and Continente as the affiliated companies of the new group in Spain, commenced immedia-tely the necessary works of the legal and commercial integration of both entities with the objective to combine the most valid aspects of the two leading companies concerning techniques and human resources.	u 5	
	00	5	The gross margin has benefited form a number of factors resulting from the merger process, such as improvements in purchasing, supply, rationalisation of national and international sourcing, etc.	i 1	
	Q			u 5 i 1 pt nt n c Σ 6	
8. Liquidity of shares	98	22	The liquidity of Pryca shares has grown handsomely, making it easy for our shareholders to con-duct transactions. During 1998, a total volume of 88 million shares were traded, more than double the 42 million traded only three years earlier, in 1995.	u 7	7
	99				
	00				
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PRY** **Centros Comerciales Pryca, S.A. (1998 only) / Centros Comerciales Carrefour, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				
	99				
	00	28	With this frame of reference Carrefour positions itself in the fresh foods market with a retail model that ensures differnentiation and consumer proximity. The company insists on maximum control at point of origin and so, with the aid of an extended network of platforms, buyers and quality controllers, guarantees the best fresh produce in all its stores. … Quality of the rest of the fresh produce sold in the chain is assured by analytical controls of products and by processes carried out by the Carrefour's Quality Department. This department carries out every year more than 60,000 analyses and 750 internal and external audits, through laboratories approved by ENAC.	u 3	3
	Q			u 3 i pt nt n c Σ 3	
10. Competitive advantages	98	3	Coinciding with the 25th anniversary of Prica's first hypermarket, the pioneer in this retail format in Spain, the company carried out the first phase of its two-year strategic plan, primarily designed to substantially enhance the range we offer our customers and to complete a comprehensive remodelling of our hypermarkets to assure our competitiveness for the future.	1 innovation 1 choice products 1 reputation	
		15	All our efforts in the way of investment, changes, and training for teamwork are aimed at maintaining Pryca on the cutting edge of the hypermarket sector in Spain.	1 differentiation personnel	
		17	PRYCA OPTICAL … In line with Pryca's competitive policy, customers for optical products again are finding the lowest prices in the market..	1 cost leadership	
	99	3 sp	Once the merger is approved by the European Commision … we become a new leader group that disposes of more professional and material capacity, with centers of different formats, and important synergies which will come to light in the current and future financial years.	1 size	
	00	3	It is our firm resolve to maintain the leadership that we currently enjoy and to earn the right to be called the best.	reputation	6
		6	Commercially, 2000 saw the birth of Carrefour's own brand, with a total of 1,500 articles, in which we have every confidence. These articles are going to give us market leader quality, but at a very competitive price.	differentiation	
		32	Own Brand, a differentiator Carrefour was a pioneer in the commercialisation of the Own Brand.		
	Q			u i 6 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PRY** **Centros Comerciales Pryca, S.A. (1998 only) / Centros Comerciales Carrefour, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00	5	The gross operating result totalled 283.2 million euros, which represents a rise of 18.8% over the previous year. This growth was mainly due to two factors: the optimising of logistical costs and margin mix, and the strict control of distribution costs.	u 5	9
		14	ABC (Activity Based Costing) is being studied, in order to put in place an end-to-end cost control throughout the entire supply chain, from factory to point of sale.	u 9	
	Q			u 9 i pt nt n c Σ 9	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	0	7	3	3	1	4	5	7	3	0	9	42
i	additional information	0	0	1	1.5	0	0	1	0	0	6	0	9.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	-1	0	0	0	0	0	0	0	0	0	0	-1
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	-1	7	4	4.5	1	4	6	7	3	6	9	50.5
	ranking among all 38 companies	36	7	35	21	37	30	29	7	31	6	7	

total score:	50.5	total score without questionnaire:	50.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	4.59	valuation without questionnaire:	4.59
ranking among all 38 companies	34	ranking without questionnaire	33

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.21. Ebro Puleva, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **PUL** **Ebro Puleva, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98		Annual Report not available	n -1	-2
	99				
	00				
	Q			u i pt nt n -2 c Σ -2	
2. Flexibility	98		Annual Report not available		-1
	99				
	00				
	Q			u i pt nt n -1 c Σ -1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PUL** **Ebro Puleva, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98		Annual Report not available			3
	99					
	00	13	Puleva continues to pursue its strategy of investing heavily in the incorporation of state-of-the-art and efficient technology, which enables it, among other things, to diversify its production, including products with a high nutritional value and high added value. The group invested over 2.5 billion pesetas in this area during 2000 and plans to invest a further 3.5 billion pesetas in 2001, the lion's share of these investments being applied in the manufacture of a new range of yoghurts.	u 2 i 1		
	Q				u 2 i 1 pt nt n c Σ 3	
4. Human Resources	98		Annual Report not available			2
	99	26	The General Ordinary Shareholders' Meeting held on July 7, 1999 agreed a share capital increase with exclusion of the preferential right of subscription to meet the commitment derived from the incentive plan for key personnel implemented by the Company in previous years … Part of the metioned incentive plan has been exercised by certain beneficiaries seeing that the objectives and requirements laid down in previous years had been complied with.	hu 1		
		39	In accordance with the parent company's by-laws, the Board of Directors' remuneration is calculated as a maximum of 0.25% of annual turnover.	ru 0		
	00	11	We continued our policy of training the different employees of the company both in new technologies and supplementary training and in the correct use of tools and apparatus with a views to improving safety at work.	hu 1.5		
		15	[Puleva Biotech] has hired a number of people with extensive experience in the area of nutrition, biomedicine and biotechnology, all of whom have been in research centres overseas and some have already worked in biotechnology and nutrition enterprises … Apart from this senior group, junio researchers (doctors) are being recruited with a very high level, who will be of enormous assistance in the preparation and execution of projects.	hi 0.5		
	Q				u 1.5 i 0.5 pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PUL** **Ebro Puleva, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98		Annual Report not available		3
	99				
	00	54	Against the 18.31% drop of the Ibex35 in the last quarter of 2000, the price of the Azucarera Ebro Agrícolas share fell by only 11.25%. The high dividend yield by the shareholders of Azucarera Ebro Agrícolas, who received 44 pesetas gross per share on 15 December 2000, should also be taken into account.	u 3	
	Q			u 3 i pt nt n c Σ 3	
6. Growth	98		Annual Report not available		1
	99				
	00	2	The merged company [Azucarera Ebro Agrícolas and Puleva] brings together the leaders of three very important sectors of the Spanish food industry - sugar, dairy and rice -, generating a mega business project, which, with a turnover of more than 350 billion pesetas, equity of over 100 billion pesetas and a healthy financial position, will enable us to embark on new growth projects.	u 1	
		3	Through our now extensive and varied commercial networks and an adequate marketing of the wide range of products of the company, it will also be possible to launch them on new markets and expand existing markets, seeking that organic growth achieved only by organisations that are capable of shining out above the rest and adapting to the demands and needs of the food market.		
	Q			u 1 i pt nt n c Σ 1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PUL** **Ebro Puleva, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98		Annual Report not available		9
	99				
	00	3	Our principal mission in the forthcoming year will be the integration of all aspects of the new company, seeking synergies and business opportunities. I am sure that this process will bring significant savings on the services that are common to the different areas of activity and, moreover, through the R+D work we have now combined, we will be able to advance in the development of new products that will create synergies in value added that must surely derive from the consumer-orientated focus that I mentioned ealier. [José Manuel Fernández Nornniella, Chairman]	u 8	
		10	R+D Activity … We are working jointly with other institutions, on the international scale, on the radical technological innovation project, …	i 1	
	Q			u 8 i 1 pt nt n c Σ 9	
8. Liquidity of shares	98		Annual Report not available		2
	99	26	Likewise, the Annual General Shareholders' Meeting held on July 7, 1999 agreed to carry out a countersplit of the shares on a one for three basis.		
		26	Thus, at December 31, 1999 the share capital consisted of 290,036,500 bearer shares with a nominal value of 0.18 euros each, fully subscribed and paid up, which are listed on the Continuous securities market in Madrid, Barcelona and Bilbao, the share capital amounting, therefore, to 52,206,570 euros (8,686 million pesetas).	u 2	
	00	54	During this short financial year [October to December], a total of 2,198,302 Azucarera Ebro Agrícolas shares were traded, representing 3.3% of the subscribed, paid-up share capital of the company. The average daily volume of trading was 37,259 shares. The effective value of the shares traded during the period was 5,117 million pesetas.	u 2	
	Q			u 2 i pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PUL** **Ebro Puleva, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98		Annual Report not available		-1
	99				
	00				
	Q			u i pt nt n -1 c Σ -1	
10. Competitive advantages	98		Annual Report not available		1
	99				
	00	3	However, in view of the possible new changes suggested for future regulations of this sector [sugar], we must now, more than ever, step up the actions designed to improve our competitiveness, although we are confident that the changes will be imposed gradually.		
		3	At the same time we must persist in our efforts to improve efficiency and competitiveness, deep-rooted in the different groups of individual forming this enterprise.	1 cost leadership	
		7	During this period we pursued our policy of adapting our production centres to the levels of competitiveness required by our belonging to the EU market area in which we compete.		
	Q			u i 1 pt nt n c Σ 1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **PUL** **Ebro Puleva, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98		Annual Report not available		
	99				
	00	8	it is worth highlighting the improved productivity on the La Rinconada Distillery and the considerable reduction it has achieved in power consumption.	u 4	5
		20	The company [Chilean subsidiary] is making a thorough internal reorganisation, streamlining structures and cutting expenses, to come through this difficult period. At the same time, agricultural production and industrial plant productivity are being improved considerably, with the consequent enhancement of cost efficiency.	u 2 u 5	
	Q			u 5 i pt nt n c Σ 5	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	0	0	2	1.5	3	1	8	2	0	0	5	22.5
i	additional information	0	0	1	0.5	0	0	1	0	0	1	0	3.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	-2	-1	0	0	0	0	0	0	-1	0	0	-4
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	-2	-1	3	2	3	1	9	2	-1	1	5	22
	ranking among all 38 companies	38	37	38	36	31	37	13	37	37	34	26	

total score:	22	total score without questionnaire:	22.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	2.00	valuation without questionnaire:	2.00
ranking among all 38 companies	38	ranking without questionnaire	38

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.22. *Repsol, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **REP** **Repsol, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	7	Finally, I would like to thank you for your confidence, and assure you that we will make every effort to increase the value of your company, and maximise the return on your investment as a share-holder in Repsol. [Alfonso Cortina de Alcocer, Chairman and CEO]	u 10	11
	99	4	Indeed, Repsol YPF shares underwent the second highest revaluation among the largest oil companies in 1999, and the highest in this category for the period 1996 to 1999, thus confirming that our ongoing strategy is consistent and efficient, and has served to benefit nearly one million shareholders.	i 1	
		5	To close, I would like to thank all of you for your confidence in our company, and assure you once again that our future actions will always be intended to create value for our shareholders. (Alfonso Cortina, Chairman and CEO)		
	00	5	Finally, I would like to offer my sincere thanks to you for placing your confidence in our company, and stress once again that all our actions are intended to increase Respol YPF stock value.		
	Q			u 10 i 1 pt nt n c Σ 11	
2. Flexibility	98	6	Repsol is pro-active in seeking continous improvement in all aspects of its business.	u 5	5
	99				
	00	4	As far as the new technology is concerned, Repsol YPF has responded to the challenge with speed and efficiency.	u 5	
	Q			u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding
99	Annual Report 1999	ger	german	i	additional information
00	Annual Report 2000	en	english	pt	positive tendency
Q	Questionnaire			nt	negative tendency

n no statement
c contradiction
r.. remuneration
h.. HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **REP** **Repsol, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	6	At the beginning of 1999, Repsol took an important leap forward in acquiring a 14.99% stake in YPF. This was a milestone in our strategy to further strengthen our Latin American presence and raise the level of our reserves.		9
		6	Our 1998 investment policy was consistent with Repsol's long-standing strategy for future strength and growth.		
		29	A sum of 30,492 million pesetas was invested in base and derivative chemicals during 1998. The main project currently under development is the styrene monomer complex, which will treble productions using cutting edge technologies available only to Repsol and two other companies in the world.	u 3 i 1	
	99	5	We will be selective in our investments, taking up only those which serve our priority target to reduce debt leverage below 40%. We will always be open to further external expansion, limited only by criteria of strategic coherence and value creation.	u 8	
	00	3	Company performance in 2000 was exceptional, mainly as a result of the favourable timing of our strategy to acquire YPF the year before. Indeed, YPF added 959.8 million euros to company profit, 2,571 million euros to cash flow, and 0.41 euros to earnings per share, thus making a constant positive contribution from the moment of acquisition.	u 7	
		3	Our strategic acquisition and exploration policies have been decisive for our future expansion plans, and resulted in significantly larger reserves and new oil and gas discoveries.		
	Q			u 8 i 1 pt nt n c Σ 9	
4. Human Resources	98	37	Repsol's human resources team has worked to make sure the right people were doing the right job at the right time throughout the Group.	hu 2.5	4.5
		37	The company's ongoing policy of international expansion has made it necessary to take on new human resources, at the level of experienced technical staff and new graduates, and the very process of expansion has brought higher staff mobility.	hi 0.5	
		37	Training continues to be looked upon as a key factor in Repsol's strategy. … Through a new system of self-training offered by the internal data and information network (Repsol Intranet) …	hi 0.5	
	99	8	The basic challenge for human resources was to locate the most capable members of both companies. The philosophy regarding job suitability was based entirely on capabilities, and resulted in a combination of the management staff from both Repsol and YPF.	hi 0.5	
		36	Great professional mobility has also been required to satisfy the needs of this new integrated business structure.		
		36	… have enhanced the efficiency of training and development programmes for company employees, and created a stronger foundation for better job management in Repsol YPF.		
		36	… a new magazine, called CONECTA … RepsolNet is another in-house communication tool…		
	00	4	Communications and training will play a major part in maintaining a capable and highly motivated workforce. In 2000, a loyality-building programme was introduced, originally for management, but extendable to other members of the company with high levels of responsability.		
		27	During 2000, a Plan to Incorporate New Professionals was established as a company-wide programme for the external selection, contracting and development of recent upper graduates.		
		28	… an integrated human resources management (selection, training, professional development, remuneration, etc.) may be achieved.	hu 3	
		28	… a system of Management by Objectives, and Performance Assessment, was set in place during 2000.		
	Q			u 3 i 1.5 pt nt n c Σ 4.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **REP** **Repsol, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	7	A total gross dividend of 220 pesetas per share, 10% more than in 1997, will be proposed to the Annual General Shareholders' Meeting. This figure represents 45.4% of total profit for the year, and a return of 2.9% on the average share value for 1998.	u 1		6
	99	4	On March 23rd 2000, the Repsol YPF Board of Directors decided to propose to the Annual General Shareholders' Meeting a final dividend of 0.26 euros per share. This is 25.8% more than the final dividend for 1998. The total dividend per share will thus be 0.42 euros, representing a 49.4% payout against Repsol YPF 1999 net income.	u 2		
		11	[total dividend 1998: 0.44 euros, 1999: 0.42 euros, pending approval at Annual General Shareholders Meeting]			
	00	4	On February 28th 2001, the Repsol YPF Board of Directors resolved to propose to the Annual General Shareholders Meeting a gross overall dividend of 0.5 euros per share against the 2000 financial year. Total dividend payout, at 610 million euros, will thus be 22.33% higher than the dividend for 1999, and equivalent to 25.1% of Repsol YPF 2000 net income. This proposed dividend successfully addresses two corporate targets: substantially higher shareholder earnings, and compliance with the financial debt reduction programme.	u 5		
	Q				u 5 i pt 1 nt n c Σ 6	
6. Growth	98	6	Furthermore, the company's profitability - traditionally one of the highest in the sector - has not been affected by the company's growth policy. At the end of last year, return on shareholders' equity was 15.1%, and return on capital employed was 10.6%.	u 2		8
		7	The company's international operations will become increasingly important in coming years, both in terms of revenues and results. Additionally, there are growth prospects resulting from our alliances with other major companies. In short, the future looks very bright.	u 4		
	99	4	Repsol YPF is a larger company with a more balanced business mix, and a higher growth capacity. It is now better prepared to compete in the international scenario as one of the world's top oil majors.			
		5	Things look good for Repsol YPF in the future, and I would like to emphasise just two reasons for this: the company's ability to compete and its capacity for profitable growth.(A. Cortina, Chairman)	u 6		
		5	Growth arises from the corporation's ideal positioning in a growth area with a growth product: Latin America and natural gas. … Very sound foundations for growth were laid during 1999 when agreements were reached with large oil companies in Brazil, Chile, and Trinidad and Tobago.	i 1		
	00	4,5	Repsol YPF looks to the future with a strategy for growth and profitability. Our recent past serves as an example. … We will continue to grow more rapidly than our peers in upstream. Our strategy for integration has been a cornerstone for growth for several years now, and we are still convinced of its robustness. As the gas market becomes progressively more global, our expansion has positioned us in key geographical markets. We will work towards articulating and implementing our growth strategy in gas and power this year.	i 1		
		13	The Repsol YPF expansion strategy is based on the efficient exploration and development of company operated fields, focusing on high potential regions where conditions favour a better competitive positioning,…	u 3		
	Q				u 6 i 2 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **REP** **Repsol, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	39	Further to this ongoing policy for a more active co-operation with other players in the oil industry, an Oil Research Association was set up between Repsol and another five European oil companies of a similar size: Agip, Elf, Fina, Veba and Total. This new group was formed to work on projects of mutual but not competing interest.	u 5	11
	99	1	1999 was an excellent year for the company. The acquisition of the Argentine company YPF set the new Repsol YPF in a different context, placing the group amongst the world's ten largest oil majors. The corporation is market leader in Spain and Argentina, with an excellent positioning in high growth markets. This deal was widely proclaimed a strategic success, and led to a record 52% revaluation of the Repsol YPF share price in 1999.	u 9	
		2	The aqucisition of YPF was extremely well received by the market, and was object of several public awards from respected national and international communications media, including the "Financial Times" and "Corporate Finance" magazine, which declared it the best strategic merger of 1999. Forbes Global magazine also proclaimed Repsol YPF "the best world scale energy company" for the year.	i 1	
	00	4	Aside from the income statement, and equally important, were certain decisions taken during 2000, which strengthen the company's positioning and reinforce core strategies. There was much activity in strategic acquisitions and agreements with other companies.	u 7	
		30	Work is also being carried out jointly with external organisations to adapt existing technologies to increase the lifting of crude oil by tertiary recovery (the use of local bacteria, polymers, surfactants) and develop new non-corrosive materials (steels).	i 1	
	Q			u 9 i 2 pt nt n c Σ 11	
8. Liquidity of shares	98	10	Repsol is included in the following market indices: DJ EURO STOXX 50 … IBEX 35 … EUROTOP 100 … DJ EURO STOXX …		5
	99	10	In addition to the Spanish and New York Stock Exchanges, since November 30th 1999, Repsol YPF also trades on the Buenos Aires Stock Exchange. … Repsol is included in the following market indices: DJ EURO STOXX 50 … IBEX 35 … EUROTOP 100 … DJ EURO STOXX … S & P GLOBAL 100 …	u 4	
	00	8	Repsol YPF is included in some of the top indices for the markets trading its stock: Ibex 35, DJ Euro Stoxx 50, DJ Euro Stoxx, Eurotop 100 and S&P Global 100.	i 1	
	Q			u 4 i 1 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **REP** **Repsol, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				2
	99	4	The company's portfolio of activities following the incorporation of YPF has created a good mix between income sources,…	u 2	
	00				
	Q			u 2 i pt nt n c Σ 2	
10. Competitive advantages	98	7	We will continue to take steps to place Repsol in an even better position within the international energy sector.	1 market position	7
		29	The main project currently under development is the construction of a new propylene oxide and styrene monomer complex, which will treble production, using cutting edge technology available only to Repsol and two other companies in the world.	1 preferred access re-sources	
		25	On the Spanish market, Repsol has a competitive advantage in the strategic location of its re-fineries and its efficient logistics network. As a result of this … sustained future growth is forecast for this business area [service stations], and our Group will be able to maintain its leading position.	1 differentiation 1 choice market geography	
	99	2	Our leadership on the Argentine local market has increased in both refining and marketing, mak-ing us top market performers in these two business areas in Spain and Argentina. Progress was made in integrating the gas-power chain, where our Group's reserves and production of natural gas will allow us a competitive edge downstream in this area.		
		5	Both Repsol and YPF have placed the gas business in a position of prominence for many years, before this activity gained the strategic importance it now has for oil companies in general.	1 choice product	
	00	29	In 2000, Repsol YPF allotted funds of over 96 million euros in this area [innovation & technology], in an unequivocal expression of the company's belief in technology as a vital tool to maintain and improve the competitive level of current products and processes, by permanently adjusting the former to customer requirements and optimising the cost efficiency and environmental impact on the latter.	1 innovation 1 cost leadership	
	Q			u i 7 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **REP** **Repsol, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	5	… a number of new management procedures were implemented, in particular a policiy on price differentiation and a freeze on operating costs.	u 5	10
		6	Additionally, the Company's ongoing cost cutting efforts were largely responsible for our good performance in 1998. Operating costs in Exploration and Production have been the focus of our attention, in response to the difficult environment currently affecting this area, and we achieved a 10% reduction during the year.	u 7 i 1	
	99	5	Ongoing efforts in this activity [chemicals] to cut costs and raise productivity resulted in an operating income of 132 million euros, despite the fact that certain product margins fell to their lowest for the past ten years.	i 1	
		15	In addition, the new management structure of Repsol YPF achieved substantial cost reductions. Taking for comparision a pro-forma of Repsol and YPF costs in 1998, by the end of the year, finding costs had been cut 25% to $1.26 per barrel of oil equivalent (boe), and lifting costs 4.6% to $2.40/boe.	i 1	
	00	3	We have rationalised operations and obtained a much higher cost efficiency than originally forecast.		
		11	To improve structural integration inside the corporation, and advance in ongoing cost saving policies, Repsol YPF launched three offers during the year to swap new Repsol YPF S.A. shares for stakes held by minority shareholders in Astra Compañía de Petróleo, S.A., YPF S.A., and Repsol Comercial de Productos Petrolíferos, S.A.		
	Q			u 7 i 3 pt nt n c Σ 10	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	10	5	8	3	5	6	9	4	2	0	7	59
i	additional information	1	0	1	1.5	0	2	2	1	0	7	3	18.5
pt	clearly positive tendency	0	0	0	0	1	0	0	0	0	0	0	1
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	11	5	9	4.5	6	8	11	5	2	7	10	78.5
	ranking among all 38 companies	2	21	17	21	18	13	7	30	34	1	4	

total score:	78.5	total score without questionnaire:	78.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	7.14	valuation without questionnaire:	7.14
ranking among all 38 companies	12	ranking without questionnaire	11

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.23. Banco Santander Central Hispano, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **SCH** **Banco Santander Central Hispano, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)		Score
1. General attitude towards shareholder value	98	SAN 7	For many years, our Group has been preparing to meet this challenge and turn it into yet another opportunity to create value for our shareholders, customers and employees.	u 4		10
		BCH 8	The hallmarks of the new Bank [BSCH] are the creation of shareholder value, the provision of quality service to our clients and the professional development of employees.			
	99	7	"We want to be the first and best bank and this is why we attach such importance to anticipation and excellence. We believe that the achievements of 1999 confirm that we remain on track towards our overdriding and irrevocable goal: to create value for everyone" (José María Amusátegui and Emilio Botín, Chairmen)			
		11	In 1999, our first year since the merger, we laid the foundations for increasing the Group's value creation potential.			
		36	Banco Santander Central Hispano has one overriding objective: to maximize the Bank's value for shareholders.	u 10		
	00	9	And thank you, the shareholders, for your confidence in Banco Santander Central Hispano, a Group prepared and committed to what will always be the overriding goal of our management: to create value for everyone. (José María Amusátegui and Emilio Botín, Chairmen)			
		11	In short, we can state that the performance of the Bank's main financial magnitudes since the merger has enabled us to meet the financial targets which we set at the time: quantity and quality of income, asset quality and efficieny - as well as the strategic ones - to consolidate a leading position in Spain, Europe and Latin America, and maximize the creation of shareholder value. (Ángel Corcóstegui, First Vice Chairman and CEO)	u 10		
	Q	sp	Creation of shareholder value is our foremost objective although without forgetting the interests of the rest of stakeholders (customers, employees, suppliers, society …).		u 10 i pt nt n c Σ 10	
2. Flexibility	98	SAN 3	Santander has responded rapidly and firmly to this change in the international economic scenario. … 142 years of banking experience has shown us that in order to be among the most profitable and efficient banks, it is necessary to rapidly identify any changes in the business environment and immedeately take decisions to ensure that we adapt to the new conditions and needs of our customers. Only in this way can challenges become opportunities.	u 5		8
	99	9	Our flexibility and the capacity to anticipate needs have enabled us to develop business segments and products that today form an integral part of Spanish people's financial culture. We continue to make progress along these lines so that new technologies may amplify the unquestionable value of our three brand names [Santander, Central Hispano, Banesto].	u 6		
		13	I am totally convinced that we are shaping an organization that is already adapted to the new times. A gobal, but agile and flexible organization. (Ángel Corcóstegui, First Vice Chairman & CEO)	u 6		
	00	39	In order to maintain our leadership we have to assimilate changes, generate new ideas and transform them into actions, services and products faster than the competition.	u 7		
	Q	sp	Reorganization of the funcitional orga chart and resposibilities, new divisions … as anticipation of changes of the environment, induced by the market or the companies' estrategy or policy.	i 1		
			Flexibility is one of the basic values and differentiators of the group's culture seen as an intangible asset and important to generate value. However, it is not possible to traduce that value into monetary values.	u 6	u 7 i 1 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SCH** **Banco Santander Central Hispano, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)				Score
3. Investments	98	BCH 4	… after finding that the return on the risks arising from our Asian market activities was not in line with our value creation objectives, we significantly reduced our investment in that region.	u	8			11
		34	The increased investment was accompanied by a restructuring of the portfolio in order to achieve three strategic properties: maximise the Industrial Group's contribution to the Bank's profit, focus on sectors with high growth potential and profitability and optimise the level of liquidity and control of shareholdings to facilitate management of these portfolios.	i	1			
		SAN 47	… the "Minimum value creation objective" … refers to the minimum return required from any investment, which is the same for all the Group and equal to the cost of capital.	u	8			
	99	38	A dynamic and profitable industrial portfolio The Bank's Industrial Group Division has developed its strategy around the axis of maximizing the contribution of its stakes to Group income. It stepped up investments in strategic sectors and sold stakes with low profitability levels. Investments made during 1999 amounted to Pta. 382,300 million, of which Pta. 297,000 million correspond to the purchase of an additional 16.3% of Airtel, where the Bank is the main shareholder. With this operation, 71% if the Bank's industrial portfolio is in the telecommunications sector, the most profitable and with the most growth potential in the future.	i	1			
	00	7	The purchase of Banespa, from a regional strategy point of view, was one of those unique opportunities that we could not allow to slip by. The bank's importance in the Brazilian financial system, together with the management capacity that we are incorporating, will add significant value to our Group.	i	1			
		10	In Latin America, we invested US$9,300 million and we consolidated our position as the absolute leader in the region.					
	Q	sp	preconditions: sufficient financial capacity and liquidity					
			there is no specific procedure to select investment projects, business units propose projects to the governing bodies of the company, which also decide about replacements					
			future financial results, the company's investment strategy and other investment opportunities are			u	8	
			taken into account			i	3	
			all but some pure financial investments respond to the bank's corporate strategy (reference bank			pt		
			in Europe, leadership in Latin America, presence in the real and new economy) with the precon-			nt		
			dition of a profitability that allows to retribute adequately to shareholders	u	7	n		
			no specific post-audit of investments, but profitability analysis			c		
			international investments should guarantee a minimum 10% market share			Σ	11	
4. Human Resources	98	BCH 36	Training and Development activities in 1998 concentrated on the Sales Team Plan, which required specialised training on the BCH business model.	hi	0.5			8
		37	In management of Human Resources, BCH continued to promote employees, in order to provide constant opportunities of improving their professional level and possibilities of developing their qualities and ideas.	hi	0.5			
		37	A new remuneration system for executives was established in 1998, which seeks maximum internal fairness and a high degree of clarity and transparency in its implementation. This system takes into account the level of resposibility and appreciation of the performance and gives greater weight to the variable element of salaries. The variable and long-term element of salaries, with options to buy BCH shares, was extended in 1998 to 700 executives.	ru	2.5			
	99	30,31	The Group has the best base for building up financial leadership worldwide: its team of employees. Our staff is the Bank's best "capital", its lever to be "the first and the best" human resources and leaderhip are two values united at BSCH. According to the Organizations's management principles, teamwork and leadership are the way to work at this Bank. Training and professionalism, values that the Bank actively promotes, are the main support for our employees.	hu	3			
		31	These policies helped to forge closer links between the team and the Group's goals and stimulate employees through a direct relation between the results achieved and the salary received. As part of this program, the Bank approved in December the delivery of stock options to 1,070 Group executives.	ru	3			
	00	39	The concepts of commitment to the Bank's goals and of active employee involvement are key factors of human capital. Aspects such as the number of years in the company, remuneration and promotion policies and participation in improvement processes have to be measured, as they reveal a very positive association with individual motivation and are closely linked to greater productivity and better quality of work.	hi	0.5			
	Q	sp	95% of the staff has a variable remuneration component, the percentage of this component responds to the employee's functions, level of responsibility and his or her impact on the group's					
			evolution, objective is to extend variable retribution to all the staff in order to tie personal objec-			u	6.5	
			tives to those of the company and to personalize the retribution			i	1.5	
			incentives: cash and stock options to executives and young directive staff, options: fixed exercise			pt		
			price, one or two years, cash incentives are paid within 3 month after year end closing			nt		
			variable retribution due to fulfillment of personal objectives, evaluated by superiors, individual			n		
			interviews, objectives are quantificable			c		
			variable retribution is seen as a HR measure that helps to create shareholder value	ru	3.5	Σ	8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SCH** **Banco Santander Central Hispano, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	BCH 7	The significant improvement in profits and stronger equity and asset quality enabled the Board of Directors to propose to the General Meeting a dividend of Pta. 29.5 gross per share for the year, 36% higher than that distributed in 1997 if one takes in account the stock split carried out in 1998.	u 5		7
		SAN 2	The Board's proposal to the General Shareholders' Meeting regarding distribution of earnings, plus the payment arising from the reduction in nominal capital last June, mean that the direct remuneration to shareholders charged to the 1998 financial year is 21.2% more than last year.	i 1		
		44	On June 12th the nominal value of the shares was reduced Ptas. 20 from Ptas. 250 to 230, resulting in share capital of Ptas. 131,960 million.			
	99	78	The dividend per share, charged to 1999 results, was EUR 0.2275 (Pta. 37.85), distributed in four quarterly payments: three interim dividends totalling EUR 0.165 (Pta. 27.45) and a final dividend of EUR 0.0625 (Pta. 10.40). Bearing in mind the capital increase made in August 1998 and the 2 for 1 stock split on June 11, 1999 the total dividend distributed per share was 20.8% higher than in 1998.			
		79	At the end of 1999, 27.05% of the Bank's shareholders participated in the Dividend Reinvestment Plan.	i 1		
	00	7	These results enable the Board to propose to the AGM a dividend of Pta. 45.5 per share, charged to 2000 results. This dividend is more than 20.2% higher than in 1999. This, together with the SCH share performance - a rise of 55.7% since the merger - has made Santander Central Hispano a very profitable investment for its shareholders.			
	Q	sp	Dividend payments create shareholder value because part of the profits are converted in liquidity. The objective is to pay out 50% of the profits, thus dividend growth is tied to the evolution of net profits and shareholders' equity is strengthened. Effects of share repurchases, dividend cuts and gratis shares are more or less positive for shareholders depending on the situation of the market. Bearish markets react positively on share repurchases and negatively on elimination of dividends sustituted by gratis shares while bulish marrets react positively on dividend cuts in the case of expansive companies.		u 5 i 2 pt nt n c Σ 7	
6. Growth	98					9
	99	10	The growth in our customer base has enabled us to continue to gain market share and also improve both the liquidity of the balance sheet and the quality of our loan portfolio.	u 3		
		36	One of the key elements in the Bank's drive for higher profitability has been and remains to increase business volume and business quality, a feature that is the principal focus of all the Group's activity. Program ONE establishes two targets for the end of 2000, which concentrate on growth in business volume and quality: "net operating income must reach Pta. 604,000 million" and "the NPL [non-performing loans] ratio must not exceed 1.9%"	u 6		
	00	9	From this standpoint, and watchful of the performance of the economic and business environment, the goals we have set for 2001 include growth of 27% in net attributable income to Pta. 475,000 million. This is an ambitious target although prudent compared with the growth of prior years. This is because, also in the financial world, every period has its pace; there are moments when investment is advisable and others when it is better to mature and consolidate businesses and investments. Certainly, it is not a matter of growth for growth's sake, but of growing well and profitably.	i 1 u 8		
	Q	sp	Growth is important for SCH jointly with solvency, efficiency and profitability. The bank pursues growth of margins of explotation, net profit attributable to the group and profit per share. A significant part of profit growth is due to revenue growth (geographical and divisional) Growth is an objective in order to achieve a size that permits to compete in global markets and is therefore fundamental to create shareholder value, if combined adequaltely with other objectives as enhanced efficiency, preservation of solvency and special attention to profitability.	u 7	u 8 i 1 pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SCH** **Banco Santander Central Hispano, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)		Score
7. Mergers and Alliances	98	SAN 18	… on January 15th 1999 the Board of Directors approved the first merger proposal between two European banking groups since the introduction of the Euro.The strength which the merger of Banco Santander and Banco Central Hispanoamericano will give to the new BSCH is the culmination of a long history of effort and dedication by several generations of professionals, guided by a clear strategy of creating value for everyone.	u 6		12
		BCH 4	The merger is a very advantageous operation for BCH and its shareholders, as they will form part of a much stronger and more profitable financial group,…	u 7		
		5	The BCH share price rose strongly after the merger was announced.	i 1		
	99	8	The results achieved in 1999 demonstrate that our merger was an exemplary one. In 12 months we not only managed to increase the income of the new bank by 26% but also to undertake strategic investments which have made us a major player in the restructuring of the European financial system.	u 8		
		9	During 1999 we acquired stakes in other entities and strengthened or forged alliances with large banks in Portugal, France, Italy, Germany and the United Kingdom, realizing our goals which were no longer to contribute to the creation of the single European financial system but to be a driving force behind the structural change that is already taking place.	i 1		
	00	8	The prominent position in Spain … is complemented by the Bank's European presence, mapped out in a network of alliances with four of the largest banks in the UK, France, Italy and Germany. Within these relationships, the mutual support provided by Royal Bank of Scotland and Santander Central Hispano in their acquisition of Natwest and Banespa, respectively, was especially noteworthy. The progress of this unique alliance is particularly significant, allowing transcendental operations such as these to take place. This is another of our strategic strength which will allow us to participate in the restructuring of the European banking map.	i 1		
	Q	sp	Objectives to acquire another firm: gain market share, obtain synergies, save costs, enhance competitive position.			
			The best measure against "hostile takeovers" is the creation of value. Also a stable group of shareholders decreases the risk of takeovers that do not create shareholder value.		u 9 i 3	
			Conditions for a successful merger: complementarity in business areas, financial strength, strategic position that allows to profit from the potential of unity and synergies, which not only reduce costs but also increment revenues; functions and responsibilities have to be clearly defined.		pt nt n	
			Important for the merger process: teamwork, clear objectives, corporate image (communication).		c	
			Strategic alliances, if merger or acquisition is to risky or not profitable enough.	u 9	Σ 12	
8. Liquidity of shares	98	SAN 43	These shares are listed on the four Spanish stock exchanges, as well as Frankfurt, New York (in ADR form under the STD symbol), London, Paris, Switzerland and Tokyo.			10
		44	On June 29th a 2 x 1 stock split took place, increasing the number of shares to 1,147,475,324.			
		BCH 12	The Board, keen to strengthen the value of the shares, give them greater liquidity and enable small investors to acquire them …	u 8		
		13	Divide the nominal value by three (Pta. 84 per share) and at the same time triple the number of shares.			
	99	78	The Santander Central Hispano share is listed on the four Spanish stock exchanges (through the continous market), Frankfurt, London, Paris, the Association of Swiss Stock Exchanges, the Italian Stock Exchange, Tokyo and New York (in ADR form). On February 16, 2000 Banco Santander Cantral Hispano became the first foreign issuer to be listed on the Lisbon Stock Exchange. Also in February, admission to the Buenos Aires Stock Exchange was formally requested.	u 6		
	00	33	The SCH share is also one of the most liquid on the Spanish stock market; it is the third most actively traded on the continuous market. As well as trading on the four Spanish stock markets, through the continuous market, the share is also traded on Frankfurt, London, Paris, Milan, New York, Lisbon, Swiss, Buenos Aires and Tokyo markets.			
	Q	sp	Liquidity creates shareholder value since it is a condition to atract institutional investors who increase the demand of shares increasing their value.		u 10 i	
			Measures to increase liquidity: maintain level of free-float, presence in the most important stock exchanges, existence of derivatives on the share.	u 10	pt nt n c Σ 10	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SCH** **Banco Santander Central Hispano, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	25 BCH	The firm trend of improvement in credit risk quality was consolidated in 1998, thanks to full development of the programme for control and integrated management of risk. … BCH's risk control and management programme reduced the Bank's exposure in emerging Asia Pacific and Latin American countries and minimised the impact [of the financial crisis in those regions].	u 8	13
		47 SAN	The geographic and activities expansion carried out by the Santander Group has given rise to the need for the development of new management techniques geared towards the evaluation, both in terms of risk and return, of the contribution of each strategic business unit to the global activities portfolio of the Group. In other words, the contribution to the creation of value. … The result of all this process is that it ensures an adequate management of risk … optimal use of capital.		
	99	8,9	We are convinced that the value of our franchise, the strength of our capital base, the process of geographic and business diversification and ourn risk culture place us among the best financial groups in the world in creating shareholder value.	u 10	
		10	Despite greater national and international activities, our risk control system and the prudent policies that characterize the growth in our lending enabled us to contain non-performing loan ratios.		
	00	8	We are now focusing on three management guidelines: consolidation of a broad capital base, strict control of credit risk and rigorous cost constraint.		
		9	Regarding risks, our Group intends to maintain its rigorous risk management systems, which have made us one of the most solid and most prestigious banks in the world in this field.		
	Q	sp	SCH has a β=1.49 (12 months). The company is very favorably rated by Moody's, Standard & Poor's and Fitch). Ultimate objective of risk policy is to maintain a medium-low risk profile: existence of a Board commission of risk controlling (control of all sorts of risk, definition of risk policy, risk limits and authorizations, revisions and supervision) reporting to the 3rd Vice President, commission is independent. Risk reducing measures: reduction of risky assets, securization, reduction of VaR compared to previous year, new issues of subordineted debts, provisions for insolvencies. Responsible for risk management is the third Vice President reporting to Presidency. The bank disposes of an organizationally strong risk controlling structure. Risk is measured through an internal rating system, application of the RORAC metodology, and techniques of mitigation of credit risk.	u 10 i 3 pt nt n c i 3 Σ 13	
10. Competitive advantages	98	3 SAN	… asset securization was given a further boost in advance of the competition.	1 choice product	7
		19 BCH	The BCH Group's performance in 1998 was governed by three guidelines: creation of shareholder value, achieving the maximum level of competitiveness in the different markets and constant improvement in service quality.	1 differentiation quality	
	99	10	For us, Latin America is more than a good investment; it is one of our differentiating hallmarks. It is something that distinguishes us from the rest of financial groups which also want to become banks of reference in the world. It provides a competitive advantage which in 1999 contributed US$585 million to net attributable income, 31% more than in 1998.	1 choice market region	
		18	Anticipation and excellence - being the first and the best - are the essence of leadership. And a leadership based on anticipation and excellence is the most solid way to build up global reach. This combination, in turn, is the best guarantee of sustained growth in profitability and the creation of shareholder value.	1 innovation 1 reputation	
	00	10	Under Program ONE, which set out the management goals for 1999-2000, Banco Santander Central Hispano became a larger and more competitive bank.	1 size	
	Q	sp	Main competitive advantages: size, diversification (regions and businesses), critical mass to compete in global markets, market leader in Spain and Portugal, franchize leader in Latin America, reference position in Europe through strategic alliances, stakes in companies belonging to the real economy, utilization of new technologies (1.8 million customers use the Internet). Strategies to create competitive advantages: restructure commercial bank in Spain, profit from synergies in Portugal and European alliances, increase efficiency and reduce costs in Latin America, rotation of industrial participations, periodic issue of subordinated debt, optimization of utilization of funds, risk control. Measurement of competitive advantage: valuation of the bank's share compared to competitors. SCH has better ratios P/BV and P/E than average of principal European banks.	u 1 architecture i 7 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SCH** **Banco Santander Central Hispano, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)		Score
11. Cost management	98	BCH 6	This notable expansion of business activities, combined with containment of operating costs and reduced net provisioning requirements generated a substantial rise in profits and the creation of significant shareholder value.			12
		41	Management objectives and policies … · Management of operational resources with constant productivity and cost reduction programes, optimising operating income per employee and branch. · Constant incorporation of leading-edge technology and information systems for product distribution, service quality, cost savings and internal control.			
		69	… general expenses and taxes related to operations only rose 0.9% and in absolute terms were lower than 1996, underscoring the Group's efforts to control costs and improve efficiency.	u 8 i 1		
	99	10,11	We continued to cut costs and improve efficiency, not only by fulfilling the demanding programs instituted at the beginning of the year, but also by adopting additional measures during the year, supported by the economies of scale and scope provided by our size and diversification. Our efficiency ratio at the end of 1999 improved 4.4 percentage points over the previous year.	i 1		
		12	The trimming of costs is already reflected in the Bank's earnings.			
	00	8	We are now focusing on three management guidelines: consolidation of a broad capital base, strict control of credit risk and rigorous cost constraint.			
		9	Cost management will remain a priority objective for us and we still have a long way to go. We are striving for an efficiency ratio of 50% for the whole Group and 40% for the retail networks.	i 1		
		10	We have downsized our domestic networks, closing more than 1,000 branches without sacrificing business. We have made considerable progress in developing new distribution channels - ATMs, telephone banking and Internet - and achieved a gradual migration of high volume transactions to low cost channels.			
	0	sp	SCH runs currently a cust cutting program. Positive effects already through reduction of general administrative costs, full effects by 2002-2003. Objective is to save 900 million euros, a reduction of 10.7% on general administrative expenses of 2001. Cost cutting strategies: unification of branch networks of Santander and BCH, closing of branches, personnel adjustments, new distribution channels, application of new technologies, cost cutting strategies are specific to possibilities in different regions (Spain, Asia, Portugal, Latin America). SCH controls costs monthly: general and personnel expenses, levels: divisions, areas, departments, units, in order to control budget diviations in "real time".	u 9	u 9 i 3 pt nt n c Σ 12	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	10	7	8	6.5	5	8	9	10	10	0	9	82.5
i	additional information	0	1	3	1.5	2	1	3	0	3	7	3	24.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	10	8	11	8	7	9	12	10	13	7	12	107
	ranking among all 38 companies	6	3	3	7	10	5	5	2	1	1	1	

total score:	107	total score without questionnaire:	97.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	9.73	valuation without questionnaire:	8.86
ranking among all 38 companies	1	ranking without questionnaire	1

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.24. *Sol Meliá, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **SOL** **Sol Meliá, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	11 sp	Creation of a company that adds more value to its shareholders…	u 4	8
	99	31	To satisfy the expectations of shareholders, one of the five clients of Sol Meliá, the company that became the first ever Spanish tourism company to enter the IBEX 35 focusses all of its attention on profitability and efficiency. Proof of this can be seen in the results obtained by Sol Meliá shares in 1999, a year which saw an increase in value of 13.41%, reaching a value of 11.25 euros at the end of the year.	u 6	
		31	In 1999 we held 12 roadshows in 7 countries, visiting a total of 83 company institutional investors to explain company strategy and present company results.	i 1	
	00	26	The Sol Meliá Shareholders' Club is an innovative initiative which aims to improve the services the company provides to some of its most important clients: its minority shareholders. The Club offers a wide range of benefits for clients staying in any Sol Meliá hotel while also providing regular detailed information on company development. … Club members receive a membership card giving them the following benefits in Sol Meliá hotels: … Those members of the Club that remain as shareholders for a certain amount of time will also receive additional benefits such as greater discounts for hotel stays, welcome gifts on arrival at hotels and discounts in hotel restaurants. …	i 1	
	Q				
				u 6 i 2 pt nt n c Σ 8	
2. Flexibility	98	4 sp	So, the operation of IPO on the shares of MIA and the following merger with Inmotel respond to the necessity to adapt to the change that took place in the financial situation of international markets during the last months.	u 1	5
	99	7	1999 has also seen a much greater focus on technological transformation to adapt company systems to better exploit the opportunities offered by recent advances in operations and distribution.	u 5	
		21	The secret of market leaders lies in remaining in the vanguard of their business, constantly focusing on the research, development and implementation of innovations. Aware of this maxim, Sol Meliá has always been characterised by an innovative mentality, and has prepared the ground for the arrival of the year 2000 with an ambitious technology development programme. … Sol Meliá is in the process of adapting each and every part of its sales and purchasing activities, as well as its internal management, to the Internet environment.	u 5	
	00	11	And it is precisely this policy of expansion and adaption to new technologies and the increasing demand of a highly competitive market that forms the basis of our future strategy, aiming to consolidate the more than 80 hotel projects that we have already signed and successfully completing the e-transformation of the company.	u 5	
		47	The coming years will also see the consolidation of the company's investments in new technology. Greater flexibility in processes and important cost savings will be the first noticeable consequence of the new system.	u 5	
	Q				
				u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SOL** **Sol Meliá, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	6 sp	During 1998, the new Sol Meliá, …, invested 42,096 million pesetas in diversified operations in the business of tourism all over the world. The investments are not only made in order to expand or acquire, but also to improve and maintain the existing sites. This allows us to enhance quality standards of our products and services.	i 1	9
		10 sp	The objective of acquisitions is to contribute more value for shareholders, more profitability to the business of management and property of hotels and a major diversified offer to our customers as well as better opportunities for our employees and providers.	u 7	
	99	6	These results are due in part to the positive performance of both city and resort hotels in Spain over the year, which in turn is partly attributable to the improvements carried out as part of a three year renovation programme which began in 1997 and has involved an investment of more than 20,000 million pesetas -120 million euros -.		
		6	It should also be mentioned that Sol Meliá invested, or assigned investments, of 100,623 million pesetas - 604 million euros - in hotel purchases and renovations. This investment assisted in acquiring 34 hotels in many of the most important business and tourism destinations in the world, some of which are scheduled to open over the next two years.	i 1	
	00	24	From the financial point of view, the year 2000 has been another record year for Sol Meliá. The purchase of Tryp Hotels has made an enormous contribution to our firm policy of providing greater value for shareholders, allowing us to increase the size and profitability of the company and increasing earnings per share. (Onofre Severa, Executive Vice President Finance)	u 7	
	Q			u 7 i 2 pt nt n c Σ 9	
4. Human Resources	98	23 sp	The management of human resources at Sol Meliá corresponds to the area of service. Its policy consists in permanent training of all employees and internal promotion through career plans oriented towards the personal and professional development of more than 25,000 employees.	hu 2	3.5
	99	8	… we are placing special emphasis on the training and development of existing company employees, preparing them to provide even better service in the light of increasing competition in the industry.	hi 0.5	
		33	During 1999 our Human Resources Department signed a number of agreements with Spanish and international universities both to share with them experiences in the field of training and to obtain access to their finest students. Co-operation also includes the development of "virtual" training courses and materials exclusively for Sol Meliá employees. … in 1999 Sol Meliá initiated its first Management Development Programmes for future Sales Managers and Administration Managers…	hi 0.5	
	00	38	It is the excellent work and enthusiasm of this immense team that is the principle ingredient in the company's recipe for success.		
		38	Training and promotion are the foundations on which Sol Meliá human resources policy is built … The company also continues to develop its extensive internal Management Development Programme for Hotel General Managers, inaugurated in 1988, based around an 18-month period of theoretical and practical training followed by a period as Assistant General Manager in a hotel before moving up to a General Manager position. … In June 2000 Sol Meliá signed an agreement with the Autonomous University of Barcelona to jointly develop projects aimed at improving the training and education of future professionals …	hi 0.5	
	Q			u 2 i 1.5 pt nt n c Σ 3.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SOL** **Sol Meliá, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98				2
	99	31	23.4% of net available profits were distributed to shareholders in the form of dividends at 20.08 pesetas per share after the split.	u 1	
	00	24	During the year there was also a gross dividend payment of 20,057 pesetas to shareholders related to 1999 results, and there was also an attendance premium at the latest General Shareholders' Meeting of € 0.02 (3,33 pesetas) gross per share.	i 1	
	Q			u 1 i 1 pt nt n c Σ 2	
6. Growth	98	6 sp 7	The dynamism of the company has been translated in an unpreceded growth, evolving from 185 hotels in june, 1996 to 246 in december, 1998… … our model of growth allows us to adhere yearly between 30 and 40 new hotel establishments… converting us in one of the fastest growing hotel chains worldwide.	u 1	2
	99	5	Once again this year, this growth has allowed us to maintain our position as the largest resort hotel company in the world and the leading hotel company in Spain in both the business and resort hotel market.	u 1	
	00	11	And it is precisely this policy of expansion and adaption to new technologies and the increasing demand of a highly competitive market that forms the basis of our future strategy, aiming to consolidate the more than 80 hotel projects that we have already signed and successfully completing the e-transformation of the company.	i 1	
		51	Our main objective is to continuing growing in our natural markets: major cities in Spain and Europe, the mediterranean region and Latin America and the Caribbean. In parallel we will be absorbing the 22,000 rooms already scheduled to be added and to reaffirm our commitment to geographical and business diversification. (Ángel Palomino, Executive Vice President Hotel Develop.)	u 1	
	Q			u 1 i 1 pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SOL** **Sol Meliá, S.A.** page 4

<table>
<tr><th>Variable</th><th>Year</th><th>Page</th><th>Quotations and indications</th><th>(Observations)</th><th>Score</th></tr>
<tr><td rowspan="5">7. Mergers and Alliances</td><td>98</td><td>4
sp</td><td>Culmination of the year was the creation of the new SOL MELIÁ as a result of acquisitions and mergers of other companies belonging to the group. With the objective to grow profitably in a changing environment and giving benefits to our shareholders, we initiated the integration of the company. … Furthermore, the higher volume of shares provides a major weight in the security market.</td><td>u 8</td><td rowspan="5">10</td></tr>
<tr><td>99</td><td>8</td><td>The merger [with Meliá Inversiones Americanas and the absorption of Inmotel] has had great benefits for the Sol Meliá income statement and has allowed us to take on the two greatest challenges faced by all major companies at the beginning of this new millenium: consolidation and adaptation to new technologies.</td><td>i 1</td></tr>
<tr><td rowspan="2">00</td><td>9</td><td>The acquisition and integration of Tryp Hotels and the consequences of the deal represent great milestones in company development and a major step towards our consolidation as a major player on the world stage. … As one would expect, the company that now emerges from the deal is much more structurally sound, blessed with greater operational capacity and with great expectations for improvements in results.</td><td>i 1</td></tr>
<tr><td>29</td><td>Commercial and strategic reasons abound for the purchase of Tryp: … the possibility of generating cost savings of around 1,100 million pesetas - 7 million euros - through synergies in operations, the barrier to entry created for international hotel groups to get a significant foothold in Spain, and above all, the impact on financial results.</td><td>u 8</td></tr>
<tr><td>Q</td><td></td><td></td><td>u 8
i 2
pt
nt
n
c
Σ 10</td></tr>
<tr><td rowspan="4">8. Liquidity of shares</td><td>98</td><td>11
sp</td><td>From the first year of its listing the shares of Sol Meliá belong to the prestigious index IBEX 35, a list of the most traded stocks in the Spanish stock exchange which are outstanding for their major liquidity.</td><td>u 5</td><td rowspan="4">6</td></tr>
<tr><td>99</td><td>31</td><td>Amongst other things, the company Extraordinary General Shareholders Meeting held in Palma de Mallorce in July 1999 approved the new denomination of company share capital in euros as well as a change in the nominal value of shares, reducing this from 0.6 to 0.2 euros per share.</td><td>u 6</td></tr>
<tr><td>00</td><td></td><td></td><td></td></tr>
<tr><td>Q</td><td></td><td></td><td>u 6
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Σ 6</td></tr>
</table>

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SOL** **Sol Meliá, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	7 sp	The new company not only manages hotels which was its principal activity up to now, but also may acquire own establishments, profitable and modern, diversifying tipographically and geographically its offer in order to reduce risk and increase profitability in the framework of a worldwide touristic market constantly in movement.	u 2	6
		6 sp	…in 1998 the company was ratified in its credit classification of a triple B+ conceded by the prestigious international entity Standard and Poors. This qualification … puts the company in front of the firms of the sector in the national and international environment.	u 4	
	99	29	The [Sol Meliá Quality and Hotel Technology] Department also worked on the definition of product and service standards for the Meliá Boutique hotel concept, and the implementation of a Risk Analysis and Critical Point Control system to ensure appropriate hygiene and sanitation management in hotels.	u 5	
	00	9,10	These results, the financial solvency of the company and the excellent perspective for the future have given us the second best credit rating in the hotel industry, a BBB (stable) from Standard & Poor's. This achievement of the rating was also a starting point for the launch of a Eurobond issue aimed at diversifying our sources of finance and which ended its first phase in 2000 with spectacular results.	i 1	
	Q			u 5 i 1 pt nt n c Σ 6	
10. Competitive advantages	98	5 sp	Capital restructuring in Sol Meliá allows the group to increase productivity, profitability and competitivity.	1 cost leadership	4
	99				
	00	9	More than 330 hotels with more than 82,000 rooms in 30 countries makes us not only the biggest resort hotel company in the world, but also undisputed leaders in Spain and in Latin America and the Caribbean, as well als the second largest hotel chain in Europe. And after almost half a century, all of this has made the year 2000 a year in which Sol Meliá has entered the prestigious "Top Ten" hotel companies in the world. … Our consolidation in the city hotel arena and our clear leadership of the Spanish market have also made it more difficult for foreign companies to gain a significant foothold in our domestic market, while also improving our position in terms of variable and structural costs.	1 size 1 reputation 1 market position cost leadership	
	Q			u i 4 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **SOL** **Sol Meliá, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				4
	99	7	This focus on new media such as Internet, Intranets and Extranets, will allow the company to become more efficient and provide all our customers with superior, more personalised service. It will also help us increase our revenues, reduce our costs and thus increase profits.	u 4	
	00				
	Q			u 4 i pt nt n c Σ 4	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	6	5	7	2	1	1	8	6	5	0	4	45
i	additional information	2	0	2	1.5	1	1	2	0	1	4	0	14.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	8	5	9	3.5	2	2	10	6	6	4	4	59.5
	ranking among all 38 companies	20	21	17	29	32	36	11	22	18	22	32	

total score:	59.5	total score without questionnaire:	59.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**5.41**	valuation without questionnaire:	**5.41**
ranking among all 38 companies	**30**	ranking without questionnaire	**28**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.25. Altadis, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **TAB** **Altadis, S.A. (1998: Tabacalera, S.A.)** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	5	… our aim is none other than create value for our shareholders, …	u 8	11
	99	2	Today, we are proud to share with you the initial achievements of the new Altadis Group, along with our pro forma 1999 financial results, which demonstrate both the reality of our growth and our constant concern for profitability and the creation of value.		
		6,7	[two pages about shareholder relations and initiatives, like low-rate telephone numbers, departments for Institutional investors and financial analysts and Individual shareholders, shareholders club, press campaign, hint to website in three languages, meetings with analysts that are broadcasted live on Internet, free quarterly magazine (Spain) and newsletter (France) for shareholders, visits of facilities, training sessions on financial markets, participation in trade fairs]	i 3	
	00	5	In a sector that will also new growth opportunities, we are facing the future with confidence and we are making every effort to continue to create value both for our shareholders and our employees.		
		11	Altadis believes that shareholder loyality provides the most effective support for the Group's growth and is committed to keep shareholders regularly informed of the development and outlook of its businesses.		
	Q			u 8 i 3 pt nt n c Σ 11	
2. Flexibility	98	24	At its meeting on 2 September, 1998, the Board approved the complete segregation of Tabacaleras logistics and distribution business, … a fully autonomous logistics and distribution company will be more flexible and in a better position to expand both the scope and volume of its activities.	u 4	4
	99				
	00				
	Q			u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TAB** **Altadis, S.A. (1998: Tabacalera, S.A.)** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	29	The commissioning of new high-speed rolling and packaging equipment along with the staff reductions, led to rise of 15.3% in average productivity at Tabacalera plants, to 14,061 cigarettes / person / hour.	i 1	10
		31	An additional 796 million pesetas was invested to replace three strip processing lines with more modern and efficient equipment.	i 1	
	99	2	We are strategically committed to broadening and deepening globalization, both by developing our brands and through acquisitions, for which we are continuing to consider opportunities, notably in Eastern Europe and North Africa.		
		3	Recently, our forefront position was further strengthened by the acquisition of a 50% interest in Corporación Habanos S.A. This strategic agreement has considerably enhanced our portfolio of premium brands and uniquely positions us to drive faster growth and win new market shares.	i 1	
		14	An ongoing strategy of expansion is aimed at consolidating positions in France and Spain, increasing the Group's international presence and seeking acquisition opportunities that would create value.	u 7	
	00	2	we finalized the acquisition of 50% of Corporación Habanos, which has reinforced our leadership position worldwide.		
	Q			u 7 i 3 pt nt n c Σ 10	
4. Human Resources	98	32	In order to identify the people best qualified to act as leaders of the shift in corporate culture toward higher competitiveness and to help set future trends, an in-depth staff evaluation programme was carried out in 1998.	hi 0.5	6
		32	Meanwhile, a new management remuneration scheme was instituted, whereby executives will be paid a fixed amount plus a variable bonus, whose amount is pegged to team and individual results, and to the achievement of established company objectives.	ru 2.5	
		32	Participation in our employee suggestion programme increased steadily during the year…	hi 0.5	
	99	42	During the year, the Altadis Group continued its efforts to cushion the effects on employees of the previously-defined restructuring required to modernize production facilities. It also promoted greater awareness of accident prevention and safety issues, and provided training to increase staff expertise in connection with the growing use of new technologies as well as the Group's international expansion.	hi 0.5	
		42	… development of formulas for work-time organization and management that enable flexibility and adjustment to the companies different operations, with overtime recovered during slack periods;		
		45	-Strengthening of marketing teams and partnership with young graduates		
	00	5	This efficiency program, which was broader in scope than originally forecast, will result in the departure of one-third of our workforce in the country. The layoff process will be gradual, however, and will begin in 2001 under a comprehensive redundancy plan that includes support measures to allow appropriate solutions to be found for all involved. The program will cost a total of € 315 million, for which a provision has been set aside in our 2000 accounts, and is expected to generate savings of more than € 20 million in 2001 and over € 50 million in 2002. Effective in 2003, aggregate full-year savings will be € 83 million.		
		42	The year 2000 was largely focused on the definition of human resources policy aimed at generating a shared culture …	hu 2	
	Q			u 4.5 i 1.5 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TAB** **Altadis, S.A. (1998: Tabacalera, S.A.)** page 3

Variable	Year	Page	Quotations and indications	(Observations)				Score
5. Dividends	98	5	The year's excellent business performance, which is described in detail elsewhere in this Annual Report, enables us to propose to the General Shareholders Meeting that a supplementary dividend of 38 pesetas / share be paid. When added to the 31 pesetas / share interim dividend paid last January, the total dividend from 1998 earnings would amount to 69 pesetas / share, which would represent an increase of nearly 35%, after adjusting for the 1:5 split in the first half of 1998, whenthe par value of each Tabacalera share was reduced from 500 pesetas to 100 pesetas.	u	5			7
				i	1			
	99	2	we remain committed to an active payout policy, as shown by the proposal submitted for approval, at the Annual Meeting on June 21 in Madrid, to pay a 1999 dividend of EUR 0.50 per share. This compares with earnings per share of EUR 1.00.	u	5			
	00	3	In line with our policy of enhancing shareholder value, we will propose to the General Meeting a dividend payment of € 0.56 per share, representing an increase of 12% compared with the previous year.	u	0			
		5	Earnins per share will benefit from this upswing, as well as from our ongoing share buyback policy.	i	1			
		8	The Group has confirmed its 50% payout policy, as well as its intention to steadily increase the amount of its dividends. Caldulated on the basis of EUR 347 million in net income, the dividend proposed for fiscal 2000 is up 12% to EUR 0.56 per share.	u	5			
	Q							
						u	5	
						i	2	
						pt		
						nt		
						n		
						c		
						Σ	7	
6. Growth	98	5	Our commitment to creating value and growth informed all Tabacalera's decisions in 1998 and remain a constant in our three main business lines: cigarettes, cigars, and logistics.	u	5			8
		7	Tabacalera's capacity for generating value and growth for its shareholders continues to bode well for the future long-term market performance of our shares.					
	99	1	Underpinned by a solid financial position, Altadis is pursuing a growth strategy based on acquisition and international expansion in order to reinforce its leadership position and create value for its shareholders and employees.	u	7			
		3	Our growth strategy is clear and backed by the appropriate resources.					
		20	International development is a major growth factor for the Altadis Group.					
	00	1	Underpinned by a solid financial position, Altadis is pursuing a growth strategy based on acquisition and international expansion in order to reinforce its leadership position and create value for its shareholders and employees.	u	7			
		3	In 2000, we pursued our international growth strategy and reinforced our domestic market position.					
		4	Altadis maintained its strategy aimed at making its distribution operations a growth driver, in particular through non-tobacco activities that accounted for 41% of total business. Overall, non-tobacco operations should continue to expand in 2001, leading to a rise in profitability.	i	1			
	Q							
						u	7	
						i	1	
						pt		
						nt		
						n		
						c		
						Σ	8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TAB** **Altadis, S.A. (1998: Tabacalera, S.A.)** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	7	As regards globalisation, we have strengthened our 1998 alliance with France's Seita, which will help Tabacalera to meet the challenge of competition in the single European market.	u 6	8
	99	30	Altadis created a network of more than 1,400 first-class gastronomic restaurants in Spain, called Cigar Gourmet, in 1999. The objective is to increase sales for Habanos and Altadis premium brands in these establishments by improving their supply levels, their know-how and their storage-conditions.	i 1	
	00	2	During this first year, we took ambitious steps that include the launch of a major industrial reorganization in Spain, the merger of our US operations, leading to an important reduction in industrial expenses, … These initiatives, which have confirmed our ability to cut costs, will strengthen the Group's competitiveness and continue to deliver significant savings well after the first synergies obtained.	u 6	
		5	We currently estimate that the Group is well on the way to achieving in 2003 the synergies of € 70 - € 100 million per year that were identified and announced when the Altadis Group was created.	i 1	
	Q			u 6 i 2 pt nt n c Σ 8	
8. Liquidity of shares	98				1
	99	1	Altadis is listed on the Paris and Madrid stock exchanges.	u 1	
	00	1	Altadis is listed on the Paris and Madrid stock exchanges and is one of the top companies in the European tobacco sector in terms of market capitalization.	u 1	
	Q			u 1 i pt nt n c Σ 1	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TAB** **Altadis, S.A. (1998: Tabacalera, S.A.)** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	13	To identify the chief risks faced by the Company, and to ensure that adequate internal monitoring and information systems are implemented. … The risk of concentration of power in a single person is limited by the requirement that the Board may not delegate any of its powers to rule on operators that entail the use of substantial Company assets, as well as all major operating involving equities of other firms.	u 6	7
		35	Tabacalera S.A. has taken great pains to ensure that its computer systems function normally at the beginning of the new century, and that there will be no significant problems affecting internal operations, or relations with clients, suppliers, institutions or other third parties…	i 1	
	99	46	Risk-prevention addressed three key workplace issues: safety and hygiene, health monitoring and management of relations with social-security systems. After a study of each of the workstations, risks have been identified in all work centers.	u 5	
	00				
	Q			u 6 i 1 pt nt n c Σ 7	
10. Competitive advantages	98	5	In the cigarette area, Tabacalera's domestic sales increased by 3% in volume and by 12% in value, ensuring that our Company maintained its market leadership with a 47.5% share.	1 market position	4
	99	2	Altadis enjoys a large number of decisive competitive strengths. … The merger has considerably enhanced our brand portfolio. But, more importantly, it has enabled us to leverage the extensive skills base inherited from the long history of our founding companies, and the remarkable ability that both have long demonstrated to adapt and innovate in response to change. These undisputed strength represent our best guarantee for future growth. … The merger will enable us develop new initiatives, particularly in e-commerce, in which we have already made a significant breakthrough.	1 reputation 1 innovation	
	00	1	It [the company] holds forefront positions in each of its three businesses. The Group ranks no. 3 in Western Europe for cigarettes, no. 1 in the world for cigars, and is a leading distributor to tobaconists and convenience outlets in Europe.	1 choice market product	
		3	Altadis is a forefront player in its sectors of operation, and each step taken in 2000 has strenghened the Group's leadership position.		
	Q			u i 4 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TAB** **Altadis, S.A. (1998: Tabacalera, S.A.)** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	6,7	Turning to expense items, Tabacalera has continued to lift productivity and efficiency to levels regarded as acceptable in Europe. In this respect, the company launched a new staff reduction plan, in which some 500 employees last year accepted voluntary severance arrangements, and approximately the same number is expected to leave the company this year, which is in excess of our forecasts.	i 1	9
	99	3	Profitability will spring from growth, a sustained commitment to cost control and the development of synergies. … Even before the merger, Seita and Tabacalera had launched ambitious cost cutting programs. … In addition, we estimate that synergies could reduce costs by EUR 70-100 million in 2003, with EUR 10-15 million already cut in 2000, notably by reorganizing our US operations and reducing purchasing costs.	u 6 i 1	
		33	In 1999, Altadis pursued its initiatives aimed at lowering production costs and increasing quality and productivity.		
	00	5	The total cost of all these plans [that will be closed] will amount to € 452 million, but savings derived from restructuring will reachn € 162 million per year, leading to investment recovery in 2.8 years.	i 1	
	Q			u 6 i 3 pt nt n c Σ 9	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	4	7	4.5	5	7	6	1	6	0	6	54.5
i	additional information	3	0	3	1.5	2	1	2	0	1	4	3	20.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	11	4	10	6	7	8	8	1	7	4	9	75
	ranking among all 38 companies	2	30	7	16	10	13	19	38	15	22	7	

total score:	75	total score without questionnaire:	75.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	6.82	valuation without questionnaire:	6.82
ranking among all 38 companies	17	ranking without questionnaire	15

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.26. Telefónica, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **TEF** **Telefónica, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	10	… the company's strategy to maintain as its priority objective the creation of shareholder value.	u 8	9
	99	8	Our project has also been endorsed by the increase in the value of our shares. During 1999, the value of Telefónica shares grew 96.2%, surpassing all of the main national stock indexes of the countries where we operate and overtaking the average performance of our global competitors. In fact, from 1995 to 1999, Telefónica has created more shareholder value than any other integrated-services operator in the world. We have therefore fulfilled our main goal of achieving exceptional yields for our shareholders.	i 1	
	00	14	… Telefónica's activities strive to … , as well as constantly improve its performance for the shareholders of all the Group's companies listed on the Stock Market.		
	Q			u 8 i 1 pt nt n c Σ 9	
2. Flexibility	98	14	As a consequence of the liberalization of the telecommunications market in Spain, Telefónica is working hard to broaden and diversify its services and, at the same time to rationalize its organization for greater flexibility and efficiency.	u 1	7
	99	7,8	This disaggregation of high-growth business units [e.g. Internet company Terra or cellular operator Telefónica Móviles] has enabled us to dramatically increase our flexibility, offer maximum transparency and enhance the intrinsic value of our company.	u 6	
		51	Telefónica Media is present in the entire value chain of the audiovisual sector; this provides it with great flexibility for distributing and transmitting programs among its differnet companies.	i 1	
	00	8	Telefónica is a vibrant project in a state of constant evolution.	u 2	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TEF** **Telefónica, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	10	The acquisitions made in Brazil have placed Telefónica in the position of leading operator in the largest telecoms market of the region. These investments are part of the company's strategy to maintain as its priority objective the creation of shareholder value.	u 7	9
		52	The priority objectives of Telefónica InterContinental are focused on the development of business opportunities in Europe and the Mediterranean area, basically through the identification of projects with hight potential for growth, strategic value and profitability.	i 1	
	99	18	Also consolidated in this financial year was a new investment process, establishing an investment volume in accordance with the best European practice, based on an investment/revenue ratio which, in 1999 stood at 18.9%, in contrast to the European average of 20.5%.	i 1	
	00	30	From the outset, Telefónica Móviles' strategy was to ensure that its presence in the European market [UMTS] would be compatible with the expected return on the investment …	u 6	
	Q			u 7 i 2 pt nt n c Σ 9	
4. Human Resources	98				7
	99	18	This new organization is based on a change in the corporate culture where salaries are tied to objectives, according to a model which relies on the value of professionalism, teamwork, incentivated individual responsibility, leadership, commitment and transparency. During the year, over 1.8 million student-hours were spent on training.	ru 2.5	
		57	Human Resources corporate activity during 1999 basically aimed to coordinate Human Resources activity, programs and policy under the new scheme of Lines of Business, so as to gradually obtain a common framework and culture where everybody would have a greater sense of belonging to Telefónica, regardless of the employee's place of work.	hu 2	
	00	13	Since the new business model was created, one of the main challenges faced by Corporate Human Resources has been to make Telefónica's Human Capital a clearly differentiating factor and a competitive advantage over the competition, by aligning Human Resources actions, policies and programs with Telefónica's new culture, and giving the new model consistency. All development, identification and training programs are oriented towards this goal, as are specific actions with a global scope, notably the launch of the Employee Stock Opitons Plan (TIES). … Likewise, the High Potential Youth (JAP) Corporate Program, which is becoming consolidated as a program to identify and develop young people with great potential within the Telefónica Group.	hu 3 ru 2.5 hi 0.5	
	Q			u 6.5 i 0.5 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TEF** **Telefónica, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	11	Telefónica means growth, and in this context we must place our decision to substitute the distribution of a dividend by a policy of capital increases charged to reserves, a policy which will be continued if the shareholders' meeting approves it.	u 6	9
		141	This decision comes within the Company's policy of finding alternative forms of shareholder retribution to substitute the traditional cash payment, as it had been decided that no distribution of dividends would be charged to the 1998 results, in order to strengthen the Company's self-financing capacity to take on value generating projects, allowing the shareholder to obtain liquidity through the trading of shares.	u 8	
	99	73	Telefonica´s Board of Directors agree to present, for approval at the next General Shareholders' Meeting, a "split" procedure by which all shares would have a nominal value of 1 Euro each, and a continuation of the free capital increases policy.	i 1	
		74	[April] Telefónica begins its second capital increase charged to reserves in the proportion of one new share for every fifty in circulation, in accordance with agreements adopted by the Extraordinary Shareholders Meeting of June 1998.		
		78	[November] The third free capital increase for Telefónica shareholders begins, allocating 63,976,998 new shares, in the proportion of one new share for every fifty shares held.		
	00				
	Q			u 8 i 1 pt nt n c Σ 9	
6. Growth	98	24	In addition to this quantitative growth, the company also made determined efforts to enter new markets and embark on new value-added activities to improve its competitive position.	u 3	5
		43	[Telefónica Internacional] Telefónica's growth strategy consists of participation in the privatization processes of state-run operating companies, and seeking and evaluating new investment opportunities as a second operator of comprehensive services.	i 1	
	99				
	00	8	The Group has a presence in 46 countries with over 68 million customers, generating revenues of 4.7 trillion pesetas and net profits of 416 billion pesetas. These figures clearly reflect the Group's strength today and its potential for growth and expansion in Latin America, Europe and North Africa.	i 1	
	Q			u 3 i 2 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TEF** **Telefónica, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				9
	99	27	During 1999, Telefónica Móviles concluded agreements with important companies in order to incorporate new content to its service offerings. This has been the case, for example, with TV broadcasters and news agencies such as CNN, Antena 3 and Reuters, whose information is accessable to Telefónica MoviStar customers.	i 1	
		48	the company [Telefónica DataCorp] entered into strategic alliances with Hewlett-Packard and SAP for the development of services; commercial alliances with Microsoft and IBM for service distribution; and strategic alliances for provision of basic technology with Lucent Technologies, Cisco and Nortel.	u 7	
	00	36	The formalization of an alliance with America On Line Inc., the US-based world leader in interactive services, in December 2000, was a major event in the area of commercial activities. As a result of this alliance Telefónica DataCorp will provide network services (domestic switched access and international network capacity) to the main America Online companies in key Latin American and European markets.	i 1	
	Q			u 7 i 2 pt nt n c Σ 9	
8. Liquidity of shares	98				7
	99	203	Telefónica shares are quoted on the Automated Quotation Market of all the Spanish Stock ex changes (Madrid, Barcelona, Bilbao and Valencia) and on the following foreign exchanges: London, Paris, Frankfurt, Tokyo, New York (Quotes American Depositary Receipts (ADR) 1 ADR = 3 shares) and the London Stock Exchange's SEAQ International.	u 4	
	00	49	The 3 to 1 split carried out in June 2000. The objective of this operation was to improve the liquidity of the TPI shares traded on the market, and by the end of the year the share was one of the most liquid on the Madrid trading floor.		
		50	The placement of 3.1% of the share capital of TPI owned by Telefónica, S.A. The objective of this operation was to ensure that TPI would continue to be weighted at 100% of its stock market capitalization on the selective IBEX index by raising the free float to 40.1% of share capital.	u 7	
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TEF** **Telefónica, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	78	Transactions aimed at eliminating or significantly reducing exchange, interest rate or market risk on balance sheet positions or on other transactions are treated as hedging transactions.		
		96	In 1998 the Group continued to use derivatives both to limit interest rate and exchange risks on unhedged positions and to adapt its debt structure to market conditions.	u 6	
	99	58	[a task of Financial Management:] * Financial liability management, seeking to limit financial costs and adopt a cautious approach in order to offset possible negative impacts from future currency devaluations affecting Latin American investments.		
		58,59	On the initiative of Telefónica's Auditing and Control Committee, the company has developed an Internal Corporate Auditing project, aimed mainly at ensuring compliance with prevaliling legislation and regulations, as well as checking the reliability of information, overseeing operational efficiency, and safegurading the image of the Telefónica Group. To this end, any obstacles or risks that might hinder the fulfillment of any of these objectives are evaluated.	u 7	10
	00	8	Nevertheless, any business must weigh the risks involved and address them from the point of view of returns. In Telefónica, we have succeeded in uniting these two criteria with prudence, and our activity has been recognized by the leading international rating agencies. In fact, Telefónoica is currently at the head of the sector in Europe, in terms of market capitalization.	u 9	
	Q			u 9 i pt 1 nt n c Σ 10	
10. Competitive advantages	98	11	Today, one of Telefónica's greatest assets is its brand name.	1 reputation	
		34	Telefónica Móviles has always relied on quality of service as the principal differentiating factor and holds quality certificates for all of its organizational, technological and commercial processes, under the most exacting standards.	1 differentiation quality	
		41	Telefónica I+D has contributed to the competitiveness of the Group companies by making available differentiated products in anticipation of market trends.	1 innovation	
	99	8	Our focus on the Spanish- and Portuguese-speaking market allows us to achieve unique economies of scale and places us on a solid strategic platform from which to launch a strong entry into other major world markets. Our main competitors have wanted to follow our lead. This is why we will improve and redouble our efforts in this project, increasing our competitive advantage.	1 focus / choice market region	
		15	In its first financial year as the fixed-telephony business Line of Activity, Telefónica de España was able to maintain a 94.7% market share of total traffic, despite operating in a liberalized environment. … The reasons … a tariff and price restructuring which made Telefónica's offer more competitive; and … its commercial and marketing policy … in comparision with the offers form other competitors.	1 dominance 1 cost leadership	7
	00	8	Starting from its position as a global operator, our intention is to consolidate Telefónica's position in all of its markets and business segments. Its only through leadership that Telefónica will be able to play a significant role in an increasingly competitive sector… Our Company has developed and grown in a highly competitive environment to become the leading multinational in Spanish and Portuguese speaking markets. We hope soon to conquer commanding positions in other markets.	1 market position	
		14	Throughout the year, actions have been taken to constantly consolidate and increase the value of the Telefónica brand in its global projection, …	reputation	
	Q			u i 7 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TEF** **Telefónica, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99	16,17	Improvements in customer care were compatibel with a cost reduction strategy, reinforcing Telefónica de España's competitiveness. The most important item is personnel expenses, which decreased by 11% with respect ton 1998. … Redundancy measures have significantly contributed to lower personnel expenses, with the agreement to eliminate 10,849 jobs (5,380 in 1999 and 5,479 in 2000). … With respect to other operating expenses, discretionary management spending continued to decrease. An approximate 8,500 million peseta saving has been obtained under the heading of work, supply and services outsourcing and other personnel expenses,…	u 7 i 1 i 1	
	00	12	In the last few months, other cost optimization systems such as the Shared Service Centers which have achieved major progress and will be further developed during 2001 onwards;	i 1	10
	Q			u 7 i 3 pt nt n c Σ 10	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	6	7	6.5	8	3	7	7	9	0	7	68.5
i	additional information	1	1	2	0.5	1	2	2	0	0	7	3	19.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	1	0	0	1
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	9	7	9	7	9	5	9	7	10	7	10	89
	ranking among all 38 companies	12	7	17	13	3	27	13	7	5	1	4	

total score:	89	total score without questionnaire:	89.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	8.09	valuation without questionnaire:	8.09
ranking among all 38 companies	5	ranking without questionnaire	3

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.27. Tele Pizza, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **TPZ** **Tele Pizza, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	5	In conclusion, I [Leopoldo Fernández Pujals, chairman] wish to take this opportunity to thank you [the shareholders] for your trust and support while ensuring you that the members of the Tele-Pizza team will do everything in their power to increase the success already attained, efforts which will undoubtedly be a source of great satisfaction.	u 4	4
	99	13	These new opportunities should allow us to deliver our shareholders the profit-growth that your confidence in TelePizza and its management deserves.	u 4	
	00				
	Q			u 4 i pt nt n c Σ 4	
2. Flexibility	98		The investment made to obtain 84,7% of Luxtor, S.A.'s share capital was 774 million pesetas and there is an option to buy the remaining shares at a fixed price of 150 million pesetas.	i 1	6
	99				
	00	27	TelePizza strengthens its management team in order to implement the new 2001-2003 Strategic Plan, adopting a more operational and flexible organisation based around in three fundamental business sectors: The Home Delivery Division, The Restaurant Division and The Logistics, Supply and Manufacturing Division, with three support units.	u 5	
	Q			u 5 i 1 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TPZ** **Tele Pizza, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	51	.. Acquisition half way through the year of Luxtor, S.A. This was a strategic decision to ensure the supply and quality of cheese, a raw material basic to the preparation of our pizzas. The investment made to obtain 84,7% of Luxtor, S.A.'s share capital was 774 million pesetas and there is an option to buy the remaining shares at a fixed price of 150 million pesetas.	u 5	
		52	Investments and improvements have also been made to improve the production lines and dry and cold storage capacity at the Guadalajara and Sant Quirze Production and Distribution Centers. These improvements have made possible to step up production of dough for pizza bases by 34% compared with 1997.	i 1	
	99				
	00	38	In this way, and with a minimum investment, outlets now have the capacity to produce 90% of the products demanded by the fast food consumer.	u 6	9
		38	In addition, the TeleGrill and TeleOriental business lines are being closed down. These required large investments and high break-even points without giving positive returns.	i 1	
		39	Investment Policy: A series of plans were instigated in the year 2000. These focus on core business investment such as the Overall Production and the Overall Information Systems Plans. Work was also carried out on the segmentation and usage of the customer database.	i 1	
	Q				
				u 6 i 3 pt nt n c Σ 9	
4. Human Resources	98	5	The creativity and motivation of our human resource team enables us to venture into a very promising future.	hu 2	
		22	Commitment and involvement of our Human Resources ·… making each of our employees a manager in his or her post … to achieve goals and solutions creatively. · Bolstering creativity so that everyone can offer solutions to problems. … · Assuming and focusing on our mission. "Expand and grow." · Ongoing training through self-teaching, customized training in the workplace and courses organized by the Human Resources department. · Promoting internally so as to offer our employees the professional development opportunities arising out of our business.	hu 3	
	99	13	Finally, I cannot sign off without mentioning one of the company's most valuable assets; the staff who work for us. Everyone in the organisation can be proud of the excellent team of professionals that we have built up here at TelePizza. The staff is without doubt the secret ingredient in the company's strength and I cannot let this opportunity go without thanking all of them for the effort, responsibility and dedication that they show to TelePizza. (Pedro Ballvé Lantero, Chairman)		
		70	Ever since it began, TelePizza has placed special attention on recruiting, training and developing the persons who make up our workforce, always seeking our employees who stand out for their high potential and committment to the company.	hi 0.5	
	00	39	An expert in this field [HR] was appointed during the year 2000 and an overall plan was drawn up. This includes adaptation to the new social realities of key aspects in Human Resources such as profiles, training, company loyality and sources of staff selection and recruitment. In addition, a new organisation chart has been established using an organisational matrix model that allows managerial procedure to be optimised and more effective.	hu 3	9
		60	A great effort was made to strengthen initiatives aimed at increasing employee loyality, …	hi 0.5	
		61	Training constitutes one of the Human Resources Department's priorities.	hi 0.5	
	99	232	At the meeting held to prepare these consolidated annual accounts, the Board of Directors agreed to propose two TelePizza share option plans in the terms expressed below for the approval of the shareholders in general meeting: · Special share option plan for a maximum of 2,400,000 shares, at a price of 4.60 euros per share [closing price 1999: 4.20 euros], which may be exercised at different maturities from December 10, 2000 to December 31, 2003. · General share option plan for a maximum of 4,293,170 shares, at a sales price to beneficiaries of 5.32 euros per share, which may be exercised at different maturities from June 1, 2000 to December 31, 2003. In both plans the sale price of own shares to beneficiaries would never be lower than the purchase prise for shares set aside these plans.	ri 0.5 ru 4	
				u 7 i 2 pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TPZ** **Tele Pizza, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	23	To further stimulate growth and expansion, our shareholders renounced dividends.	u 6	7
	99	36	The Board of Directors has unanimously agreed to submit the proposal that 100% of the Company's profit be transferred to reserves for approval at the General Shareholders' Meeting. When preparing this proposal, the Board took into account the investments planned for 2000.	i 1	
	00				
	Q			u 6 i 1 pt nt n c Σ 7	
6. Growth	98	5	… our business vision: to be the "leaders in the restaurant sector in the countries where we operate" and to achieve our mission "We must grow".	u 1	7
		5	TelePizza has demonstrated its ability to increase its share of the market over the past few years to such an extent that such growth is now considered a normal state of events for our company.	u 1	
		74	The short to medium term outlook for the TelePizza Group is conditioned by its opportunities for growth…		
		78	TelePizza's principal goal is "to be number one in whatever country we compete in".		
	99	13	These results [net profit of Ptas. 4.501 billion] constitute an opportunity to give a fresh impetus to TelePizza's business, and to advance to new levels of growth and profitability.	u 4	
		13	For TelePizza, 1999 was a year of transition towards the next phase of development. Over the year we worked hard to prepare the company to advance down three new product paths, while still maintaining the customer service that characterises TelePizza. Our first strategy for growth is to widen and diversify the range of products we offer. … The second plank of our growth strategy is to intensify our internationalisation. … The last plank of our strategy is to seek out new business areas offering synergies with our core business…	i 1	
	00	15	During the second half of the year, this aforementioned redefinition manifested itself in the drawing up of the Strategic Plan, which served to identify the new growth concepts behind the projections for the financial year 2001 and beyond. We are confident that these will result in a notable increase in both turnover and profit.	u 6	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TPZ** **Tele Pizza, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	48	The progress of Pizza World in 1998 has on the whole been very positive. The opportunities offered by this acquisition, in terms of improved store management and reorganization of locations of Pizza World and TelePizza stores, have been made the most of. One sign of this is the significant growth in average monthly sales from the stores, which have risen from 3.6 million pesetas in June 1997 to 5.9 million pesetas in December 1998, i.e. growth of 64%.	u 8	9
	99				
	00	26	Terra Networks, S.A. and Tele Pizza, S.A. reach a memorandum of understanding to jointly deve-lop and implement the commercialisation of convenience products via the Internet and telephone.	i 1	
	Q			u 8 i 1 pt nt n c Σ 9	
8. Liquidity of shares	98	68	A split was performed in May, reducing the nominal value of the shares from 100 ptas. to 5 ptas. … The decision brought TelePizza shares within the reach of a greater number of investors, in particular small and medium sized investors, while increasing the liquidity of our stock. In June 1998 TelePizza shares were included in the Ibex 35 index.	u 7	7
	99	88	At December 31, 1999 TELE PIZZA, S.A. capital stock wa composed of 214,658,500 bearer shares with a par value of 5 pesetas each. … listed on the Bilbao, Valencia, Madrid and Barcelona Stock Exchanges and are traded on the automated quotation system linking the four exchanges … TelePizza shares having been quoted in 249 sessions. In all, some 421,283,918 shares were traded on the continuous market, with an average daily trading volume of Ptas. 1.525 billion or 1,691,903 shares.		
	00	26	The subscription to the ADR (American Depositary Receipt) programme, level I, is approved by the Board of Directors. This will be developed with the Bank of New York acting as the depository entity. This programme became operational as of December 5. The main objective of the pro-gramme is to make TelePizza shares more accessible to all American investors.	u 7	
		83	On the other hand, the stock showed a great deal of liquidity. The number of securities traded rose by 44.82% to reach a total of 610,108,945.		
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TPZ** **Tele Pizza, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				
	99				
	00	37	Relationship with the franchisees have been strengthened and a franchise oriented development model similar to that favoured by the principal multinational fast food chains has been created. This model allows for more rapid growth involving less risk and investment on the part of TelePizza.	u 5	7
		55	The development of "crème fraîche" for use in the preparation of the new TelePizza Carbonara with the aim of eliminating any dependence on external suppliers and integrating the product's margin.	i 1	
		57	The implementation of new analysis techniques to increase quality control involving the products sold by the Group.	i 1	
	Q			u 5 i 2 pt nt n c Σ 7	
10. Competitive advantages	98	47	Marketing activities in Poland were oriented towards bolstering sales and were focused on the following actions: … All these actions have contributed to reinforcing our image.	1 focus 1 reputation	
		50	TeleGrill's distinctive advantages over its competitors which the group wants to take advantage of are: · Quality products. · Considerable experience in home deliveries, mainly guaranteed by Tele-Pizza. · Product novelty and preparation within the home delivery sector.	1 differentiation quality 1 innovation	
	99	13	we should be aware of the enormous importance of the TelePizza brand name, the qualtiy it represents and the confidence it commands among our customers. It is a name we must treasure as we take the company forward into new areas of activity.	reputation	
		51	The TelePizza Group remains indisputable leader of the Spanish pizza market, and has actually raised its share over 1999: … TelePizza comes out as the best-rated brand on the following attributes: a company you can trust (50.3%), price premium justified (17.1%), assured quality (36.7%) and a product for all the family (55.5%).	1 market position reputation	
	00	15	Specifically speaking, where the pizza segment is concerned, our Group strengthened its indisputable leadership by increasing its market share from 59.8% to 62.1%.	1 size	6
		41	Surprising the customer and differentiating the TelePizza product from the rest were the objectives of this strategy. The hoped-for results were achieved, with TelePizza rising from forth to second place in the innovative fast food brand ranking (Prometheus).	differentiation innovation	
	Q			u i 6 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **TPZ** **Tele Pizza, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99	53	As to store management, a cost rationalisation plan has been launched with the accent on fixed-cost elements, which has already netted significant savings at the level of supplies. This plan will continue through the year 2000, targeting deeper savings in supplies and other expense items like coupons, mail and courier services.		6
	00	15	During the financial year in question … creating a new organisation that makes it easier for those responsible for operational functions to focus their work and effort on getting results, exercise a regid control over expenditure, …	u 6	
	Q			u 6 i pt nt n c Σ 6	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	4	5	6	7	6	6	8	7	5	0	6	60
i	additional information	0	1	3	2	1	1	1	0	2	6	0	17.0
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	4	6	9	9	7	7	9	7	7	6	6	77.0
	ranking among all 38 companies	33	14	17	2	10	17	13	7	15	6	22	

total score:	77.0	total score without questionnaire:	77.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	7.00	valuation without questionnaire:	7.00
ranking among all 38 companies	15	ranking without questionnaire	13

98 Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99 Annual Report 1999	ger	german	i	additional information	c	contradiction
00 Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q Questionnaire			nt	negative tendency	h..	HR measures

3.2.28. *Unión Eléctrica Fenosa, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **UNF** **Unión Fenosa, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)				Score
1. General attitude towards shareholder value	98	76	The Shareholder Information Offices in Madrid and La Coruña were very active in 1998. The number of inquiries dealt with and letters sent totalled 28,366. The Madrid (Capitán Haya, 53) and A Coruña (Fernando Macías, 2) offices can be contacted by calling the toll-free number (900 121 900) or writing to the electronic mail address (accion@pop.uef.es) to obtain a rapid reply to any query.	i	1			8
	99	2	These figures reflect the success of our business strategy and have given Unión Fenosa a news dimension, strengthening its capacity to continue growing and creating value for its shareholders.	u	4			
		108	The Shareholder Information Offices in Madrid and La Coruña were very active in 1999.					
		108	Over 1,500 shareholders and their guests visited the Bolarque (Guadalajara) hydroelectric plant…	i	1			
		109	In 1999 UNION FENOSA organized briefings at the Madrid Stock Exchange to provide up-to-date information to institutional investors and financial analysts on the main actions taken by the Company and on its strategy and targets for the coming years.	i	1			
	00	2	UNION FENOSA now occupies a very favorable strategic position, one which enables it to guarantee, both at medium and long term, sustained creation of value for its shareholders.	u	5			
		125	UNION FENOSA was awarded the prize for the best shareholder and investor information by the Barcelona Chamber of Commerce, Industry and Navigation and was cited by the financial journal "Actualidad Económica" as one of the three top-ranked IBEX-35 companies in this connection.	i				
	Q		The company considers shareholders as important as other stakeholders.					
						u	5	
						i	3	
						pt		
						nt		
						n		
						c		
						Σ	8	
2. Flexibility	98	5	This corporate restructuring will be accompanied by a reorganization of the other areas of business, and both measures will contribute to clarifying the organization of our corporate Group and making it more flexible and efficient.	u	5			8
		3	Our generating plant proved its flexibility in adapting to the new system of operating [in competition].	i	1			
		67	The working day may be adjusted to match production needs or customer service requirements.	i	1			
	99	25	UNION FENOSA has been consolidating and expanding its position in new businesses, … by … making the organization flexible, …	u	5			
	00	3	Although all the legal formalities [to merge with Hidrocantábrico] had been satisfactorily completed, this transaction was refused [by] government authorization and therefore did not materialize. Our Group responded to this setback by embarking upon new growth initiatives and successfully developing new business projects, most notably the agreement secured for the supply of gas from Egypt.	u	5			
		31	In 2000 the UNION FENOSA trademark was redesigned in order to better reflect the Group's new dimension. The current corporate identity embodies a more modern and flexible image.	i	1			
	Q							
						u	5	
						i	3	
						pt		
						nt		
						n		
						c		
						Σ	8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **UNF** **Unión Fenosa, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)				Score
3. Investments	98	31	… new investments were made in natural gas-fired plants under 10 MW, which qualify for more favorable treatment under the new regulations, obtain higher prices for power sold to the grid and have more price stability in the long term.	i	1			11
		43	… customers' demand for power and [..] the need to improve the quality of the product we supply [..] are two of the basic factors determining investment, which is made on the basis of profitability. The third is the improvement of efficiency and, consequently, of results.	u	5			
		56	As a result of these actions [investments in telecommunications], the value of all this business division's investments has increased notably.	u	7			
	99	3	The Group's foreign investments were strongly intensified throughout the year. … Through its investments in distribution companies Unión Fenosa acquired interests in companies supplying electricity to six million foreign consumers.	i	1			
		4	Unión Fenosa's participation in the telecommunications sector has been one of our major sources of the creation of value. Our Group's highly favorable strategic position in all the segments of this activity was reinforced in 1999 with new investments in the cable and digital television companies Retevisión and Amena.	u	7			
		31	The Foreign Investments Division controls the course of investments abroad.	i	1			
	00	3	As regards the second of the Group's strategic priorities, that of expanding into new markets and businesses, 2000 witnessed a significant extension of UNION FENOSA's presence in foreign markets through investments abroad totaling Ptas. 1,275 million. All of these investments are of a strategic nature and afford sound prospects of growth and returns.					
		121	The sustained growth and the strategic investments in high growth-potential businesses made it possible to maintain a high pace of value creation.	u	8			
	Q	en sp	Financial precondition to undertake an investment: Internal Rate of Return of Free Cash Flow = Weighted Average Cost of Capital, using a procedure that considers risk associated (operational, political, financial, etc.). Results are validated using multiples. Investments must be consistent with the corporate strategy. Success of investment projects is measured by a recalculation of the IRR and the calculation of value creation for shareholders. International investments are based on a good knowledge of the respective market. The company aims to diversify internationally in order to mitigate regulatory and exchange risks. International investments are managed by SOLUZIONA to obtain synergies and undertaken with experienced foreign partners.	u	8	u i pt nt n c Σ	8 3 11	
4. Human Resources	98	69	The new model of labor relations envisages training as the dynamic management of knowledge by means of developing employees' skill profiles in order to bring them into line with those required by the organization on an ongoing basis.	hu	3			8.5
		69	Evaluation of employee satisfaction at the end of the training course: 8.2 out of 10.	hi	0.5			
		70	Particular attention was paid to the development of preventive medicine as an essential means of improving employees' health and avoiding illness.	hi	0.5			
	99	33	One of the principles underpinning UNION FENOSA's corporate strategy is the ability to capitalize on the knowledge and experience acquired by its people and by the organization during its internal business and transformation process. … The commitment to knowledge was one of the essential factors which led UNION FENOSA to extend its activities into very diverse markets and business areas. The experience acquired and lessons learnt in these new activities constitute, in turn, a new resource for continuing growth and the creation of value. … A company is not valued solely on the basis of its economic and financial indicators. Of special importance is Intellectual Capital, …	hu	4.5			
		32-57	26 pages presenting the company's management of intellectual capital	hi	1			
	00	5	UNION FENOSA, convinced of the importance of fostering its human capital, continues to devote considerable resources and efforts to the training of its people and to the management of the Group's Intellectual Capital. Noteworthy in this connection was the creation in 2000 of the UNION FENOSA Corporate University, which features the latest advances in corporate training systems and constitutes a valuable tool that will encourage the continuous development of our personnel and strengthen the corporate culture of our Group and the values that it embodies.					
	Q	en sp	75% of the staff is eligible for bonus payments in form of stock option plans and variable remuneration by objectives which is paid within 3 months after year end closing. HR measures appropriate to help creating shareholder value: attract and retain well trained persons with high capacities, selection as a fundamental tool of organic growth, strong investments in training and development of professional careers (creation of the Universidad Corporativa Unión Fenosa), guarantee of professional growth of employees and achievement of high levels of fulfillment in line with the strategic objectives.	ru	2.5	u i pt nt n c Σ	7 1.5 8.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **UNF** **Unión Fenosa, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)				Score
5. Dividends	98	4	The income obtained by Unión Fenosa in 1998 enables the Board of Directors to propose to the Shareholders' Meeting the payment of a gross dividend of Ptas. 57 per share, plus an attendance fee of Ptas. 3 per share. The dividend and premium submitted for approval to the Shareholders' Meeting entail a 12% return on par value, one percentage point higher than in 1997.	u i	5 1			6
	99	4	The income obtained in 1999 enables the Board of Directors to propose to the Shareholders' Meeting the payment of a gross dividend of Ptas. 66 per share, plus an attendance premium of Ptas. 6 per share, which together signify a 14.4% return on the share par value, 2% higher than in 1998.					
	00	4	The income obtained in 2000 enables the Board of Directors to propose to the Shareholders' Meeting the payment of a gross dividend of Ptas. 73 per share, plus an attendance premium of Ptas. 2 per share, which together signify a 15% return on the par value of the shares.					
	Q	en	Dividend payments create shareholder value because it is a tangible way to remunerate capital. The company pursues a dividend policy that aims at a combination of increases in dividend paid as well as reducing the pay-out ratio.			u i pt nt n c Σ	5 1 6	
6. Growth	98	4	… growth will be the main factor in creating shareholder value	u	7			9
	99	2	The year which has just ended was particularly important for Unión Fenosa, due to the strong growth of its major economic and financial variables …					
		25	Activities unrelated to electricity in Spain and abroad account for 28% of UNION FENOSA's total recurrent income after taxes and are responsible for the Group's greater capacity for growth and creation of value.	i	1			
		113	The consolidation of UNION FENOSA's activities will lead to a steady growth in income al all its business divisions over the next few years.					
	00	2	In 2000 all the Company's divisions succeeded in fulfilling their respective business plans, contributed to the increase in the size of our Group and strengthened their capacity to ensure continued profitable growth in the next few years.	i	1			
		3	UNION FENOSA laid the foundations for its growth in the Spanish electricity business, thereby demonstrating once again its dynamic nature and its ability to react.					
		8	The strategic position provided by the new businesses constitutes a guarantee for the Group's sustained future growth.					
	Q	sp	Growth is a means to achieve other objectives, namely to achieve a strategic positioning in sectors with a projection of future profitability. The company wants to grow what corresponds to increase profits in accordance with the business plan.	u	6	u i pt nt n c Σ	7 2 9	
		en	Growth with no capital issues means value creation for shareholders. Growth objectives must be achieved taken into consideration other objectives such as our role in the society and the improvement of the quality of live of our employees. Market share growth can contribute to shareholder value creation when it is a key point for value creation within the company.					

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **UNF** **Unión Fenosa, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)		Score
7. Mergers and Alliances	98	5	… the alliances with major business groups which will contribute decisively to growth in our Group's various activities. Noteworthy among these alliances was that established with the UK company National Power as a strategic partner in electricity generation. This alliance, which will play a major role in the Group's future, is structured as the acquisition by National Power of 25% of the future Unión Fenosa Generación, the company to which all generating assets will be transferred in the coming months. This agreement will significantly strengthen Unión Fenosa's competitiveness and give it greater capacity to operate in the gas market; at the same time, the two partners will benefit from the exchange of experiences and technology and from the greater scope for growth in the electricity and other business in both the domestic and internat. markets.	u 8		9
	99	4,5	On March 24, 2000, Unión Fenosa submitted to the Spanish National Securities Market Commission a public offer for the purchase of all the shares of Hidroeléctrica de Cantábrico, S.A. at a price of Euros 24 per share, with the option of an equal-footing share exchange for up to a third of all shares of Hidroeléctrica del Cantábrico offered for purchase. The integration of Unión Fenosa and Hidroeléctrica del Cantábrico is a unique opportunity for both companies to benefit from the advantages of joining forces, to expand all their activities and to improve their competitiveness. I am convinced that the success of this operation will not only contribute to making the Spanish electricity system more dynamic and competitive, but also provide undeniable advantages for the future development of Unión Fenosa and for all its shareholders. (José Mª Amusátegui de la Cierva, Chairman)	u 8		
	00	30	A salient event in 2000 was the bid by UNION FENOSA for all the shares of Hidroeléctrica del Cantábrico. The Group saw this bid as an opportunity to achieve further growth in the Spanish electricity industry. … Some month after the launch of the bid, the Spanish government refused to authorize the transaction on the grounds that it adversely affected competition.	i 1		
	Q	sp en	The objective to acquire another firm is to offer added value and to endow the resulting group with a major potential in the global economic framework. Considerations to prevent or defend a "hostile takeover": Our shareholding structure and by-laws contain enough measures to prevent from a "hostile takeover". Shareholders' loyality is a key point to prevent from this. Create value for shareholders is the financial and strategic motive and condition for a successful merger. Significant milestones of a merger process and post merger integration: proposal to the company, acceptance by the target firm (shareholders), acceptance by the government. Whether or not a strategic alliance is better as a merger depends on the situation.	u 7	u 8 i 1 pt nt n c Σ 9	
8. Liquidity of shares	98					8
	99	107	The very high liquidity of UNION FENOSA's stock is evidenced by the volume of trading in its shares. 239,633,901 UNION FENOSA shares were traded in 1999, equal to 78.7% of its capital stock.	u 5		
	00	122	The very high liquidity of UNION FENOSA's stock is evidenced by the volume of trading in its shares. 329.526.136 UNION FENOSA shares were traded in 2000, equal to 108.16% of its capital stock.	u 5		
	Q	en	Liquidity of shares increases shareholder value as it makes easier to make effective the investment decision made by the shareholder. How can you increase the liquidity of your company's shares? Prevent distorsion movements in the value and improve the visibility of the shares.	u 8	u 8 i pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **UNF** **Unión Fenosa, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	48,49	… diversification businesses already provide 20% of the Group's combined earnings and this portion will increase in future years. These results were made possible by the Group's knowledge of international markets, which enabled it to select investments in less explored areas that, consequently, offer higher returns, without neglecting the criterial of prudence and minimum risk which have always guided our Group's development.	u 5	
	99	25	Also, since all the units and companies comprising the UNION FENOSA Group will receive the same information from standardized management systems, the new structure will facilitate risk management and reinforce risk control.	u 8	
	00	56	In 2000 the analysis of workplace accident levels and absenteeism was extended to include all UNION FENOSA Group companies. Accident frequency stood at 8.4% whilst the index reflecting the seriousness of accidents was 0.55% and the rate of absence due to common illnes was 2.9%.	i 1	10
	Q	in	Current β˜ 1.05, the company is rated Standard & Poors': A and Moody's A2. Cornerstones of the risk management: risk monitoring (strategic, operational, financial, credit, regulatory/legal, market), risk measurement (if possible using quantitative methodologies), hedge extreme risks and not core competence risk, active management of "core competence" risk. Diversification: different business in different areas contribute to reduce the overall risk, financial debt is also diversified in order to take advantage of diversification. Optimization of capital structure: business with higher risks require more capital. Political risks are transferred if possible. Active management of business portfolio (cash flow). FX + IR hedging. Responisibility for risk management: operational risks are managed at a Division level, risks shared within the organization (i.e. financial) are concentrated and managed at the corporation, centralized risk control unit at the corporation. Determination of riks of investment projects: beta of the project is calculated depending on evaluation of risk factors, high risk projects would have a higher risk (WACC), consistency in the evaluation of risk factors (divisions, corporation).	u 9 i 1 pt nt n c u 9 Σ 10	
10. Competitive advantages	98	3	The Company's share of the generating market was over 13% of the total for Spain's four electric utility groups, and its prices and margins were similar to the sector average.	1 market position	
		5	Unión Fenosa is also implementing a stringent program to cut overheads in electricity generation and distribution which, coupled with efficient fuel management, will enable it to face the challenge of narrowing margins as a result of a market with falling rates, thereby contributing to increase the return on the electricity business.	1 cost leadership	
	99				
	00	3	Also in 2000, in view of the increasing level of competition in the markets, our Group's sales activity was boosted through the creation of UNION FENOSA Multiservicios, which manages, with utmost efficiency, the retailing of both energy products and other products and services.	market position	4
		4	SOLUZIONA, which groups together all UNION FENOSA's professional services companies, has been extremely well received in the Spanish and international markets and represents one of the most significant differentiating features of our Group.	1 differentiation	
	Q	sp	Main competitive advantages: profit from knowledge and experience of the professional team, favorable strategic position in sectors with high potentials of growth, high level of knowledge of the utilities' sector. Strategies to create competitive advantages: integration of capacities in a sector that is very fragmented, development of integral solutions, adequate management of intellectual capital, profit from synergies and development of strategic alliances, generation of value through investment in segments with increased growth, presence in the whole chain of the "goo" from the acquisition in its origen.	1 focus u i 4 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **UNF** **Unión Fenosa, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	5	Unión Fenosa is also implementing a stringent program to cut overheads in electricity generation and distribution which, coupled with efficient fuel management, will enable it to face the challenge of narrowing margins as a result of a market with falling rates, thereby contributing to increasing the return on the electricity business.	u 5	7
		81	Unión Fenosa is also undertaking a demanding project to reduce operating and generation maintenance costs which, together with efficient fuel management, are enabling the returns of this business to increase;	u 6	
	99	25	This reorganized structure will coordinate initiatives, benefit from the synergies of intra-Group relationships and make processes more efficient while reducing costs.	u 5	
	00				
	Q	es	The company is currently running a cost cutting program. Cost cutting strategies consist in the development of processes and management systems of common and integral character.	u 7 u 7 i pt nt n c Σ 7	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	5	5	8	7	5	7	8	8	9	0	7	69
i	additional information	3	3	3	1.5	1	2	1	0	1	4	0	19.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	8	8	11	8.5	6	9	9	8	10	4	7	88.5
	ranking among all 38 companies	20	3	3	3	18	5	13	5	5	22	17	

total score:	88.5	total score without questionnaire:	80.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**8.05**	valuation without questionnaire:	**7.27**
ranking among all 38 companies	**6**	ranking without questionnaire	**10**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.29. Uralita, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **URA** **Uralita, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	9	The key objective of the [strategic] plan is to consolidate growth of Uralita's turnover and to achieve a positive valuation by capital markets, making the Company attractive to potential investors. To achieve this, the Strategic Plan establishes three main action axes: … and a very active policy of attention and remuneration to our shareholders.		10
		11	We are sure that we will achieve our goal to maximise the return on our shareholders' investment by giving the best service to our clients.	u 10	
	99	11	Our efforts will remain focused on the creation of shareholder value and to this end we are committed to continued earnings growth and to making further market share gains at the expense of our competitors.	u 8	
	00	11	I would not want to end this letter without first thanking all of our shareholders for their support and confidence, and all Uralita Group employees for their efforts and dedication which have made a vital contribution to achieving our objectives and to all of the projects aimed at improving our competitiveness and growth, and as a result to the generation of earnings and sustained value. (Juan Miguel Antoñanzas, Chairman of the Board of Directors)		
		13	… a clear aim: to be useful to society, aiming to create value for all those involved in our business project: shareholders, collaborators, clients and suppliers. (Manuel Masnou Puig, CEO)	u 6	
	Q			u 10 i pt nt n c Σ 10	
2. Flexibility	98	10	In Uralita we encourage constant innovation and quality improvement of our products and services as a way to generate value for our clients and quality of life for the end users.	u 2	2
	99				
	00				
	Q			u 2 i pt nt n c Σ 2	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **URA** **Uralita, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	13	We are carrying out investments that will provide an important potential profit growth in the next years.	u 4	7
		13	As a result of the investment policy of the last two years, growth products have increased in 8 points their share on total sales of URALITA, while mature products and the Chemical Activity have decreased their participation by 4 points each.	i 1	
		29	The investments made, coupled with the improvement achieved in industrial processes, enabled major cost reductions over last year to be realized.	i 1	
	99	13	… our new Business Plan, which we hope will enable us to boost both sales and earnings, by reinvesting cash flows,…		
		40	Acquisition of Fibraver, France's second largest producer of glass whool with a plant in Beaucaire, Provence. This strengthens our position on the south-eastern European market.	i 1	
	00	11	Uralita has continued to develop its long-term growth strategy and, in pursuit of this, over Ptas. 30 billion was invested in 2000. These investments have contributed to the 20% increase recorded in sales.		
		12	A large investment of significant strategic importance was the acquisition of the Cerámicas Estructurales Group, one of the leading fireclay producers in Catalonia. The acquisition makes Uralita leader of the fireclay market in north-eastern Spain as it is in Portugal.		
	Q			u 4 i 3 pt nt n c Σ 7	
4. Human Resources	98	9	Aware of the extreme importance of our human resources and the potential they hold, we have started in 1998 the Managers Development Program. The objective of the programme is to promote the development of the abilities of our people through training and motivation to achieve their maximum professional and personal potentials.	hu 2.5	4
		9	Our team made up by over 5,000 women and men deserves a very special mention as the most significant factor making possible our results.	hu 3.5	
	99	11	We made further progress on implementing our career plan system. Special attention being given to our staff on our PDG plan. As a result we are able to fill majority of vacancies and new posts internally.	hi 0.5	
	00				
	Q			u 3.5 i 0.5 pt nt n c Σ 4	

98 Annual Report 1998	sp spanish	u general understanding	n no statement
99 Annual Report 1999	ger german	i additional information	c contradiction
00 Annual Report 2000	en english	pt positive tendency	r.. remuneration
Q Questionnaire		nt negative tendency	h.. HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **URA** **Uralita, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	10,11	We believe in a Company that not only gives satisfaction to clients and end users but also gives added value to the Shareholders. This is why during 1998 we have continued with a generous policy of retribution to the Shareholders. This policy materialised in an ordinary dividend of Ptas. 40 per share (gross) and an additional payment of Ptas. 40 as face value reduction which, combined with the attendance premium for the shareholders' meetings during the year, totalled Ptas. 82.5 per share. This combination of payments allowed Uralita to be over the average of the companies forming the IBEX index regarding compensation to shareholders.	u 4	6
	99	11	At the same time we plan to continue paying dividends, so ensuring that our growth policies do not mean shareholders are obliged to sell their shares to obtain liquidity.	u 5	
		13	Although investment was up, thanks to strong cash flow and low gearing we are able to distribute Ptas. 4,166 million to our shareholders in the form of dividends, a nominal reduction and an attendance premium.	i 1	
	00	11	Even whilst carrying out a major investment programme, it has been possible to continue paying dividends, with shareholders receiving Ptas. 45.76 per share, a 4% return on the average market price.		
	Q			u 5 i 1 pt nt n c Σ 6	
6. Growth	98	9	The key objective of the [strategic] plan is to consolidate growth of Uralita's turnover and to achieve the level of profitability to guarantee a positive valuation by capital markets, making the Company attractive to potential investors.	u 5	7
		12	… we will increase out sales abroad to achieve economies of scale		
	99	13	By reviewing our strategy we expect to be able to step up growth rates, …		
		13	Meanwhile the URALITA Group will continue to focus on those strategic businesses which offer the best growth potential and the best expected future profits, …	u 6	
	00	10	In this scenario, Uralita has continued to grow in the various markets in which it is present, with sales of Ptas. 184,619 million, growth of 20% on 1999. … there has been a strong increase in operating cash flow, which has risen to almost Ptas. 26.0 billion, up 22% on last year.	i 1	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **URA** **Uralita, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	28	In the pipe business, the seven companies through which the activity was conducted were merged into one new company called Uralita Sistemas de Tuberías, S.A. This resulted in a far-reaching re-organization in the industrial, administrative and commercial areas, thereby enabling the organiza-tion to focus on customers, to significantly lower the break-even point, and to place the organiza-tion on a footing for domestic and international expansion.	u 6	6
	99				
	00				
	Q				
				u 6 i pt nt n c Σ 6	
8. Liquidity of shares	98	44	The frequency index was 100% which, along with the previous figures, shows the high liquidity of our shares, currently floating at a 100% of the Capital.	u 2	9
	99	42	The Uralita Group is listed on the Spanish continuous market in Madrid, Barcelona and Valencia… 62,629,889 Uralita shares, whith an overall value of €512,266,150 (1.44 times the total average number of shares in the year) changed hands in 1999, … Trading frequency was 100%. This, to-gether with the above data, highlights the considerable liquidity of our stock, 100% of which is free float.	u 5	
		43	… last year the Uralita share was dropped from the Ibex-35, the index of the 35 most liquid shares on the Spanish stock market. This was announced in December 1999 but had been discounted in the share price through the preceding quarter.	i 1	
	00	11	The average daily trading volume was 274,401 shares, with a trading frequency of 100%.		
		48	68,600,154 Uralita shares, with an overall value of €509,203,058 (1.64 times the total average number of shares in the year) changed hands in 2000, … Trading frequency was 100%. This, to-gether with the above data, highlights the considerable liquidity of our stock, 100% of which is free float.		
		48	It [share price] fell at the start of the year, largely due to the Uralita stock having been dropped from the Ibex-35, though this factor had already begun to be discounted by the market in the last few months of the previous year.	u 8	
	Q				
				u 8 i 1 pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **URA** **Uralita, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	13	Adjusted our capacity to sustainable, mid-term demand levels and finished the change of our technological process of substitution of asbestos for alternative fibres, we have considered appropriate to make an extraordinary provision against the end of the process reserves to cover all future expenses yet left to be incurred. With this provision we would like to eliminate future uncertainties and allow our shareholders to have a better view of the real progress of the results of our Group, free from effects of the restructuring process that will become part of the past.	u 5	5
	99				
	00				
	Q			u 5 i pt nt n c Σ 5	
10. Competitive advantages	98	12	The [Strategic] Plan pursues the goal of a deep transformation of the activities of the Group as a whole, concentrating our efforts in the strategic sector and divesting the non synergetic ones. We will increase our sales abroad to achieve economies of scale and increase our competitiveness.	1 focus 1 cost leadership 1 differentiation	5
		11	We are well aware that the trust of our clients and shareholders and the dedication of our team are our major competitive advantage and the most solid guarantee that the Uralita Group will continue as the leader of the building materials sector.	personnel	
	99				
	00	13	We have also carried out projects for the future such as the implementation of a new "SAP" IT system which involves having to work with two management systems at the same time during development and instalation but which will improve our future competitiveness both in cost terms and as regards information quality and connectivity to internet systems.	cost leadership	
		25	In keeping with the Strategic Plan, the activity of the Roof Tiles and Bricks Division in 2000 focused basically on the improvement of its positioning in tiles, the extension of its business to other ceramic facing products (through the acquisition of Cerámicas Estructurales) and the continuation of its penetration of the Brazilian market.	1 choice product 1 choice region	
	Q			u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **URA** **Uralita, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	28	[Pipe systems division] The whole organization focuses on clients, cost reduction and core business.	u 6	8
	99	11	Advances on the organisational front included the creation of a new subsidiary, URALITA GESIÓN, S.A., to run the service centre shared by the various parts of our Group, exploiting the attendant synergies and operating cost savings.	i 1	
		27	[roof tiles division] The main focuses of its activities in 1999 were to consolidate its position as production and cost leader on the Spanish and Portuguese markets,…	u 6	
	00	31	These measures entail substantial savings in costs that will be reflected in future years and which have already led to a significant improvement in the margins of the fiber cement activity.		
		36	2000 was the first year of operations for Uralita Gestión, S.A., a Shared Services Centre for all the Companies comprising the Group. The objective is to allow group companies to concentrate on key business processes and to significantly reduce support processes costs.		
		40	In the areas of Treasury and Purchase Management, which are common to all our businesses, both services have been offered to all the Divisions, which has resulted in savings of over Ptas. 300 million.	i 1	
	Q			u 6 i 2 pt nt n c Σ 8	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	10	2	4	3.5	5	6	6	8	5	0	6	55.5
i	additional information	0	0	3	0.5	1	1	0	1	0	5	2	13.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	10	2	7	4	6	7	6	9	5	5	8	69
	ranking among all 38 companies	6	35	27	27	18	17	29	3	20	11	13	

total score:	69	total score without questionnaire:	69.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	6.27	valuation without questionnaire:	6.27
ranking among all 38 companies	24	ranking without questionnaire	24

98 Annual Report 1998 | sp spanish | u general understanding | n no statement
99 Annual Report 1999 | ger german | i additional information | c contradiction
00 Annual Report 2000 | en english | pt positive tendency | r.. remuneration
Q Questionnaire | | nt negative tendency | h.. HR measures

3.2.30. Vallehermoso, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **VAL** **Vallehermoso, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				8
	99	10	The Company and its Group have amply and very satisfactorily met their objectives of … intensifying the process of creating shareholder value as its top priority.	u 8	
	00	8 11	… meet the prime objective of creating shareholder value. I would like to reiterate my personal commitment, and that of the Board, to continue to improve quality for our customers and to emphasise the priority of the creation of value for our shareholders. (Antonio de Amusátegui, Chairman)	u 8	
	Q	sp	Creation of shareholder value is the foremost objective of the company.	u 8 u 8 i pt nt n c Σ 8	
2. Flexibility	98	68	Meanwhile, in order to enhance the flexibility of available funds and the capacity to adapt to market conditions while reducing costs, the financing of working capital was increasingly sought through instruments others than mortgage loans transferable to buyers.	u 5	5
	99	37	…, the Company will continue to dispose of low yield, older residential rental homes in Ciudad de la Expo in Seville, where 75 units have already been sold … It will also sell some old office properties if conditions are suitable.	u 5	
	00	74	In order to enhance the flexibiltiy of available funds and the capacity to adapt to market conditions while reducing costs, working capital has continued to be financed mainly through instruments others than transferable mortgage loans, which have been reserved for the period immediately prior to the delivery of residential products. This was intended to spare unnecessary costs offering financing to customers on the best market terms.	u 5	
	Q	sp	Flexibility is obtained through a structure of autonomous affiliated companies, and units dedicated to strategy definition, Finance, Human Resources and Control. The company measures flexibility as profitability and efficiency of costs. The company does not have "real options".	u 5 u 5 i pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VAL** **Vallehermoso, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	42	Over the next fex years we plan to invest 16,550 million pesetas in new housing units, office buildings, commercial premises and car parks. However, if market and business conditions are favourable, we may increase this investment, chiefly in the commercial buildings to be erected on sites we already own. By this means we intend to increase rental cash flow by 50% while also expanding the overall margins of our rental business.	u 5		9
	99	36	Vallehermoso intends to continue to increase its rental assets and to dispose of older or less profitable properties, thus streamlining the investment portfolio in order to increase its yield.			
		36	.. the Company plans to invest more than 80,000 million pesetas between 1999 and 2003 in order to double rental revenues and rental cash-Flow.	u 5 i 1		
	00	68	the fixed asset rotation programme, drawn up to avoid obsolescence of certain products continued where the investment had reached maturity improving the general return on assets.	u 5		
		73	The year 2000 saw the implementation of the Vallehermoso Group's most extensive investment plan in the last decade.	i 1		
	Q	sp	Financial precondition to undertake an investment is the medium and long term creation of value (ROCE>WACC). This rule is applied within the strategical context (activities and locations). There are no rules for replacement decisions due to the nature of the firm. Success of investment projects is measured by the economic-financial return and the return of customers. Post-audits are conducted by an independent entity in order to prevent manipulation. International investments are undertaken if they contribute a differential value: superior growth and/or stability / diversification. Little R&D efforts that are measured as ratios of efficiency and consumption costs in internal perspective.	u 7	u 7 i 2 pt nt n c Σ 9	
4. Human Resources	98	60	The Vallehermoso Group is firmly committed to a human resources policy that pursues professionalism and the identification of all our staff with the Company's strategic aims.	hu 2.5		8.5
		60	Reorientation of management policies and culture towards the key mission of our corporate strategy: creation of value and consolidation of our leadership position.	hu 3.5		
		60	Attention to employees through information, welfare, and participation in training schemes.			
		60	… enhancing their [all staff] involvement in the new development and concerns of the Group			
	99	11	The Group continued its policy of adapting the labour force to its strategic targets, stimulating some terminations at the same time as it hired new employees that shall enable us to have a larger geographical presence.	hi 0.5		
		56	The Vallehermoso Group continues to focus its human resources policy on professionalism and the identification of all our staff with the Company's strategic aims.			
		56	The remuneration policy will be more closely linked to value creation targets	ru 3		
	00	62	In Human Resources, the adjustment of staff levels and the design of compatible organisational structures were the most important phases in the corporate restructuring process which was undertaken simultaneously with the ordinary management process that focuses on strategic objectives, maximum professionalism, coverage of the needs arising from the Group's operating growth and encouraging attention to employees.	hi 0.5		
		62	Highlights of the Group's Human Resources management process in 2000 were as follows: the number of hours devoted to employee training increased 154%, management computer systems were implemented and an intensive employee selection and recruitment programme was put in place…	hi 0.5		
	Q	sp	Vallehermoso pays a bonus to all the staff that contributes to generate value in a measureable manner. Special incentives are houses and stock options which are issued twice a year. There is no difference in the calculation of the variable between members of the Board of Directors and other executive staff. The variable component exceeds 30% of the total salary. It is measured by the fulfillment of personal objectives, valuation of the group and achievements of the group. The company finds its retribution policy an appropriate HR measure since it informs the market about its management (out>in).	ru 3.5	u 7 i 1.5 pt nt n c Σ 8.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VAL** **Vallehermoso, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)				Score
5. Dividends	98	9	Earnings and cash flow per share grew at identical rates, allowing the Board to propose an increase in the supplementary dividend to 1,597 million pesetas. This will raise the total dividend for 1998 to 13% of nominal equity, two percentage points above the level reached in 1997.	u	5			6
		125	… total capital was reduced by 215 million pesetas through the refund of 5 pesetas per share to shareholders.	i	1			
	99							
	00	10	Our dividend policy for 2000 draws the necessary balance between our results and our demanding investment plan. The proposal to be submitted to the Shareholders' Meeting for approval represents an increase of 25% on the dividends charged to 1999.	u	5			
	Q	sp	Dividend payments create shareholder value because the combination of value on the medium and long term with cash at short time proves achievements. Vallehermoso has a pay-out rate of approximately 30% to 50%. Repurchase programs, dividend cuts, and gratis shares have positive effects if those measures are taken in accordance to strategical logic of the moment and the cycle and the financial position of the group.	u	5	u i pt nt n c Σ	5 1 6	
6. Growth	98	71	However, the growth strategy of the Vallehermoso Group should enable us to surpass the average performance of the property sector as a whole in 1999.	u	6			9
	99	70	… it is expected that investment in new residential building in 2000 will increase at slightly lower rates, though growth will continue to be both strong and consistent at around 8 - 9% for the sector as a whole in Spain. The Vallehermoso Group, however, expects a significantly higher rate of increase than the sector based on its growth strategy.	u	1			
	00							
	Q	sp	Growth is an important objective of Vallehermoso. The company pursues a combination of different forms of growth oriented to the earnings per share objective. Growth is the basis to have and defend a competitive position and leadership. It has a considerable weigh in comparision to other managerial objectives with the limit to not harm the company's profitability (ROES, security (coverage) and level of efficiency (cost/income)). Market share growth contributes to create value if economies of scale are realized, costs are turned down, and the reach of brand and geographical presence can be increased.	u	8	u i pt nt n c Σ	8 1 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VAL** **Vallehermoso, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)		Score
7. Mergers and Alliances	98					9
	99	49	To consolidate its growth, Sergesa [a subsidiary] has merged with another property service company, Mantenimiento Integrado y Mejora, S.A. (MYM) which belongs to the Dragados Group.	u 3		
	00	59	Sergesa has merged with another property services company, Mantenimiento Integrado y Mejora, S.A. (MYM) which belongs to the Dragados Group. The resulting company, called Integra MGSI, S.A., continued to show its capacity for sustained growth in 2000.			
		76	The main objectives of the operation [merger rental businesses of Vallehermoso and Prima] …: To create shareholder value through the strengthening of Vallehermoso's competitive position and leadership of the domestic market, taking advantage of operating and tax synergies and the increase in the Group's size.	u 8		
	Q	sp	The objective to acquire another firm consists in the fulfillment of strategical objectives. Measures to prevent hostile takeovers should be limited to the hint of the validity of the own business model. Precondition of a successful merger is that it does not destroy shareholder value on the short run and creates value and profitability in the medium term horizon (makes strategical sense). The milestones of a merger process are: the merger makes strategically sense, is logical from a financial viewpoint, integration of teams, policy of communication, swift process of structuration, and limitation of the time needed. Strategic alliances are better than acquisitions or mergers when the objective is to improve the collaboration without such a difinitive binding or compromise.	u 9	u 9 i pt nt n c Σ 9	
8. Liquidity of shares	98	125	Vallehermoso stock was split in July, 1998, by reducing par value from 500 to 165 pesetas… The objectives for this decision were as follows: - to facilitate the entry of new shareholders, and especially small investors - to increase the stock's market liquidity - to adapt the share price to a level at which it may be more easily compared to those of major European property firms, in anticipation of the market sectorialisation that is expected to occur in the European Union with the introduction of the euro.	u 7		7
	99	11	Our shares have remained amongst the most liquid of the European quoted sector, in proportion to our size.	u 5		
	00					
	Q	sp	Liquidity of company's shares influences shareholder value because it is the basis that large investors buy shares. Liquidity can be increased by corporate operations such as capital increases (if in accordance with strategical logic).	u 7	u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VAL** **Vallehermoso, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	10	Since the business cycles of the two types of retail premises [shoping malls and traditional high-street shop premises] do not coincide, this diversification strategy is the correct one when seen from the overall perspective of the Spanish property market.		8
		122	During the year Vallehermoso continued to restructure its financial debt in order to reduce both its average cost and its exposure to interest rate risk…	u 5	
	99	10	This substantial increase in results stems from the application of the Company's three principal strategies: … diversifying risk by type of business at the same time as increasing then geographical diversification of our developments and our land bank.		
	00				
	Q	sp	The current beta of the company is 0.8. Cornerstones of the risk management are the cover of general costs with current revenues at a 100% rate. 100% of the assets are assured, active interest rate insurance policy. In order to reduce risks it is necessary to diversify geographically and to have no customer who concentrates more than 10% of the total risk. Political risks are avoided since the company invests only in the European Community. The General Director of Corporate Services is responsible of the risk management. Risk of investment projects are determined by means of historical experiences and the CAPM.	u 8 i pt nt n u 8 c Σ 8	
10. Competitive advantages	98	10	In the area of residential developments our Company is continuing its efforts to enhance quality and assure excellence in the post-sales service, since these are the factors that most distinguish us from our competitors.	1 differentiation quality	5
		12	Thanks to its size, its technical capacity, and its profitability, Vallehermoso is a leading company in its field.	1 size 1 cost leadership	
	99				
	00	7	Last year marked the consolidation of Vallehermoso's leadership within the spanish real estate sector through large scale operations which have had a positive effect on the Company's present and will be determinant for it's future.	1 market position	
	Q	sp	Main competitive advantages of the company are: range of activities, brand, diversification and size. Strategies to create competitive advantages: leadership through profitable growth, increase of the coverage base (renting), maximization of external financing. Competitive advantages are measured in financial terms and satisfaction of customers.	1 reputation size u cost i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VAL** **Vallehermoso, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	11	Turning to expenses, I (Martín Eyries Valmaseda, Chairman) would like to draw your attention to our exceptionally good financial results, which show how our costs were contained in a year when gross investments amounted to more than 50,000 million pesetas. The increase in general expenses was due to non current items while, our structural costs as such were cut by half.	u 5	9
	99	34	Operating expenses rose by 5.76% to 2,626 million pesetas, which is the equivalent of 28% of turnover. This rise was small in comparison with the 14.29% growth in turnover, thanks to continuing efforts to contain operating expenses while maintaining the quality of the service.	i 1	
	00	10	Without this particular item and excluding the deployment of resources to meet business growth, routine structural costs grew approximately 5%.	i 1	
		42	Operating expenses rose by 2.06% to 2,680 million pesetas (16.1 million euros), which is the equivalent of 24% of turnover. This rise was small in comparision with the 15.65% growth in turnover, thanks to continuing efforts to contain operating expenses while maintaining the quality of the service.	i 1	
	Q	sp	The company does not run a cost cutting program at the moment. The cost policy consists in calculating relative objectives of costs on total costs plus gross margins. Cost accounting is relationated to projects and assets due to the nature of the business.	u 6 u 6 i 3 pt nt n c Σ 9	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	5	7	7	5	8	9	7	8	0	6	70
i	additional information	0	0	2	1.5	1	1	0	0	0	5	3	13.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	8	5	9	8.5	6	9	9	7	8	5	9	83.5
	ranking among all 38 companies	20	21	17	3	18	5	13	7	11	11	7	

total score:	83.5	total score without questionnaire:	73.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**7.59**	valuation without questionnaire:	**6.64**
ranking among all 38 companies	**9**	ranking without questionnaire	**18**

98 Annual Report 1998	sp spanish	u	general understanding	n	no statement
99 Annual Report 1999	ger german	i	additional information	c	contradiction
00 Annual Report 2000	en english	pt	positive tendency	r..	remuneration
Q Questionnaire		nt	negative tendency	h..	HR measures

3.2.31. *Viscofan, Industria Navarra de Envolturas Celulósicas, S.A.*

Empirical analysis of companies' success in creating shareholder value

Company: **VIS** **Viscofan, Industria Navarra de Envolturas Celulósicas, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				
	99				
	00				-1
	Q			u i pt nt n -1 c Σ -1	
2. Flexibility	98				
	99	13	The machines from the Detroit factory which was closed at the end of December were installed at the end of the year in Alabama. The cost of this move had a negative effect on the financial year 1999. Now in the year 2000, once the start-up phase has been completed, with all its logical in-efficiencies, we will have a factory with large capacity that will be able to meet the needs of the North-American market while increasing our added value in dollars.	u 3	
	00				3
	Q			u 3 i pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration

Empirical analysis of companies' success in creating shareholder value

Company: **VIS** **Viscofan, Industria Navarra de Envolturas Celulósicas, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	13	Through investments and research programmes our Group has obtained in Naturin [a product] a high level of quality, an improvement in competitiveness and has been able to launch new products.	i 1		6
		13	Group investments were 7,159 million pesetas, a record figure. This was necessary in order to realise the projects started in Alabama and Brazil that will notably increase the competitiveness of the Group in America, and will reduce the sensitivity of our results to the value of the American currency, due to the increase of added value in situ, once these factories come into operation at the end of 1999.	u 3		
	99	77	Further investment has been made in cellulose casing production capacity to maintain the company's position at the forefront of the markets in Brazil and surrounding countries. The assumption on which this investment was made are materialising [satisfying].	u 4		
	00	17	This year investments have been also considerably lower than in previous years in which the Group had been defining and designing its stance. Investments were approximately 5.600 million pesetas.	i 1		
		19	Planned investment needs are also significantly lower than the previous year and are lower than generated cash flow levels which will allow us to improve the balance sheet of the Company and its group of subsidiaries.			
	Q				u 4 i 2 pt nt n c Σ 6	
4. Human Resources	98					0
	99	65	The remuneration in respect of salaries, allowances and other items paid to the directors of the Parent Company in 1999 is as established in the by-laws of the Parent Company and does not exceed 0.18% of the net turnover.	ru 0		
	00					
	Q				u 0 i pt nt n c Σ 0	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VIS** **Viscofan, Industria Navarra de Envolturas Celulósicas, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98				5
	99	53	At their ordinary and extraordinary general meeting held on 29 June 1999, the shareholders authorised the Parent Company to reimburse share capital contributions at Ptas. 9 per share with a charge to the share premium account.	u 4	
	00	19	The board propose[s] to the shareholders an extra dividend of 8 pesetas per share that, added to the dividend of the same quantity per share paid in January 2001 makes a total dividend of 16 pesetas per share.	i 1	
	Q			u 4 i 1 pt nt n c Σ 5	
6. Growth	98	13	This now allows Naturin to counteract the negative trends of the market, with products and improvements in characteristics or costs which have to interest clients and so maintain growth in sales and results.	u 1	3
		11	Our business has continued to expand in spite of the economic crisis that befell many developing countries. …This expansion was achieved in spite of the fact that the Russian market collapsed in August.		
	99	79	The objective of the Group is to continue to achieve above average growth for the sector. This first data for the year [2000] suggests this goal is attainable.	u 1	
	00	15	Sales have increased significantly in edible collagen both in unitary and monetary terms, with better market penetration and the implementation of certain projects for the replacement of natural casings that will allow the company to continue to grow in the future.	u 3	
	Q			u 3 i pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VIS** **Viscofan, Industria Navarra de Envolturas Celulósicas, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				
	99				
	00				0
	Q			u i pt nt n c Σ 0	
8. Liquidity of shares	98	25 26	Viscofan S.A. has improved its share-liquidity situation by 5.8% compared to the previous year… Later on the 15th March 1999 and in accordance with an agreement reached at the Extraordinary General Meeting held on the 28th January 1999 a share-splitting operation was carried out.	u 6	
	99	23	… a share-splitting operation was carried out and the currency used for the nominal value of the company shares was changed from pesetas to euros. As a result the share capital as of 31st December 1999 is 2.438 billion pesetas and is represented by 48,834,928 shares with a nominal value of 0.3 euros each. Over 53 million of Viscofan SA shares were traded over the 250 days of trading, with a daily average of 212,326 shares traded. The effective trading turnover was 558.89 million euros, 38% less than the 150.923 billion pesetas (907 million Euros) reached in 1998, with a daily average of 2,235,571 euros.	u 6	
	00	29	In the case of our company, Viscofan, the total number of shares traded was 37,504,310, 0.13% of the total number of shares traded on the Exchange. The money traded in Viscofan shares was 276,449,354.83 euros, 0.06% of the total of the Exchange. The average per session was 1,105,797.42 euros and the average number of shares traded was 150,017.	i 1	7
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VIS** **Viscofan, Industria Navarra de Envolturas Celulósicas, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	13	Goup investments were 7,159 million pesetas, a record figure. This was necessary in order to realice the projects started in Alabama and Brazil that will notably increase the competitiveness of the Group in America, and will also reduce the sensitivity of our results to the American currency, due to the increase of added value in situ, once these factories come into operation at the end of 1999.	u 5	4
	99	11	This plant [in Brazil] will enable the group to reinforce its leadership in Latin America so reducing its dependence on the Euro-Dollar exchange rate.		
		79	Exchange rate insurance has been taken out to offset fluctuations in the US Dollar. This insurance was contracted at a favourable rate.		
	00	17	the negative financial result is also a consequence of the rise in the dollar which greatly exceeded the dollar rates at which we had taken out exchange rate insurance policies.	c -1	
	Q			u 5 i pt nt n c -1 Σ 4	
10. Competitive advantages	98	11	The economic performance has improved and our competitiveness and commercial prestige have once again been strengthened. Sales of cellulose casings increased by 20% in volume compared to 1997, being now closer to the world leadership in this type of products, 20 years after they were first launched onto the market.	1 reputation 1 choice product	5
		15	The notable improvements achieved in the financial year 1998, together with those are being implemented in the current year will significantly increase the competitiveness of our Group and its capacity to react to a demand crisis or to take the opportunities that the world market for meat products may offer us.	1 innovation	
	99	11	In these difficult conditions, the Viscofan Group has achieved results which although lower than the previous year are definitely positive, something which cannot be said for its main competitors. We have also continued to expand our market shares based on the proven quality of our products, and this has increased our importance in the sector.	1 market position 1 differentiation quality	
		11	Our market share increased once again and with a further increase, we hope to become world leaders in the year 2000 of the cellulose casing sub-sector in which we began to do business in 1979.	market position	
	00	15	Despite these extreme difficulties, the group has managed to increase its unitary sales by 9%. Although the fall in prices has meant that sales have not increased in monetary terms by the same percentage, this increase implies that the Viscofan group's marktet share has increased as we calculate that the overall market size has not increased by the same percentage.	market position	
	Q			u i 5 pt nt n c Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **VIS** **Viscofan, Industria Navarra de Envolturas Celulósicas, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				6
	99	75	The cost-saving policy has continued and provision has been made by this subsidiary [Naturin] for agreements reached with personnel although the changes will be made in the year 2000.	u 5	
	00	19	The problems of our American subsidiary Viscofan USA Inc seem to have been solved and it is on the right road to recover sales volume, cost efficiencies and improve results with respect to the results for 2000.	i 1	
	Q			u 5 i 1 pt nt n c Σ 6	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	0	3	4	0	4	3		6	5	0	5	30
i	additional information	0	0	2	0	1	0		1	0	5	1	10
pt	clearly positive tendency	0	0	0	0	0	0		0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0		0	0	0	0	0
n	obligatory variable without statement	-1	0	0	0	0	0		0	0	0	0	-1
c	contradictory statement	0	0	0	0	0	0		0	-1	0	0	-1
	TOTAL	-1	3	6	0	5	3		7	4	5	6	38
	ranking among all 38 companies	36	33	30	37	27	35		7	26	11	22	

total score:	38	total score without questionnaire:	38.0
relevant variables:	10	relevant variables without questionnaire:	10
valuation:	3.80	valuation without questionnaire:	3.80
ranking among all 38 companies	37	ranking without questionnaire	37

98 Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99 Annual Report 1999	ger	german	i	additional information	c	contradiction
00 Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q Questionnaire			nt	negative tendency	h..	HR measures

3.2.32. Amper, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **AMP** **Amper, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)			Score
1. General attitude towards shareholder value	98	3 sp	The Board of Management aproved a strategic plan for Amper in order to materialize the potential of the company and generate higher value for shareholders.	u 9			9
	99	3	[Amper] is a new company looking to provide value for its customers as well as its shareholders.	u 4			
	00	3	I trust that these investments, together with our ongoing effort to create value for our shareholders, customers and employees, will result in improved performance of Amper shares in the stock market. (Enrique Used Aznar, Chairman)	u 6			
		3	We therefore face the future in an excellent position to create value for our shareholders in an intensive and sustained manner, to offer our customers top service quality and to provide our employees with an attractive opportunity to develop professionally.				
	Q				u	9	
					i		
					pt		
					nt		
					n		
					c		
					Σ	9	
2. Flexibility	98	2 sp	In 1998, Amper once again showed its vitality and capability to adapt to changing circumstances within the company and its surrounding area.				5
		8 sp	The organization has been modified in order to adapt to a new focus based on technological solutions and services of high valued added for our traditional customers and as an answer to the new opportunities that offer the evolution of the sector and the convergence between technologies and markets.	u 5			
	99	2	The mandate of the Strategic Plan has been carried out. And the company is no longer what it was. … Converting the manufactoring and installation company that Amper was, into a company specializing in system integration, focused on the most modern technologies, and oriented towards providing turnkey solutions for its customers, has required making important adjustments.				
		3	The new Amper, built around two main centers of activity, Amper Soluciones and Amper Tecnologías, aims to simplify operations management and make it more flexible.	u 5			
	00	14	The company continued to adapt its Research and Development resources to the new opportunities, abandoning former terminal and equipment projects in favor of new hardware and software projects, and incorporating technologies from leading suppliers to offer solutions adapted to our customers' needs.	u 5			
	Q				u	5	
					i		
					pt		
					nt		
					n		
					c		
					Σ	5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AMP** **Amper, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	5 sp	… the solidity of investments … [and other measures] will assure an attractive retribution to shareholders.	u 7	10
	99	7	… an investment company called Hemisferio Norte has been set up for the purpose of channeling all of the investment flows in new technologies, …	i 1	
		67	… AMPER hopes to add a long list of new companies and lines of business to its Group.		
	00	3	At the Amper Group, we continued to analyze new investment options in 2000, in line with our objectives of business expansion and diversification defined in our Strategic Plan. In this context, we invested approximately Ptas. 5,500 million to acquire a 51% holding in the Brazilian data processing and communications company MixMedidata. In 2000 MlxMedidata obtained revenue of Ptas. 17,000 million and income of Ptas. 1,819 million, confirming that Amper Group had taken the right step with its largest financial investment of the last few years.	i 1	
		8	Ptas. 782 million were invested in Research, Development and Engineering activities …	i 1	
	Q				
				u 7 i 3 pt nt n c Σ 10	
4. Human Resources	98	8 sp	The profile of Human Resources that meet future challenges has been redefined stressing the importance of qualification.	hu 2	7
	99	3	Another proposal brought before the General Shareholders' Meeting is the setting up of a stock-options plan for all of Amper's staff and employees, designed to motivate and reward the loyality of the company's most valuable resource.	ru 2	
		8	But more significant than the growth [of the workforce] in itself is the fact that the professional qualifications of our personnel has increased substantially, …	hi 0.5	
		9	This has all taken place in a stable working climate which has made possible the signing of collective bargaining agreements in most of the group's companies, in a conflict-free environment.	hi 0.5	
	00	2,3	The acquisition of new knowledge is an essential aspect of the Amper Group's transformation and we continue to promote training and update programs for our human resources and to bring into the organization individuals with new skills, because these are the people who drive change and create value.	hu 3.5	
		7	In the Human Resources area, the new organizational structure which began operating in 2000 and was gradually consolidated during the second half of the year, had two basic objectives: first, the optimization of the human resources of the two large divisions, Amper Soluciones and Amper Technologías, and, secondly, the strengthening of these divisions' human resources, mainly in the commercial and technical areas.	hi 0.5	
	Q				
				u 5.5 i 1.5 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AMP** **Amper, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	3 sp	Profitability for shareholders increased by 5.9% passing the dividend form 85 to 90 pesetas. This profitability represents a dividend yield of 2.7% over the share price on December 31, 1998, with a pay-out of 30.3%.	u 2	2
	99				
	00				
	Q			u 2 i pt nt n c Σ 2	
6. Growth	98	19 sp	The year 1998 represented for Amper Ibersegur a significant change of signs in its opperations. That confirmed the tendency of growth already iniciated in 1997.	u 1	7
	99				
	00	2	We will fuel our growth by paying strict attention to profitability in our contracts. This has been demonstrated by the fact that the three main areas of business have grown and considerably improved their earnings in the last few months.	u 6	
		17	At Amper Sistemas we have placed our hopes on future growth in view of the company's acknow-ledged competence in its various business areas, all of them marked by strong growth.	i 1	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AMP** **Amper, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	13 sp	Alliances with other companies permitted Amper to open new markets for own equipments and systems as well as for technologies and products of its partners.	u 6	8
		16 sp	Amper Datos continued its policy of alliances with technology partners to develop jointly new opportunities in markets were it is present. This policy of alliances allows to multiply the capacity of the company, complement its offer of products, and increment in a very efficient manner the flexibility to answer to customers.	u 7	
	99	14	In the area of small/medium-capacity exchanges, Amper Cosesa ratified the existing agreements with LG-Electronics for exclusive rights to the distribution in the country of GDK digital exchanges, thereby allowing us to offer a complete range of integrated solutions for small and medium-sized companies at very competitive prices.	i 1	
	00	3	we have been very active in developing technological projects in partnership with the leading players of the international telecommunications market.	u 5	
	Q			u 7 i 1 pt nt n c Σ 8	
8. Liquidity of shares	98	3 sp	During 1998 shares valued in 111,865 million pesetas were trade in the stock exchange, representing 2.3 times the company's capital.	u 2	4
	99	8	the nominal value of our shares was adjusted to the nominal of 1 Euro each, which subsequenly doubled the number of shares,…	u 3	
		68	The share trading frequency was 100% … 41 million shares were traded, a figure equal to one and a half times the capital stock.		
	00	70	The share trading frequency was 100% (they were traded in the 250 sessions held in 2000). 33 million shares were traded, a figure equal to 1.2 times the capital stock.		
		70	Amper is included in the New Technology industry. Amper's shares are included in the "Ibex Complementario" index, and since April 10, 2000, they have been included in the "Ibex Nuevo Mercado" index.	i 1	
	Q			u 3 i 1 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AMP** **Amper, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				2
	99	2	… in 1999 very important advances have been achieved in the diversification of the customer base, which has been substantially expanded, …	u 2	
	00				
	Q			u 2 i pt nt n c Σ 2	
10. Competitive advantages	98	8	To sum up, the decisions taken to reorganize Amper have situated the company in conditions to operate in new scenarios with clearly distinguishing competitive advantages and business profitability.		3
	99	3	Thanks to the reorientation of our enterprise and the incorporation of new lines of business, we are in a position to win new and better market shares, which will enable us to generate greater added value.	1 market position	
	00	3	At our company, with the inclusion of new business lines and the refocusing of certain existing activities, we will once again be in a position to improve our market share in 2001 and to set a new record in business activity.	1 focus	
		13	In these times when the single-vendor solution is already falling into disuse, a neutral company such as Amper, with experience in various manufacturers' products, enjoys an uncontestable advantage.	1 differentiation "neutral" company	
	Q			u i 3 pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AMP** **Amper, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	5 sp	During 1998 costs were reduced by 7.8 percent and productivity per employee increased by 16 percent.	i 1	
	99	6	The result [of the new corporate orientation] is nothing other than a significant savings of resources. This cost-cutting is already allowing us to compete effectively and favorably in the deregulated framework of the telecoms sector in all those countries where we operate.	u 5	
	00	2	At the Amper Group, we have satisfactorily combined business expansion and cost control and this, together with a renewed, well-focused international presence, put us back on the profit-making path in 2000.		6
		8	At the same time as they implemented a cost reduction plan, Amper Soluciones and Amper Technologías …		
	Q			u 5 i 1 pt nt n c Σ 6	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	9	5	7	5.5	2	6	7	3	2	0	5	51.5
i	additional information	0	0	3	1.5	0	1	1	1	0	3	1	11.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	9	5	10	7	2	7	8	4	2	3	6	63
	ranking among all 38 companies	12	21	7	13	32	17	19	32	34	29	22	

total score:	63	total score without questionnaire:	63.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	5.73	valuation without questionnaire:	5.73
ranking among all 38 companies	28	ranking without questionnaire	26

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.33. Zeltia, S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **ZEL** **Zeltia, S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98				9
	99	9	The parent company, Zeltia, S.A., had an intense year of activity in which it tried to ensure that all the events occuring at its subsidiaries were translated into higher shareholder value… All these moves had the desired effect, and Zeltia proved to be the most profitable investment in the Madrid stock exchange in 1999, gaining 199% in the year.	u 8 i 1	
	00	9	We will continue to make every effort to merit their [shareholders'] confidence by creating shareholder value.	u 8	
	Q			u 8 i 1 pt nt n c Σ 9	
2. Flexibility	98				4
	99	9	Zeltia closed 1999 in an excellent position and this enables us to look to the future with confidence and with the capacity to face new challenges.	u 4	
	00				
	Q			u 4 i pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ZEL** **Zeltia, S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	10 sp	The result of the policy that group Zeltia is developing during the last years concentrates of activities belonging to the core business … divesting of all the other activities that do not belong to the core business	u 5		8
	99	8	In consumer chemicals, the company acquired 100% of Xylazel, S.A., Spain's leading company in wood protection products, and Zelnova, S.A. continues to be the leader in insecticiedes and household freshners, surpassing the multinationals. Because of their sound market position and excellent results year after year, these two companies are indisputably a tower of stength within the group.	i 1		
		12	Our subsidiary Pharma Mar, S.A. Increased R&D spending by 108% in 1999.			
		22	Zelnova and Xylazel constantly invest in improving their products and in developing new ones to complete their product ranges.	i 1		
	00	12	R&D spending rose by 50% in 2000.	i 1		
	Q				u 5 i 3 pt nt n c Σ 8	
4. Human Resources	98					3
	99					
	00	9	The Zeltia Group is aware of the importance of attracting and retaining a team with proven talent. Consequently, we are implementing an incentive plan in 2001 to increase our people's loyality and reward their creativity, initiative and hard work.	hu 2.5		
		63	The beneficiaries of the plan are offered the opportunity of buying shares in Zeltia for an amount of at most double the net variable remuneration they receive. Half of the total purchase price is paid by the beneficiary, and the other half is financed by the group company which is the beneficiary's employer via an interest-free loan. This loan is condoned if the employee remains in the company for at least three years from the date of the share purchase. The plan is applicable to the variable annual remuneration that the beneficiaries will receive in 2001, 2002 and 2003.	hi 0.5	u 2.5 i 0.5 pt nt n c Σ 3	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ZEL** **Zeltia, S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98				7
	99	9	[actions taken in order to create shareholder value:] A bonus issue in June, in which shareholders received one new share for every 15 pre-existing shares. One month later, the par value of shares was reduced by means of a refund of the shareholders' contribution.	u 7	
	00				
	Q			u 7 i pt nt n c Σ 7	
6. Growth	98				0
	99				
	00				
	Q			u i pt nt n c Σ 0	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ZEL** **Zeltia, S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				
	99				
	00				0
	Q			u i pt nt n c Σ 0	
8. Liquidity of shares	98	10	In October, Zeltia completed a capital increase issuing 226.275 new shares at a price of 12.000 pesetas being the face value 775 pesetas. Old shareholders which represent approximately 60% of the company's capital renounced to execute their right of preference in order to increase the shares liquidity.	u 6	
		11	The Zeltia share, listed at Madrid Stock Exchange in the Mercado de Corros, commenced in October to be listed in all four Spanish stock exchanges and in the continuous market what means that the liquidity of the share increased substantially.		
	99	9	[actions taken in order to create shareholder value:] Two stock splits: one in January (5-for-1) and another one in February (3-for-1), which increased the stock's liquidity by more than 200% with respect to 1998.	u 6	
		23	The stock's liquidity increased by 207% in 1999, from 0.14% in 1998 to 0.43% in 1999; the average liquidity of the IBEX-35 companies is 0.35%. Zeltia is ranked sixth in liquidity among Europe's 15 largest listed biotechnology companies. Zeltia is the only biotechnology company to be included in the new sector -NEW TECHNOLOGIES- formed in 1999 that will begin to operate in 2000.	i 1	
	00	23	In September, a 4-for-1 split was performed and the par value became € 0.07 per share (from € 0.28). In December, a 1-for-4 bonus issue commenced and was charged to the share premium. The new shares were issued on 26 January 2001.		8
		24	Zeltia was promoted to the Ibex 35 index in July 2000, which means that it is one of the Spanish securities with the greatest regularity in trading volume and the highest liquidity.	i 1	
	Q			u 6 i 2 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ZEL** **Zeltia, S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				3
	99				
	00	110	In any case, there is a Vice-Chairman and three Committees with authority in their own areas of responsibility and this eliminates the risk of concentrating power in a single person.	u 3	
	Q			u 3 i pt nt n c Σ 3	
10. Competitive advantages	98	10 sp	In the chemical sector of large consumption our companies Zelnova, S.A. and Xylazel, S.A. continued to to grow as in previous years and consolidate leading positions in their respective sectors.	1 market position	4
	99				
	00	8	In consumer chemicals, our companies ZELNOVA, S.A. and XYLAZEL, S.A. performed very well. They reported their highest sales figures ever and increased market share in their respective sectors. … In biotechnology, we confirmed our world-wide leadership in developing anti-tumor drugs of marine origin via subsidiary PHARMAMAR.	1 choice product	
		9	Our strategy of focusing on compounds from marine organisms which have anti-tumor activity, which we commenced 13 years ago, has been vindicated: today, other pharmaceutical companies are seeking drugs in the ocean. Nevertheless, PharmaMar continues to be the leading company in developing drugs of marine origin since we have a broad compound library that assures a flow of potential candidates for developing drugs in the future.	1 focus preferred access to resources 1	
	Q			u i 4 pt nt n c Σ 4	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ZEL** **Zeltia, S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00				-1
	Q			u i pt nt n -1 c Σ -1	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	4	5	2.5	7			6	3	0	0	35.5
i	additional information	1	0	3	0.5	0			2	0	4	0	10.5
pt	clearly positive tendency	0	0	0	0	0			0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0			0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0			0	0	0	-1	-1
c	contradictory statement	0	0	0	0	0			0	0	0	0	0
	TOTAL	9	4	8	3	7			8	3	4	-1	45.0
	ranking among all 38 companies	12	30	22	34	10			5	31	22	36	

total score:	45.0	total score without questionnaire:	45.0
relevant variables:	9	relevant variables without questionnaire:	9
valuation:	**5.00**	valuation without questionnaire:	**5.00**
ranking among all 38 companies	**32**	ranking without questionnaire	**30**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.34. Allianz AG

Empirical analysis of companies' success in creating shareholder value

Company: **ANZ** **Allianz AG** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	5	We have ambitious goals for the coming years, goals that will further increase the value of your company's stock.	u 6	11
		20	As members of the Board of Management we also hold direct discussions with analysts and investors to inform them about our particular areas of responsibility. … We stage roadshows in all the main financial capitals of Europe to publicize Allianz and its management, and in 1999 we will do the same in New York and Boston. Allianz shares are becoming increasingly attractive to American investors because the financial statements in this year's Annual Report are drawn up for the first time in conformity with International Accounting Standards…	i 1 i 1	
	99	5	No matter what plans we are pursuing, we always keep in mind the overriding goal that we are meant to serve: creating added value for you, the shareholders. (Dr. Henning Schulte-Noelle, Chairman)	u 8	
		25	We offer a comprehensiven service package to give our shareholders the latest news. In 1999, we expanded our range of information services, geared particularly to private investors.	i 1	
		25	Our road shows toured the markets, including New York, Boston, London, Paris, Zurich and Milan. And we presented Allianz for the first time in Hong Kong, Seoul and Singapore.	i	
	00	3	Together with Dresdner Bank and rejuvenated by e-business, we will be making the most of all the opportunities available to us to create value for you, our shareholders.		
		20	We are steadily increasing the range of information and services we provide to shareholders and financial analysts.		
	Q		Creation of shareholder value is an important objective of the company.	u 4	
				u 8 i 3 pt nt n c Σ 11	
2. Flexibility	98				6
	99	103	In our human resources work, we go to great lengths to ensure that we can react quickly, with flexibility, to changes as they occur.	u 5	
	00	2	In view of this, we will continue to strengthen the delegation of managerial responsibility to the Group companies, while guaranteeing at the same time that joint use is also made of the global resources that are available in the Group. Allianz will, as a result remain flexible enough to be highly successful in the next growth phase.		
		12	We are updating our strategic objectives in order to even more effectively satisfy the requirements made by our dynamically growing markets.	u 5	
	Q	ger	Flexibility is indispensable in swiftly changing markets. The company has a lot of real options.	u 6	
				u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANZ** **Allianz AG** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	5	Each business unit must contribute to increasing the value of the Allinaz Group as a whole and must, therefore, continuously assess which actions will make it possible to achieve a positive contribution above the cost of allocated capital. This is our key criteria for measuring the success of management.	u 8		11
		16	Our long-term aim is to increase profitability at Allianz. … During the year under review, the purchase of a 51 percent holding in French insurance group Assurances Générales de France (AGF) brought us closer to fulfilling …	i 1		
	99	24	We believe that the Economic Value Added (EVA) is the most effective management tool to enhance the value of our company in the long term. This indicator shows whether or not we have succeeded in creating value added for our shareholders. We reject investment proposals if we believe the returns will not be higher than the required cost of capital within a few years. … The focus of our value-added concept is reallocation of capital resources to our core business of property and casualty insurance, life and health insurance, asset management and other financial services. These are the businesses where we excel and where we can expect to generate the highest returns for our shareholders.	u 9		
	00	13	[one of five strategic priorities:] Optimizing the Economic Value Added or our Group, based on risk-adequate capital requirements and sustainable growth targets.			
		40	limited-risk approach to investment			
	Q	ger	The financial precondition to undertake an investment is that it has to be EVA-positive. Every investment is examined for its value creation contribution. The success of an investment project is measured by calculation of its economic value added. There is a strict controlling process to post-audit investment projects. Characteristic of the international investment policy is to be top in the five most important markets.	i 1	u 9 i 2 pt nt n c Σ 11	
4. Human Resources	98	5	The successes of the past year are, once again, primarily the result of the commitment of our management and over 105,000 employees worldwide.	hu 3.5		10
		86	We focused on the following issues: · presenting our appeal more effectively as an employer active on the international stage · implementing a basic format for application and selection procedures that can be applied globally · moving forward the career development of our staff and managers and · harmonizing assessment and pay systems. We want to achieve uniform standards for human resources in the Allianz Group while retaining the flexibility of local units to react to special conditions of their markets.			
	99	24	Our concept of value-oriented corporate management is supported by a system of incentives for managers and employees. This system aims to reward all work that boosts the price of the Allianz share over the long term. Our "Long-term Incentive Plan" runs for seven years and links an additional remuneration component to performance of the Allianz share price. The management receives stock appreciation rights that are only translated into additional remuneration when two conditions are met after a two-year waiting period: · Our share price must outperform the Dow Jones STOXX Price Index over a given period and · it must have risen by more than 20 percent.	ru 4.5		
		100	[description of various usual HR measures]	hi 1.5		
	00	18	Our "Long-Term Incentive Plan" for the top management of all the large Group companies provides - as the name suggests - an additional incentive to increase Allianz market capitalization. This variable remuneration plan involves the allocation of stock appreciation rights. The amount allocated to each management member depends first and foremost on the improvement made in EVA.	ru 5		
		34	Good people at Allianz do not have to leave the company to get on in their careers.			
	Q	ger	An increasing part of the staff (including the management board) is eligible for a bonus payment, paid in cash, shares, and stock options. The major part of the bonus is paid in April of the following year. The top management receives value creation rights linked to the increase of EVA, payments to other staff are based of the fulfillment of individually agreed objectives. Concerning HR measures the company holds that the link to EVA increases motivation to think in categories of value creation.	ru 5	u 8.5 i 1.5 pt nt n c Σ 10	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANZ** **Allianz AG** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	5	these results make it possible to increase, for the fifth consecutive year, the dividend per share from DM 1.90 to DM 2.20.	u 2		5
	99	22	We are recommending to shareholders the sixth consecutive increase in the dividend, from the 1998 level of 1.12 euros (DM 2.20) to 1.25 euros.	u 2		
	00	16	Allianz has raised its dividend payments every year since 1995. We are also proposing a large increasing form 1.25 euros to 1.50 euros per share to our shareholders for fiscal year 2000. This represents an increase of 20 percent.	u 2		
	Q	ger	Whether or not dividend payments create shareholder value depends on alternative investment possibilities. Dividend payments are EVA-oriented maintaining certain continuity. Share repurchases, dividend cuts, and issue of gratis shares may increase the firm's value depending on the circumstances.	u 5	u 5 i pt nt n c Σ 5	
6. Growth	98	5	The continued growth of your company, however, is also based on reciprocal trust. Our customers, partners and agents know from experience that they can rely on our performance, thereby strengthening our position.	i 1		12
		92	"We're concerned with attaining a size and presence in individual markets that makes sense in commercial terms. This strategy permits us to achieve cost benefits that we can deploy in structuring prices and gaining acceptance for our prices among our clients. Size is essential in our sector if we wish to achieve a high level of competitiveness and profitable growth." (Diethard Breipohl, CFO)	u 9		
	99	4	… Allianz was extraordinarily successful in the 1990's. We were able to expand our business, as evidenced by the fact that sales revenues increased at an average rate of 14% without sacrificing our strict commitment to profitability: net income increased by an average of 23 percent per year, and earnings per share by 20 percent. In 1999 as well … the Group continued its tradition of success in the 1990's by achieving double-digit growth in sales and earnings. … This strategy [of profitable growth] has benefited … above all … our investors, as evidenced by the fact that the shareholder value of the company has risen to almost 82 billion euros.	i 1		
	00	2	Our size and financial strength make it possible for us to generate sustained dynamic growth.			
		12	Allianz stands for profitable growth.	u 6		
		12	We recognize that a sustainable performance requires primary focus on operational excellence and organic growth, supported by profitable acquisitions.			
	Q	ger	Principle rule: "Capitalize on high-growth market opportunities by leveraging our traditional risk management expertise". The company pursues growth of EVA. Value increases are indispensable for all stakeholders. Growth is not an objective for its own sake.	u 10	u 10 i 2 pt nt n c Σ 12	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANZ** **Allianz AG** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	94	Allianz Dresdner Asset Management GmbH (ADAM) allows both partners to cut costs because they share investment in information technology.	u 6	11
	99	5	Another important test in 1999 was the agreement that we reached with the management of the U.S. asset management company PIMCO to acquire a majority of its stock. For Allianz and PIMCO, the agreed transaction will enable us to assume a leading place in the top league of global asset managers together.	i 1	
	00	3	Millions of customers, especially in Germany and the rest of Europe, are suffering from a shortage of financial services; they want to be provided with convincing products by a single integrated partner whom they trust. To enable us to give optimum long-term service, we announced in the spring of this year that we were planning to submit a friendly takeover offer to the shareholders of Dresdner Bank. Our aim in doing this is to take a crucial step forward in our strategy of profitable growth. … The two companies already serve a total of 20 million customers in Germany and reach 37 percent of private households. By joining the forces we will be able to exploit this earnings potential even more effectively and collaborate in opening up new customer groups.	u 7 i 1	
	Q	ger	Objectives to acquire another firm are increase of EVA and building of new business areas. Concerning the prevention of hostile takeovers the best means is to assure a fair market capitalization through intensive communication. Conditions for a successful merger: speed, speed, speed, effective integration controlling, and transparent communication. Significant milestones of a merger process are: the agreement, communication, and implementation. Alliances are better than acquisition or merger if they create value, because, for example, the acquisition is too expensive.	u 9 u 9 i 2 pt nt n c Σ 11	
8. Liquidity of shares	98	18	In June 1998 we obtained an official listing for our shares on the Paris stock exchange, making it easier for French investors to purchase the shares, which were already listed on the Zurich and London stock exchanges. The shares are traditionally one of the most heavily traded stocks on the German stock exchanges and are one of the most important stocks in Europe's leading equity indices.	u 7	11
		20	… we plan to have our stock listed on the New York Stock Exchange.		
	99	23	Now that Deutsche Bank has shed part of its portfolio of Allianz shares, more than 50 percent of our stock is in free float. We would like to increase this proportion further, because shares with a large pool of investors tend to be traded more intensively, generally boosting prices.	u 8	
		25	Stock markets[:] All 8 German stock exchanges, London, Paris, Zurich … A listing for the Allianz share on the New York Stock Exchange is planned by the year 2001 at the latest. The introduction of our stock to the "Big Board" will be accompanied by a broad-based information program for analysts, portfolio managers and investors.	i 1	
	00	15	The Allianz share is included in all the major European indices, such as the DAX, The Dow Jones EURO STOXX 50, the MSCI EMU and the FTSE 100. Since January 2001, Allianz has also been one of the 100 shares comprising the new Standard & Poor's Global 100 index.		
		17	Consistent with our intention to continue increasing our free float, we have agreed with Münchner Rückversicherungs-Gesellschaft AG to reduce our mutual holdings form approximately 25 percent to approximately 20 percent. This transaction will increase the weight of the Allianz share in most indices, which in turn could increase demand for our shares and push its price upwards.	u 10	
	Q	ger	Liquidity of shares influences shareholder value because the weigh in indexes is condition for an effective share trading. The company can increase liquidity by decreasing mutual holdings and transparent communication.	u 10 i 1 pt nt n c Σ 11	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANZ** **Allianz AG** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	82	The Group uses this risk assessment to pass on a proportion of the risks to the international reinsurance market in order to limit its own liability.	i 1	11
		82	With the aim of minimizing risk, the asset portfolio is structured to achieve · maximum security and profitability · with adequate liquidity · and an appropriate mix and diversity.		
		83	Derivative financial instruments - like swaps, options and futures - are also used selectively to hedge against changes in the risk profile of currencies or interest rates.	i 1	
		83	Our organization limits risks by strict separation of trading, settlement and controlling.		
		83	International rating agency Standard & Poor's awarded the maximum "AAA" rating to the Allianz Group.		
	99	93	For each operational unit of the Group, we claculate the capital required to cover the financial ramification of existing risks. The amount of risk capital required is calculated on the bais of · the characteristic risks of the products of our Group companies and · the level of security that we have defined.	u 8	
		94	As an insurer, we are used to handling and mastering risk. This is what makes risk management an integral part of our controlling processes.		
		94	The risk situation for the Allianz Group as a whole is assessed by Corporate Controlling on the basis of the local and global risks.		
	00	130	As an insurer, we consider the handling of risks to be one of our core skills. Risk management is therefore an integral feature of our controlling process.		
		133	Supervisory authorities and rating agencies are additional risk monitoring bodies. The supervisory authorities specify the minimum precautions that have to be taken in individual countries and at international level. Rating agencies determine the relationship between the risk a company faces and the precautions it has taken. The internationally respected rating agencies Standard & Poor's and A.M. Best gave given Allianz Group their highest possible rating AAA and A++, respectively.		
	Q	ger	Allianz is rated AA+ by S&P. Risk management is an integral part of the company's controlling processes. Measures to reduce risk: Annual report pp. 130-133. The board of management is responsible for the risk management.	i 1; u 8; i 3; pt; nt; n; c; Σ 11	
10. Competitive advantages	98	5	Your company is now better positioned than any other insurer, not only in Germany but also throughout Europe. … In the insurance businesss, we can now take full advantage of our strong position in the European market.	1 market position	5
	99	18	[one of five strategic goals:] We want to be among the five leading providers in the most important markets of the world or play a dominant role in speciality markets.	1 focus	
		19	[another strategic goal:] We want to position ourselves in the emerging markets as a leading foreign insurer.		
	00	12	We aim to be among the top five competitores in the markets in which we choose to participate.	market position	
		31	All you have to do is be in the market at the right time and make the pioneer phase a success story while other market players are still waiting on the sidelines.	1 innovation	
	Q	ger	Main competitive advantages: strong capital base, motivated collaborators, efficient management, correct business model. Strategies to create competitive advantages: optimization of EVA, profit from growth opportunities, extention of the market position in insurances and capital building, extention of asset gathering capacities and capital market expertise. Competitive advantages are measured through EVA.	1 differentiation; 1 cost leadershi; u; i 5; pt; nt; n; c; Σ 5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **ANZ** **Allianz AG** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00				8
	Q		Cost management is a continuous process in order to create EVA achieved by an intensive con-trolling.	u 8 u 8 i pt nt n c Σ 8	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	6	9	8.5	5	10	9	10	8	0	8	81.5
i	additional information	3	0	2	1.5	0	2	2	1	3	5	0	19.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	11	6	11	10	5	12	11	11	11	5	8	101
	ranking among all 38 companies	2	14	3	1	27	1	7	1	2	11	13	

total score:	101	total score without questionnaire:	83.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**9.18**	valuation without questionnaire:	**7.55**
ranking among all 38 companies	**3**	ranking without questionnaire	**7**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.35. Aventis S.A.

Empirical analysis of companies' success in creating shareholder value

Company: **AVT** **Aventis S.A.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	37 RP	In 1998, Rhône-Poulenc maintained its commitment to communicationg with institutional investors, private shareholders, analysts and the press. … shareholders were consulted in advance concerning the topics they wanted to see addressed during the [annual shareholders'] meeting, and every effort was made to fulfil their expectations.	i 1 u 8	9
	99	4 5	the top priority for us at Aventis is to unlock and enhance its value … A strong share price is the precondition for our strategic scope, flexibility and independence and the best indicatior of the value we create.	u 8	
	00	9 19	We are confident that by pursuing our strategy, we will sharpen the focus and strengthen the motivation of everyone at Aventis. This will enable us to achieve our ambitious targets and ultimately lead to higher levels of growth and value. Our Investors Relations team informs the financial community actively and openly about company developments. At Aventis, our goal is to be accessible to investors and industry analysts to answer questions, explain the strategy of Aventis and discuss our products as well as projects in our development pipeline.	i	
	Q			u 8 i 1 pt nt n c Σ 9	
2. Flexibility	98				7
	99	5	For the time being, the life science concept is well-suited to our current situation. On the one hand, we are able to create value by integrating Aventis and exploiting possible synergies. On the other hand, we are in no way restricted in our capacity to pursue other sensible options. We will be able to react quickly to changes in the marketplace.	u 7	
	00	5	The advantages of separating the life science businesses clearly outweigh the advantages of keeping them together. Both Aventis Pharma and Aventis CropScience will gain strategic flexibility along with enhanced performance focus, transparency and financial scope.	u 5	
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AVT** **Aventis S.A.** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	18 RP	With a combined R&D budget of almost FRF 17,7 billion, Aventis would have one of the most competitive innovation capabilities in the industry.	i 1		5
	99					
	00	3	The Aventis Supervisory Board gives its consent for Aventis management to strengthen the company's focus on pharmaceuticals. Aventis announces that it intends to divest the crop protection and crop production business Aventis CropScience.	i 1		
		6	We have resources needed to sustain our long-term growth with innovative products: our R&D investments in 2000 of approximately € 2.7 billion were among the highest in the pharmaceutical industry worldwide. We have a very interesting pipeline with nearly 50 new chemical entities, new vaccines, and more than 20 line extensions in development including several major products to satisfy unmet medical needs.	u 3		
	Q				u 3 i 2 pt nt n c Σ 5	
4. Human Resources	98	10 RP	For Rhône-Poulenc, the Group's people are the key to its success. Our strength hinges on employee commitment to our vision and to our shared values and management principles. … Decentralizing responsibility is intended to increase employee involvement and responsiveness. … We have implemented methods and processes to accelerate executive career development. Our managers succeed thanks to highly-developed people skills and a clear understanding of the importance of teamwork. … In 1998, we continued our policy of promoting employee share ownership.	hu 3.5		7.5
	99	5	We also want to align the interest of all our employees more closely with increases in the value of Aventis by promoting employee share ownership.	hi 0.5		
		16	During the year 1999, Aventis implemented an on-going process to develop a performance driven culture as well as shared values: · Created an environment where everyone is proud of his or her work and committed to Aventis; · Capitalize on our cultural diversity and varied experiences; · Guide our behavior in ways that build our competitive advantage.	hi 0.5		
		17	Aventis' management and employee representative organizations are committed to maintaining a real and productive social dialogue …			
	00	19	Aventis firmly believes in aligning the interests of its employees with those of its shareholders. Two programs - the "Horizon" employee stock ownership program and a stock option plan for senior management - are incentives that we use to fulfill this goal as well as recruit and retain talented employees.	ru 3		
		68	As a performance-driven company, our success will always be determined by the quality, motivation and commitment of all our employees. During 2000, Aventis people in 100 countries worked together to get Aventis off to a strong start.			
	Q				u 6.5 i 1 pt nt n c Σ 7.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AVT** **Aventis S.A.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	42 RP	Excluding non-recurring items, net income available for distribution to common shareholders of Rhône-Poulenc S.A. Increased 23.2 % to FRF 4,210 million from a comparable FRF 3,417 million in 1997.	u 2	5
	99				
	00	19	At the first Annual General Meeting of Shareholders on May 24, 2000, Aventis shareholders approved a dividend of € 0.45 per share for 1999. Together with the French tax credit, the so-called "avoir fiscal" equivalent to 50% of the dividend, the gross dividend was € 0.675 per share. The dividend payment was made on June 5, 2000, and totaled approximately € 351 million. Based on the 1999 year end share price of € 57.70, the dividend yield was 1.2%. At the same meeting, shareholders approved by an overwhelming majority a resolution authorizing the company to buy back up to 10% of its shares.	i 1 u 4	
	Q			u 4 i 1 pt nt n c Σ 5	
6. Growth	98	5 RP	The very strong performance of these new products and the positive impact, particularly on profitability, of the reorganization undertaken in recent years have further reinforced our confidence in the Rhône-Poulenc group's ability to pursue growth. This is the basis upon which we announced expected growth in income of around 15 % a year over the next three years.	u 6	10
		41 RP	Growth stemmed from rising sales of high-margin products in the life sciences, as well as from the reorganization-driven productivity gains in the Pharma sector and at Rhodia.	i 1	
	99	4	Internal growth on innovative products and services is the best sustainable way to drive the value of our company.	u 7	
	00	4	While cost control is a necessity, our real mission is growth.		
		4	As a result of our growth and efficiency enhancements, our profitability is rising. Earnings per share before non-recurring items for the life science businesses rose 63 percent to € 1.44 in 2000.	i 1	
		5	To put it simple, our strategy is to focus on pharma and to grow through innovative, patented prescription drugs and vaccines.		
		6	In concrete terms, we are aiming for sustainable strong top-line growth and raise our EBITA margin beyond the 30 percent benchmark.	i 1	
	Q			u 7 i 3 pt nt n c Σ 10	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AVT** **Aventis S.A.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	2 RP	In 1998, Rhône-Poulenc strengthened its potential for innovation through alliances and partnerships, enabling it to capitalize on the latest scientific and technological advances.	u 5	13
		3 RP	On December 1, we announced plans to merge our life science businesses with those of Hoechst to create Aventis. … Aventis would be one of the leading, most impressive life science enterprises in the world. Aventis would benefit from a variety of enviable advantages, including powerful scientific, technological, financial, research and development, and manufacturing capabilities, an extensive, high quality portfolio of projects in development; competitive marketing teams capable of securing the success of new products around the world, and strengthened management teams.	u 8	
	99	4	The capital markets expect the synergies to raise our profitablility. We are therefore committed to ensuring that the full amount of the planned synergies is reflected in our bottom line. It appears realistic that the estimated synergies of around €1.2 billion will be reached by 2002. We have identified potential synergies of around €750 million in the pharmaceutical business, €350 million in the agriculture business, and €100 million in corporate costs.	u 10 i 1	
		39	To ensure a continuous flow of new products, Aventis Pharma has built major alliances to incorporate enabling technologies and also seeks to fill gaps in its development pipeline by actively pursuing product licensing opportunities with external parties.	i 1	
	00	4	The first year of Aventis, we're proud to say, was a successful one. By building new teams, creating a distinct company culture, uniting and streamlining our combined assets, processes and organizational structures, we were able to realize the integration of Hoechst and Rhône-Poulenc both efficiently and smoothly in record time. … The planned synergy targets of € 400 million for the year 2000 were exceeded and we are confident that we will be able to achieve cost savings of € 1.2 billion per year by the end of 2002.	i 1	
		7	To leverage the strengths of our development resources and global sales force, we are also constantly screening the market for good opportunities to in-license, acquire or partner products.		
	Q			u 10 i 3 pt nt n c Σ 13	
8. Liquidity of shares	98	38 RP	A total of 343 million shares changed hands, versus 308 million in 1997. … Nearly 51 million ADSs were traded during the year, versus almost 55 million in 1997, …The price of Rhône-Poulenc shares on SEAQ International tracked the price on the Paris Bourse, which is the principal market for the stock	u 5	6
	99	20	Aventis is listed on the Paris, Frankfurt and New York Stock Exchanges and is included in the Dow Jones Euro Stoxx 50 index and the French CAC 40 composite stock index.		
	00	18	The most active trading in Aventis shares during 2000 took place on the Premier Marché with an average daily trading volume of 2.1 million shares, making Aventis one of the most actively traded shares on this exchange. Daily trading volumes in Aventis on the Frankfurt Stock Exchange (including Xetra trading) amounted to 65 000 shares in 2000, while an average of 161 000 Aventis ADSs were traded daily on the New York Stock Exchange.	i 1	
	Q			u 5 i 1 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AVT** **Aventis S.A.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98				5
	99	22	through the Business Combination, we have expanded Aventis' global scale, which we believe will allow us to: … spread the risk inherent in new research projects over a larger capital base;		
		84	It is the Group's policy to use financial derivative instruments to hedge those market risks. Aventis will not hold positions in derivative financial instruments for speculative purposes. Aventis … will maintain … a systematic policy of systematic hedging of exchange rate and interest rate risks based on its own market condition forecasts at Group level and 100% hedged at subsidiary level.	u 5	
	00				
	Q			u 5 i pt nt n c Σ 5	
10. Competitive advantages	98	15 RP	At Rhône-Poulenc, innovation meets a key objective: finding unique, targeted solutions to unresolved needs in human, plant or animal health.	1 innovation	6
		15 RP	With the Rhône-Poulenc Rorer and Pasteur Mérieux Connaught, the Group's Pharma sector boasts an extensive portfolio of innovative products. Rhône-Poulenc Pharma is among the world leaders in its core business of vaccines, oncology, thrombosis/cardiology and respiratory/allergy treatments.	1 choice product 1 market position	
	99	4	We feel the sense of urgency in a rapidly changing competitive environment. We will be able to deliver because Aventis has the resources and the potential needed to succeed in a very dynamic industry.		
		5	With this pipeline, we are in a favorable position relative to the market, especially when considering that our overall patent vulnerability is comperatively low.	market position 1 politics	
		5	We are using IT to build competitive advantage by rethinking our supply chain, distribution systems and transforming the way in which we create value for our customers.+	1 focus	
	00	6	To achieve theses goals [sustainable growth and EBITA > 30%] in the short term, we are strengthening our development and marketing efforts for our strategic brands.	1 reputation	
	Q			u i 6 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **AVT** **Aventis S.A.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99	22	through the Business Combination, we have expanded Aventis' global scale, which we believe will allow us to: … improve our cost position through rationalization of manufactoring, administration and research and development activities.	u 4	
	00	4	we are continuously increasing the efficiency of all our business processes so as to lower our cost base.	u 5	5
	Q			u 5 i pt nt n c Σ 5	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	7	3	6.5	4	7	10	5	5	0	5	60.5
i	additional information	1	0	2	1	1	3	3	1	0	6	0	18
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	9	7	5	7.5	5	10	13	6	5	6	5	78.5
	ranking among all 38 companies	12	7	33	10	27	2	1	22	20	6	26	

total score:	78.5	total score without questionnaire:	78.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	**7.14**	valuation without questionnaire:	**7.14**
ranking among all 38 companies	**12**	ranking without questionnaire	**11**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.36. Groupe Danone

Empirical analysis of companies' success in creating shareholder value

Company: **DAN** **Groupe Danone** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	3	… we are emphasising increased profitability and shareholder value.		10
		5	Enhancing shareholder value through higher returns is now a priority for managers throughout the Group, which has integrated value creation into its key business indicators. Results are already visible - return on capital, measured as the ratio of after-tax operating income to average capital invested, has picked up significantly over the past two years…	u 6	
	99	3	Management thus shares the concerns of our shareholders and is committed to transforming our drive for business success and social progress into value for all our shareholders.		
		4	In 1997, Danone Group adopted a new strategy emphasizing creation of shareholder value and …		
		22,23	Danone Group issues regular updates on results, key developments and strategy to both share-holders and the financial community as a whole. Alongside press and traditional media, Danone Group makes extensive use of the Internet to ensure distribution of press releases to major inter-national financial databases. The Group also has a special webside for financial information, aimed specifically at shareholders and market professionals.	i 2 u 8	
	00	9	The DANONE way of doing business is based on an equal commitment to business efficiency and social progress, as regards relations both within the Group and with our customers and suppliers. Reflecting this dual commitment, our Group has set up a special DANONE Way steering organiza-tion charged with fostering these values and contributing to progress in all areas where social res-ponsibility is a key consideration - in particular human resources policies, the environment and re-lations with consumers, suppliers, civil society and shareholders.		
		9	Transparency, effective risk management and commitment to profitable growth are the foundations for lasting partnerships with our shareholders.		
	Q				
				u 8 i 2 pt nt n c Σ 10	
2. Flexibility	98				7
	99	5	Options include expanding existing holdings or move into new countries - targeting leading posi-tions in each case.	u 7	
		6	Danone Group is constantly adapting structures to generate new synergies, tackle international expansion more effectively and meet new consumer trends.		
	00				
	Q				
				u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DAN** **Groupe Danone** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	22	Return on invested capital now plays a major role in assessment of the Group's various businesses. Reflecting improved business performances, shareholders' added value, representing the difference between net operating profit and the cost of capital, rose to €111 million (FF730 million), compared with €61 million (FF400 million) in 1997 and €15.2 million (FF100 million) in 1996. Return on invested capital - defined as the ratio of net operating profit after tax to average capital employed - was up to 8% after 7.6% in 1997. This further improvement reflected both a rise in operating income and control of capital employed. At the same time, the weighted average cost of capital, representing the cost of debt and returns expected by shareholders, edged down from 7.1% to 7%.	i 1 u 8	10
	99	4	[one of three key principles adopted in 1997:] Increase operating margin and return on capital invested.		
		20	Reaping the rewards of the efforts pursued over several years to reduce capital employed and optimize financial structure, in 1999 Danone Group recorded: - a further rise in return on invested capital from 8% to 8.8% - a 25% rise in shareholder value creation to € 139 million …	i 1	
	00	26	Our group has for several years made return on invested capital and creation of shareholder value key criteria for the assessment of performances and for reporting …	u 8	
		26	Return on invested capital was up for the fourth year in a row, rising from 8.8% in 1999 to 9%. At the same time, the weighted average cost of capital edged up from 7.5% to 7.75%, mainly due to a rise in interest rates. All told, shareholder value created in 2000 came to € 150 million, up from € 139 million in 1999.		
	Q			u 8 i 2 pt nt n c Σ 10	
4. Human Resources	98	5	we are convinced that the success of our strategy will largely depend on the expertise, enthusiasm and personal commitment of our staff members. In keeping with these principles, we have adopted innovative policies not only as regards recruitment, evaluation, training and compensation, but also for the placement of employees when restructuring involves staff cuts. … a further priority of human resources policies is to develop the management expertise needed to back future expansion. Our target is to recruit 80% of our executives in-house, and we aim to foster a truly international culture by encouraging staff mobility and combining technical and geographical responsibilities.	hu 3.5	8.5
	99	3	Many of our management teams have been strengthened, at all levels. They are motivated by a strong corporate culture with clear strategic priorities. For senior executives, compensation is now based on return on capital invested and stock options.	ru 3.5	
		4	[one of three key principles adopted in 1997:] Ensure that human resource policy and labor relations remain central corporate priorities.		
		6	Danone Group's success is built on the quality, commitment and enthusiasm of its workforce and the Group's innovative policy addresses issues from recruitment, assessment and training to compensation and reclassification of employees when facilities are closed.		
	00	1	These achievements also reflect ongoing efforts to enhance organizational efficiency and promote the development of new working methods through cross-functional and cross-company initiatives to ensure that know-how is more broadly shared within the Group.	hi 0.5	
		8	Consideration and respect for individuals are fundamental to DANONE Group's culture. In practical terms, this includes initiatives that provide support in the event of business restructuring, improve safety and working conditions, and help young people get training.	hi 0.5	
		30	The Odyssée program is designed to involve all group managers in the identification and development of talent.	hi 0.5	
	Q			u 7 i 1.5 pt nt n c Σ 8.5	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DAN** **Groupe Danone** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	13	Pursuant to the authorization granted by the General Meeting of Shareholders on May 19, 1998 and in accordance with the Act dated July 3, 1998, reforming rules for the repurchase of securities by the issuer, Danone has launched a share buy-back program designed to enhance return on equity and shareholder value.	u 7	9
		13	Danone is committeed to steadily improving returns for the shareholders who have entrusted us with their capital. A rising stock price reflecting the increased value of our business is thus an essential consideration. We also distribute an average 37% of earnings as dividends. The overall return for an investor who bought Danone shares in 1996 would thus have averaged approximately 50% a year since then.	i 1	
	99	21	With total shareholder return - defined as share price + dividend, including tax credit - averaging 31% a year from 1997 to 1999, Danone Group holds a clear lead among international food groups.	i 1	
		21	Steep rise in per-share dividend The Board of Directors proposes that the General Meeting approve a € 3.5 per-share dividend on 1999 activity. Dividend per share for 1999 business € 3.5 -> + 16.7%		
		22	In 1999, Danone Group pursued an aggressive share buyback program. Since July 1998, the Group has spent € 2.1 billion … paying out an amount close to that received in exchange for divestments …		
	00	21	April: capital reduced with the cancellation of 6.4 million shares (after split). May: AGM authorizes new share buyback program.		
		29	The DANONE Board of Directors has proposed a dividend of € 1.90 per share for financial 2000, +8.6% more than the dividend for financial 1999 paid out in 2000.		
	Q			u 7 i 2 pt nt n c Σ 9	
6. Growth	98	3	The profitable growth program pursued over the past two years has thus helped all our companies focus on their strength an in so doing improve performance.	u 6	6
		4	Strength in our business means that we have the leading positions we need to take the offensive and win new market share.		
	99	3	Already, leverage from international expansion and innovation has generated growth that is particularly high compared with sector averages and performances of our main competitors.		
		4	[one of three key principles adopted in 1997:] Target profitable growth - the key to success is an industry based on consumer products.	u 6	
	00	6	DANONE Group remains committed to the strategy for profitable growth that has been the foundation of our success and is rooted in our values and culture. This enables us to achieve significantly higher rates of organic growth than the food industry as a whole, …	u 6	
		9	Transparency, effective risk management and commitment to profitable growth are the foundations for lasting partnerships with our shareholders.		
	Q			u 6 i pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DAN** **Groupe Danone** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98				
	99				
	00				0
	Q			u i pt nt n c Σ 0	
8. Liquidity of shares	98	12	[Shares are listed in Paris and also] in London, Brussels, Geneva, Zurich and New York.		
		12	A daily average of 267,713 Danone shares changed hands on the Paris Bourse in 1998 compared with 254,940 in 1997. … The market status of Danone shares has taken a favorable direction for over a year now, with investors welcoming our new strategy and our readiness to put decisions into practice… Internationaln awareness of Danone has also benefited from listing on the New York Stock Exchange…	u 7	
	99				
	00	21	September: DANONE Group is included in the DJ Euro Stoxx 50 index representing the 50 largest companies in the euro zone by market capitalization. DANONE Group is also a component of the Dow Jones Sustainability Group Index, which represents companies pursuing sustainabel growth policies in all parts of the world.		7
		28	Share split: on June 5, 2000, our group made a one-for-two share split, dividing the nominal value per share by two. As a result, the number of shares with a nominal value of € 1 each stood at 149,086,208 on December 31, 2000.	u 6	
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DAN** **Groupe Danone** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	21	The Group uses financial instruments to limit exposure to exchange rate and interest rate risk arising from its industrial and commercial operations.	u 4	9
	99	9	Danone has an active risk management policy to protect shareholders' interests and optimize value. Priorities include: - rigorous identification of risks through a range of reporting systems, indicators and internal accounting - risk prevention to reduce the scope and frequency of identified risks - a system of global cover to minimize the impact of specific events on Group finances - organization and crisis management tools to ensure an efficient response at the first sign of trouble.	u 8	
		9	Danone Group takes political risk into account when investing in emerging markets, … The Group also has insurance cover for nationalization of assets, for countries with possible exposure	i 1	
		9	[other risk variables taken into account: clients, raw materials, environment, food safety, currencies, interests]		
	00	9	Transparency, effective risk management and commitment to profitable growth are the foundations for lasting partnerships with our shareholders.		
		13	DANONE takes an active approach to risk management, working to preserve the interests of employees, consumers, the environment and our shareholders. This involves: a methodical approach to the identification of risk through regular reporting, appraisals and internal inspection procedures · preventive measuresto limit the extent and recurrence of the risks identified · use of financial instruments to reduce exposure to various forms of market risk · effective crisis management procedures and tools for rapid responses to the first signs of an incident.		
	Q				
				u 8 i 1 pt nt n c Σ 9	
10. Competitive advantages	98	4	The adoption of the Danone name for our company in 1994 marked the beginning of a move toward brand concentration within our Group. Today, increasingly fierce competition in the food industry, the growing power of retailers and the positions won by retailer labels make a strong brand a more crucial advantage than ever. And we intend to make the most of that advantage, adding to it whenever we can.	1 reputation	6
	99	5	Innovation and well-known labels underpin Danone Group's strategy of profitable growth. Together they generate high-margin sales and give the Group added clout in negotiations with large retailers.	1 innovation reputation	
		5	To make the most of its resources, Danone Group will pursue a strategy aimed at: - achieving market leadership in each country and in each of the segments where it operates - enhancing powerful, efficient brands through ongoing advertising and by generating maximum sales through a minimum of well-known labels.	1 focus 1 market position 1 choice market	
	00	1	In each of these areas, our brands enjoy unrivaled strength and recognition. Our position as a benchmark for the food industry reflects our commitment to leading the field in each of our businesses. Top positions on national and world markets provide added leverage for the success of new products, by the same token enabling us to achieve mor rapid growth than competitors and improving profitability.	reputation market position 1 dominance	
		7	The DANONE Group is a leader on world markets for each of its businesses, giving us a significant competitive edge in terms of marketing know-how, industrial efficieny, product ranges and R&D capacity.		
	Q				
				u i 6 pt nt n c Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DAN** **Groupe Danone** page 6

Variable	Year	Page	Quotations and indications	(Observations)		Score
11. Cost management	98	3	operating margin picked up from 9.1 to 10%, mainly thanks to progress within the group. This reflected our drive to cut production costs…	i	1	7
		4	Controlling costs and enhancing earnings Constant efforts to enhance efficiency have always been a hallmark of the Danone Group and this remains very much the case today.	u	5	
	99	6	Enterprise Resource Planning (ERP) In 2000, worldwide development of an integrated management platform for all subsidiaries will get under way. Aim: shorter response times and major cost savings.			
		20	Looking ahead, Danone Group will be continuing its efforts to reduce costs, …	u	5	
	00	6	The capacity to build ties to consumers at optimum cost is being further enhanced with the use of top brands as tag-ons for new product names.	u	6	
	Q			u	6	
				i	1	
				pt		
				nt		
				n		
				c		
				Σ	7	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	8	7	8	7	7	6		7	8	0	6	64
i	additional information	2	0	2	1.5	2	0		0	1	6	1	15.5
pt	clearly positive tendency	0	0	0	0	0	0		0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0		0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0		0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0		0	0	0	0	0
	TOTAL	10	7	10	8.5	9	6		7	9	6	7	79.5
	ranking among all 38 companies	6	7	7	3	3	24		7	10	6	17	

total score:	79.5	total score without questionnaire:	79.5
relevant variables:	10	relevant variables without questionnaire:	10
valuation:	**7.95**	valuation without questionnaire:	**7.95**
ranking among all 38 companies	**7**	ranking without questionnaire	**4**

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.37. DaimlerChrysler AG

Empirical analysis of companies' success in creating shareholder value

Company: **DCX** **DaimlerChrysler AG** page 1

Variable	Year	Page	Quotations and indications	(Observations)		Score
1. General attitude towards shareholder value	98	1	Our purpose is to be a global provider of automotive and transportation products and services, generating superior value for our customers, our employees and our shareholders.			10
		2	DaimlerChrysler is in pole position to deliver extraordinary value to our customers, our sharehol-ders and our employees in the years ahead.	u 4		
		3	Most importantly, we are now adopting a tough new yardstick for evaluating the performance of each of our business units compared to our cost of capital - return on net assets, or "RONA". We established a minimum target of 15.5% NONA before tax. … we earn our cost of capital when we achieve at least 9.2% RONA after tax.	i 1		
	99	2	So we know that our current share price does not properly reflect the high potential of this great company. And we are working to therefore realize our true value. … We are constantly turning that potential into performance.	u 7		
		27	In 1999 we set up the DCX Investor Relations homepare with great success. Here, investors can find not only information on the company and its stock, but also all annual and interim reports, SEC filings, corporate presentation and videos of these presentations. Currently we have more than 10,000 page-visits a day and rising.	i 1		
	00	1	All this to deliver the future first. And to deliver long-term value for shareholders.			
		8	There is a deep personal commitment on our part to meet the challenges on the future, and our central responsibility to shareholders, in a way that adds real growth to this companies value. Everything in our power will be done to achieve this. That is our pledge.			
		17	Investor relations make more use of new media. In the year 2000 we continued to send quarterly information and news of other important events as Investor Relations releases to approximately 2000 investors and analysts by e-mail and fax. … On our Investor Relations site on the Internet (www.daimlerchrysler.com) we offer a wide range of information. … Investor Relations department … received numerous awards	i 1		
	Q		Creation of shareholder value is an important objective of the company.	u 4		
					u 7	
					i 3	
					pt	
					nt	
					n	
					c	
					Σ 10	
2. Flexibility	98					6
	99	6	our well-balanced spread of revenues between Europe and North America, gives us the flexibility to respond to market developments more quickly than our competitors. We have the flexibility and resolve to ensure that revenues and profits will continue to be strong again in 2000.	u 6		
	00	29	We have also restructured our production facilities around the world to become more flexible, and are therefore better able to quickly adjust capacities to fluctuations in the demand of particular models.	u 5		
	Q					
					u 6	
					i	
					pt	
					nt	
					n	
					c	
					Σ 6	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DCX** **DaimlerChrysler AG** page 2

Variable	Year	Page	Quotations and indications	(Observations)		Score
3. Investments	98	6	Over the next three years we plan to invest more than € 46 billion (US $54 billion) to develop new technologies and new products and to bring them to market.	i 1		10
	99	24	On January 1, 1999, DaimlerChrysler strengthened its position in the high-performance sports car segment by purchasing 51% of AMG GmbH.			
		24	Our investments in AMG and TAG MCLaren are part of a strategy designed to further strengthen both the technological competence and the image of the Mercedes-Benz brand.			
		25	Investment in plant, property and equipment at DaimlerChrysler increased to €9.5 billion (1998: €8.2 billion). More than 86% was channeled into our automotive business.			
		25	Almost 85% of R&D investment was directed towards securing the future of our automotive business…	i 1		
	00	19	Chrysler Group will invest around €13 billion in property, plant and equipment, and will spend around €6 billion on research and development from 2001 through 2003, so that it can continue to provide innovative and high-quality products.	i 1		
	Q		Preconditions to undertake an investment: positive NPV and return on net assets > 13% before taxes. Projects are evaluated and then presented to the board of management or divisional bodies (depends on value) for approval. Project deviations and replacement decisions undergo the same investment procedure. "Corporate strategy" is involved in advance for comments on the project proposal. The success of investments is measured through the fulfillment of targets. Post-audits and postmortem analysis: Trecking in place for the ongoing business, projects and M+A-transactions. International investments have to have strategic reasons.	u 7	u 7 i 3 pt nt n c Σ 10	
4. Human Resources	98	54	Our strength is based on the enthusiasm and creativity or our employees. The results are successful products and services, and in consequence, more secure jobs, rising levels of employment and an increased sharing in profits and capital by the staff at all levels of the company.	hu 2.5		7
		55	With a recruiting campaign for young executives launched in 1998, we are creating the preconditions for uninterrupted and successful growth in the future.	hi 0.5		
		55	With a performance-orientated pay policy, DaimlerChrysler ensures that its salaries and wages are globally competitive and that it has the means to attract highly qualified and motivated employees.	ru 2		
	99	7	Our strategy is to retain, recruit and develop people with outstanding skills and attitudes, all around the world, through benchmark human resources management. More than two thirds of our employees share in our profits, either through stock ownership or performance-related bonuses.	ru 2		
		59	An important success factor for DaimlerChrysler is the creativity and dedication of our employees and their enthusiasm for their work. … All our employees participate in the creation of corporate value.	hu 3.5		
	00	9	Our Employees "We have the people and the necessary resources to make our strategy work." · Goal-oriented management and decentralized responsibility · Performance-related remuneration and incentives · Global executive management development · More than 3,300 new graduates and young professionals in the company · Among the leaders for vocational training	ru 2		
		55	The DaimlerChrysler international junior management group is a human resources program with international and Group-wide orientation and the goal of professionalizing the excellent potential of our junior managers.	hi 0.5		
	Q		Teamleaders (Managers) and upwards are eligible for bonus payments in form of cash and stock options. Bonuses are paid within 3 months after year end closing. 10% - 60% of the salary is variable (depending on hierarchy-level). Contribution through group-result, division-result and personal goal achievement. The measure applied to calculate the bonus is the operating profit. HR measures: development of people.	ru 2.5	u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DCX** **DaimlerChrysler AG** page 3

Variable	Year	Page	Quotations and indications	(Observations)		Score
5. Dividends	98	2	Our proposal to declare a dividend of € 2.35 per share, reflects our commitment to shareholder value. For former Chrysler shareholders, this represents a continuation of the high dividend levels of recent years. For former Daimler-Benz shareholders, it is a significantly better return than in the past.	u 0		6
		18	On the basis of the favorable trend in earnings in the operating business, we are proposing to our shareholders to declare a dividend of € 2.35 (DM 4.60) per share for 1998.	u 5		
	99	22	We are proposing to our shareholders a dividend of €2.35 (1998: €2.35) per share for 1999. With a total dividend payout of €2,358 million, DaimlerChrysler is paying the highest dividend among the companies included in the DAX30 and is one of the top dividend paying companies in the automotive industry.	i 1		
	00	13	We are proposing to our shareholders a dividend of €2.35 per share (1999: €2.35). With a total dividend payout of €2,358 million, DaimlerChrysler is paying the highest dividend among the companies included in the German DAX 30 index.			
	Q		A yearly ratio of value added is cashed out to investor.	u 5	u 5 i 1 pt nt n c Σ 6	
6. Growth	98	5	We are well positioned to increase market share in North America by breaking into new market segments. We intend to grow in Europe by expanding sales of Chrysler and Jeep products with the support of our extensive Mercedes-Benz distribution network. We are also laying the groundwork in Asia, Latin America and other emerging markets, so as to be ready to expand when they recover.	i 1		9
	99	4	we put in place a number of core strategies that are already charting our course for future growth.			
		29	In view of these challenges, we have developed six core strategies: … · Secure global growth and expand our global market presence.	u 1		
		45	debis, the Services division of DaimlerChrysler, took full advantage of the growth potential of the services market in 1999 and once again posted outstanding results.			
	00	14	Growth continued at other businesses After adjusting for changes in the consolidated group, revenues at the Aerospace division increased by 4%. Growth at the MTU Aero Engines and Civil Aircraft business units played a key role.	i 1		
		19	Further growth at Mercedes-Benz passenger cars & smart. Mercedes-Benz Passenger cars & smart will carefully expand its product range in the coming years and thus strengthen its market position worldwide.	i 1		
	Q		Growth is important for DaimlerChrysler. The company pursues profitable growth - not growth for growth. Also market share growth is pursued only if you have profitable growth.	u 6	u 6 i 3 pt nt n c Σ 9	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DCX** **DaimlerChrysler AG** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	3	In just the first 100 days of your company, we made great strides in bringing together all key organizational functions so that our people can focus immediately on building the new company. We combined: · our procurement functions … · our sales and marketing organization … · almost all of our staff functions … · our worldwide executive management development … · our research and development activities … · our financial services business … All told, we are well on track to delivering our "synergy" target of € 1.3 billion (US $ 1.4 billion) in bottom-line profit improvement for 1999.		13
			[one of two post merger guiding principles:] The best value-creating idea get priority.	u 10	
	99	3	we completed our program for the integration of the new company in just one year, instead of two as originally projected. The effect of the integration process: We are now one company. Today, integrated functional departments, and shared ideas and technologies, are significantly improving everything we make, the way we do business, and the way we serve our customers …		
		3	these integration benefits are helping us to become more efficient. In 1999 we made €1.4 (US $1.4) billion in synergies.	i 1	
		24	… we significantly overachieved the synergy targets announced in the merger report.		
	00	3,4	Complementing our European and US operations, the alliance with Mitsubishi Motors and our stake in Hyundai will now provide us with broad access to the markets in Asia, which we would not have been able to penetrate with our existing brands and products.	i 1	
		37	As a result of DaimlerChrysler's investment in the Korean Hyundai Motor Company, a 50:50 joint venture is being negotiated for the development, production and marketing of commercial vehicles. The joint venture will be an important step forward expanding our position in South Korea and throughout Asia.	i 1	
	Q		Objectives of the merger Daimler - Chrysler: strategic reasons. Constant watching of markets prevents hostile takeovers. Financial and strategic motives and conditions for a successful merger: strategic fit and fast execution. Most significant milestones of a merger process: Post Merger Integration. Strategic alliances are better than acquisitions or mergers for specific, temporarily limited projects.	u 7 u 10 i 3 pt nt n c Σ 13	
8. Liquidity of shares	98	2	we are the first company in the world to introduce a "global share", which is traded as a registered share - without the need for depositary receipts - on 21 stock exchanges worldwide.	u 6	7
	99	26,27	DaimlerChrysler's weighting in the German DAX 30 was 7.5% at the end of 1999, the fourth most heavily weighted stock in that index. It is the only automotive stock in the Dow Jones Euro Stoxx 50 Index, with a 2.9% weighting, putting DCX in the ninth place. DaimlerChrysler has the second-biggest market capitalization among automobile manufacturers after Toyota. Worldwide trading volume of DaimlerChrysler stock in 1999 amounted to 1.1 billion shares. Of these, 196 million were traded in the US and 872 million in Germany (including Xetra trading). DaimlerChrysler was among the top companies on German stock exchanges in terms of volume. Contracts traded for DaimlerChrysler shares on the Eurex (formerly German Futures Exchange) were among the highest in volume.	i 1	
	00	16	High Trading Volumes. At the end of 2000, DaimlerChrysler ranked eighth in the German DAX 30 share index with a weighting of 5.1%. In the Dow Jones Euro Stoxx index it had a weighting of 1.8%. Tranding in DaimlerChrysler stock worldwide amounted to a volume of about 1.0 billion shares in 2000 (1999: 1.1 billion). Of this figure, about 127 million shares were traded on US stock exchanges (1999: 177 million) and about 888 million in Germany, including Xetra trading (1999: 872 million).		
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DCX** **DaimlerChrysler AG** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	20	We also improved our business portfolio relating to earnings and risk factors in 1998 in order to strengthen the competitiveness and earning power of our business units.	u 5	10
		64	As a globally active company, DaimlerChrysler is subject to a number of risks intrinsic to its corporate activities. … We utilize effective internal control systems to determine and deal with existing risks. These involve the use of group-wide standardized guidelines, running reliable software, selecting and training qualified personnel and ongoing checks by our internal auditors. As part of the merger, the existing internal control system will be combined into a risk management system ... … to identify potential risks at an early stage and to initiate appropriate countermeasures.	u 8	
	99	67	Derivative financial instruments are used only to hedge market risks in asset, liability and foreign currency management. We use a central front-end system for the constant determination and monitoring of portfolios, market values and yields.	i 1	
		67	For the assessment and control of the risk connected with financial instruments held by the Group, we use risk limit set by the Board of Management, derived from the value-at-risk method, …	i 1	
		68	the business units are subject to many risks which are inseparably connected with entrepreneurial activity. For the early recognition and assessment of existing risks and the formulation of an appropriate response, we have developed and used effective monitoring and control systems.		
	00				
	Q			u 8 i 2 pt nt n c Σ 10	
10. Competitive advantages	98	2	We were one of the first companies to adopt the new European currency, the euro, as our corporate currency. By moving early, we already reap competitive benefits from this change.	1 innovation	7
		6	We want DaimlerChrysler to be a company that uses everything we know as a force for competitive advantage. Because we believe that our combined experience and know-how on both sides of the Atlantic and all around the world can lift us above the crowd.	1 differentiation	
		6	… speed is of the essence for competitive advantage. If we want to expand our customer base and increase margins we have to keep our brand and product range costantly up to date and bring innovative, high quality products to the market faster than our competitors.	1 focus 1 reputation	
	99	5	We will be delivering profitable growth and value-added to our shareholders by exploiting the power and fascination that our brands represent in the market, and leveraging to the hilt our technological and design superiority.	differentiation	
		5	Our portfolio of brands and products, and our record of innovation, are unmatched. We have 60 new models in the pipeline. We lead in the luxury car segment. …	reputation 1 market position	
		5	Through our technological leadership we gave the automotive industry the airbag, ABS braking, and our unique electronic stability technology. … No other company has done more to lead and shape this industry.	1 choice product	
	00	4	With its range of six car and eight commercial vehicle brands DaimlerChrysler now covers almost all the important markets and customer segments from volume to premium brands. Each of our brands enjoys a leading position in its respective segment or is on course to achieve this status. Their full potential will be unlocked through a well-targeted multi-brand management.	market position	
		4	DaimlerChrysler is working today on answers to questions which will be asked tomorrow. Over the next three years we will invest 45 billion Euro to reinforce our position as technological leader in the automotive industry.	reputation innovation 1 size	
		4	...size provides us with another decisive advantage. The passing on of Mercedes-Benz innovations to other brands…		
	Q		Main competitive advantages: brands, global presence, broac product range, technological leadership. The strategy of the company to achieve competitive advantages is to constantly walk towards those four pillers. Competitive advantages are measured by the market through the share price.	u i 7 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **DCX** **DaimlerChrysler AG** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98	5	we will cut advertising costs by focusing our global media buying on fewer agencies.	i 1	11
		24	Strict cost management in all fields of business and the synergies which we are achieving through the integration of Daimler-Benz and Chrysler are favorable conditions for growing profitably and increasing the company's earning power further in the coming years.	u 7	
	99	7	Profitably expanding our operations around the world will enable us to … use our purchasing power across a widening supply chain, making it the best and most cost-efficient in the world.		
	00	3	After two very successful years, sales and profits for the Chrysler Group fell off sharply during the second half of 2000. This was caused by the deterioration of the market in North America and our internal cost structure. Thus, at the end of February, we set out specific milestones with a clearly defined turnaround timeframe.	i 1	
		23	Chrysler Group intends to reduce fixed costs by €0.7 billion (US $0.7 billion) in the year 2001 …	i 1	
		52	New cost management approach. … The concept of total cost of ownership (TCO) contains a completely new approach which, rather than concentrating on the actual price of a component, focuses on its total cost (i.e. for development, design, transport, installation and warranties …).	u 8	
	Q		DaimlerChrysler runs currently a cost cutting program. Cost-cutting is one approach besides revenue enhancement. Cost cutting strategies: overhead, material, plant closure.	u 8 i 3 pt nt n c Σ 11	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	7	6	7	6	5	6	10	6	8	0	8	69
i	additional information	3	0	3	1	1	3	3	1	2	7	3	27
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	10	6	10	7	6	9	13	7	10	7	11	96
	ranking among all 38 companies	6	14	7	13	18	5	1	7	5	1	2	

total score:	96	total score without questionnaire:	86.5
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	8.73	valuation without questionnaire:	7.86
ranking among all 38 companies	4	ranking without questionnaire	5

98 Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99 Annual Report 1999	ger	german	i	additional information	c	contradiction
00 Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q Questionnaire			nt	negative tendency	h..	HR measures

3.2.38. Nokia Corp.

Empirical analysis of companies' success in creating shareholder value

Company: **NOK** **Nokia Corp.** page 1

Variable	Year	Page	Quotations and indications	(Observations)	Score
1. General attitude towards shareholder value	98	7	Shareholder value is maintained and increased by foresight, combined with excellence in execution.	u 4	5
		7	We greatly respect the confidence our shareholders have placed in us, and aim to live up to it by positioning Nokia as a strong global leader in the most exciting industry of our times.		
	99				
	00	5	we intend to further excel in our work and do our utmost to merit the trust that our shareholders have shown us.	u 5	
	Q			u 5 i pt nt n c Σ 5	
2. Flexibility	98	22	To gain flexibility and move closer to our customers world-wide, we out-sourced the manufacture of Nokia's digital multimedia terminals to the world's largest electronics contract manufacturer SCI Systems Inc. in 1998.	u 7	7
	99	7	.. we realize we have to constantly re-evaluate ourselves, check our course and change it if necessary. … we cannot compromise on the operational efficiency which gives us our flexibility and creates our strong positive cash flow.	u 5	
	00	4	Our efficiency in execution is swiftly moving to the next level with Nokia's transformation into a global e-business that will support huge volumes in a faster, more flexible and customer-centric way. Here, we are not just creating a duplicate electronic organization alongside the old, we are re-inventing and re-skilling ourselves in preparation for a totally new way.	u 5	
		5	Key to maintaining a sharp, competitive edge are speed and flexibility in decision-making. We make sure that decisions are made as close to the frontline as possible and by people most knowledgeable.	u 6	
	Q			u 7 i pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NOK** **Nokia Corp.** page 2

Variable	Year	Page	Quotations and indications	(Observations)	Score
3. Investments	98	6	Continuing to invest in Internet technologies is essential for future success.	u 2	7
		11	In acquiring Vienna Systems in 1998, we further strengthened our growth potential in the global IP telephony market and enhanced our ability to offer new applications to service providers.	i 1	
		19	To answer the growing demand for our mobile phones world-wide, we announced investments during 1998 totaling close to FIM 1 billion in a new mobile phone manufacturing and distribution center in Hungry and production capacity expansions in Finland. We also announced that we will invest another FIM 1 billion to boost production capacity at our mobile phone manufacturing plant in Germany.	i 1	
	99	23	The Nokia Venture Fund, based in Menlo Park, California, has the mission to invest in interesting start-ups. With an initial capital allocation of $ 100 million, it is constantly on the lookout for disruptive technologies and new emerging business models: ones which will enable significant new market opportunities. Investments are not dependent on strategic relationships with Nokia. The knowledege gained of interesting new technologies and markets is more important.	u 5	
	00				
	Q				
				u 5 i 2 pt nt n c Σ 7	
4. Human Resources	98	7	Our people are our values. Speed, quality and openess as well as integrity, teamwork and modesty are also important parts of the Nokia approach. In a growing organization we also increasingly need empowerment and accoutability. Last year we hired 9819 new employees. Fresh ideas and inspiration inject new energy into the company,…	hu 3.5 hi 0.5	8
		30	[titles:] Flat organization facilitates efficient networking Understanding of work goals helps commitment Offering opportunities to continuously improve skills First Learning Centers established	hi 0.5	
		31,32	Encouraging results from opinion surveys Competitive compensation and benefit programs	hi 0.5	
		32,33	Induction programs tailored for each new employee Internet becomes a popular method of recruitment		
	99	32	In a knowledge intensive industry such as ours, success relies on attracting, developing and retaining the most talented people. We also need to provide an environment in which our employees can be creative and turn their ideas into collective actions.	hu 2.5	
		33	Nokia has generally had very good relations with its people. Nevertheless 1999 saw a number of efforts to further improve our performance in this key area.		
		33	During 1999 we continued our general shift towards performance based compensation. The stock option scheme was extended from 2000 to 5000 individuals. And under the Nokia Connection People Bonus Plan a total of 70 million euros will be paid out based on 1999 performance.	ru 3	
	00	4	we will work to maintain an efficient network of top-qualified people, each able to bring something extra to the table.		
		4	The flat, non-hierarchical working style also works for us, nurturing discussion and openess as well as encouraging entrepreneurism and risk-taking.		
		18	Nokia maintains its long track record of good relations with its people. Despite a global scarcity of IT and skilled communications people, the company continues to attract a high intake of top quality recruits and more than half of those who completed the 'Listening to You' survey had been with the company for less than three years.		
	Q				
				u 6.5 i 1.5 pt nt n c Σ 8	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NOK** **Nokia Corp.** page 3

Variable	Year	Page	Quotations and indications	(Observations)	Score
5. Dividends	98	2	We continued to pay increased dividends to our shareholders. Over the last five years, our dividends have grown by 360%.	u 2	7
	99	6	As a result of this excellent performance, the Board of Directors has been able to propose a record dividend of 0.80 euros per share, up by 67% over 1998.	u 5	
		42	Each share entitles to … a fixed annual dividend amounting to 10 per cent of the nominal value of the share. Should it be impossible in any year to distribute such dividend, the shares are entitled to the remainder in the following year.	i 1	
		44	The amount of dividend is based upon and calcuated in relation to the level of Nokia's annual profit. There is, however, no formula according to which the amount of dividend is determined. The intention of Nokia is that the dividend … reflect the development of the Group's earnings per share.	u 6	
	00	31	The Board of Directors will propose to the Annual General Meeting on March 21, 2001 a dividend of EUR 0.28 per share.		
		31	The amount of dividend is based upon and calcuated in relation to the level of Nokia's annual profit. There is, however, no formula according to which the amount of dividend is determined. The intention of Nokia is that the distribution of profits should, over the long term, reflect the development of the Group's earnings per share.		
		3	Highlights 2000: … · dividend EUR 0.28, up 40%		
	Q			u 6 i 1 pt nt n c Σ 7	
6. Growth	98	5	Nokia Ventures Organization explores new business areas facilitating future growth and boosting Nokia's product and long term business development.	u 1	10
		7	We aim high and our objective is strong growth and good profitability leading to increased shareholder value.	u 7	
		8	Nokia continued to focus on growth areas when choosing technologies and standards in 1998.	i 1	
	99	22	To push the limits of Nokia's growth beyond the scope of current businesses, it is important to introduce and develop new business ideas. This is the mission of Nokia Ventures Organization.	i 1	
	00	4	The priority has not been to grow the company in head count but rather look inward for even better results, focusing on how we can increase the added value created by each Nokia person.	u 8	
	Q			u 8 i 2 pt nt n c Σ 10	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NOK** **Nokia Corp.** page 4

Variable	Year	Page	Quotations and indications	(Observations)	Score
7. Mergers and Alliances	98	11	In 1998 we established relationships with major ISPs [Internet Service Providers] and sold Internet Protocol (IP) related equipment to customers worldwide, including a growing number of security solutions.	i 1	6
		13	In 1998, we signed a global alliance with Computer Sciences Corporation (CSC) to further strengthen our system integration capabilities. As a result we can offer our customers end-to-end solutions for the provision of innovative value-added services.	u 5	
	99	28	Cooperation and collaboration are playing increasingly important roles in research and development, both within our organization but also with others. Only in this way can we ensure the timely creation of not only new telecommunications standards but of the fast paced de facto standards of the Internet age.	u 5	
	00				
	Q			u 5 i 1 pt nt n c Σ 6	
8. Liquidity of shares	98	48	The shareholders of Nokia resolved at the Annual General Meeting held on March 24, 1998 to split the nominal value of each class of Nokia shares on a two-for-one basis.	u 6	7
	99	10	Nokia is listed on the New York, Helsinki, Stockholm, London, Frankfurt and Paris stock exchanges		
		42	The Board of Directors proposes to the Annual General Meeting on March 22, 2000, that the nominal value of the share be split on a four-for-one basis and amended to EUR 0.06, …	u 6	
	00	28	Nokia shareholders resolved at the Annual General Meeting 2000 to split the par value of the share on a four-for-one basis. With effect from April 10, 2000, the par value of the share is EUR 0.06.	i 1	
	Q			u 6 i 1 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NOK** **Nokia Corp.** page 5

Variable	Year	Page	Quotations and indications	(Observations)	Score
9. Risk Management	98	18	[Financial Statements:] The overall objective of Nokia's Treasury is to identify, evaluate and hedge financial risks in close co-operation with the business groups.	u 5	5
	99				
	00				
	Q			u 5 i pt nt n c Σ 5	
10. Competitive advantages	98	2	Our strategic intent is to strive for leadership in the most attractive global communications segments through speed in anticipating and fulfilling evolving customer needs, quality in products and processes, as well as openess with people and to new ideas and solutions. Based on its resources including technological know-how, market position and continuous building of competencies, Nokia is well positioned to achieve its future goals.	1 focus 1 innovation 1 differentiation 1 market position	7
		8	As we supply our customers and consumers with the most technologically advanced and cost efficient network and terminal solutions based on open platforms, we remain well positioned to grow faster than the market.	1 cost leadership	
	99	10	With its comprehensive product portfolio covering all consumer segments and standards, Nokia is in a strong position to lead the development towards the Mobile Information Society.	1 choice product	
		11	Nokia Research Center interacts with all Nokia business units to enhance the company's technological competitiveness.		
	00	3	Nokia's business objective is to strengthen its position as a leading systems and product supplier in the rapidly evolving global communications industry. Nokia's strategic intent is to take a leading, brand-recognized role in creating the Mobile Information Society by · combining mobility and the Internet · stimulating the creation of new services.	market position 1 reputation	
		4	Our experienced and unique way of operating is what we see as increasingly putting us ahead of the competition.	differentiation	
		4	Our strong brand value combined with the volume advantages of our leading market share position, winning technologies, and proven excellence in execution can continue to translate well into profitable future growth.	reputation market position	
	Q			u i 7 pt nt n c Σ 7	

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

Empirical analysis of companies' success in creating shareholder value

Company: **NOK** **Nokia Corp.** page 6

Variable	Year	Page	Quotations and indications	(Observations)	Score
11. Cost management	98				
	99				
	00	4	we strive to satisfy our customer needs in a cost-efficient way.	u 5	5
	Q			u 5 i pt nt n c Σ 5	

Assessment of the company

		General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	TOTAL
u	basic understanding and application of the shareholder value variable	5	7	5	6.5	6	8	5	6	5	0	5	58.5
i	additional information	0	0	2	1.5	1	2	1	1	0	7	0	15.5
pt	clearly positive tendency	0	0	0	0	0	0	0	0	0	0	0	0
nt	clearly negative tendency	0	0	0	0	0	0	0	0	0	0	0	0
n	obligatory variable without statement	0	0	0	0	0	0	0	0	0	0	0	0
c	contradictory statement	0	0	0	0	0	0	0	0	0	0	0	0
	TOTAL	5	7	7	8	7	10	6	7	5	7	5	74
	ranking among all 38 companies	32	7	27	7	10	2	29	7	20	1	26	

total score:	74	total score without questionnaire:	74.0
relevant variables:	11	relevant variables without questionnaire:	11
valuation:	6.73	valuation without questionnaire:	6.73
ranking among all 38 companies	19	ranking without questionnaire	17

98	Annual Report 1998	sp	spanish	u	general understanding	n	no statement
99	Annual Report 1999	ger	german	i	additional information	c	contradiction
00	Annual Report 2000	en	english	pt	positive tendency	r..	remuneration
Q	Questionnaire			nt	negative tendency	h..	HR measures

3.2.39. Shareholder value orientation at a glance

The following tables show the results of the valuation of shareholder value orientation, both in terms of the obtained score and in terms of the ranking.

Score	General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	relevant variables	Total score	**Total**	Total score without questionnaire
ACE	6	5	7	3.5	6	6	5	3	4	1	1	11	47.5	**4.32**	4.32
ACS	6	5	8	5	2	7	7	7	8	5	7	11	67	**6.09**	6.09
ACR	9	7	11	7.5	5	5	8	7	4	5	10	11	78.5	**7.14**	6.41
ACX	10	-1	4	3.5	9	4	0	6	-1	5	-1	10	38.5	**3.85**	3.85
AGS	3	4	12	6	7	6	8	7	5	2	5	11	65	**5.91**	4.82
ALB	6	5	10	4	9	4	8	6	2	1	1	11	56	**5.09**	5.09
ANA	10	6	10	6	2	7	8	7	8	2	7	11	73	**6.64**	6.64
AUM	8	7	12	-1	9	5	7	3	4	1	5	11	60	**5.45**	5.45
BBV	9	10	10	8.5	10	9	11	7	11	6	11	11	102.5	**9.32**	8.18
BKT	9	9	10	5.5	10	9	0	9	4	5	3	10	73.5	**7.35**	7.35
CAN	13	6	4	4.5	6	4	11	7	10	4	6	11	75.5	**6.86**	6.86
CTG	6	6	5	4.5	6	9	13	6	7	5	5	11	72.5	**6.59**	6.59
DRC	7	8	8	8	2	9	9	6	5	2	7	11	71	**6.45**	6.45
ELE	11	5	8	4.5	9	8	12	4	11	5	9	11	86.5	**7.86**	7.86
FCC	4	2	6	3	8	7	7	7	3	5	-1	11	51	**4.64**	4.64
IBE	7	6	10	7.5	7	7	13	5	6	4	8	11	80.5	**7.32**	7.32
MAP	6	3	10	3.5	6	4	8	6	8	3	8	11	65.5	**5.95**	4.27
NHH	6	5	8	4.5	0	10	10	4	5	4	9	10	65.5	**6.55**	6.55
POP	9	8	6	3.5	7	8	0	6	10	1	9	10	67.5	**6.75**	6.75
PRY	-1	7	4	4.5	1	4	6	7	3	6	9	11	50.5	**4.59**	4.59
PUL	-2	-1	3	2	3	1	9	2	-1	1	5	11	22	**2.00**	2.00
REP	11	5	9	4.5	6	8	11	5	2	7	10	11	78.5	**7.14**	7.14
SCH	10	8	11	8	7	9	12	10	13	7	12	11	107	**9.73**	8.86
SOL	8	5	9	3.5	2	2	10	6	6	4	4	11	59.5	**5.41**	5.41
TAB	11	4	10	6	7	8	8	1	7	4	9	11	75	**6.82**	6.82
TEF	9	7	9	7	9	5	9	7	10	7	10	11	89	**8.09**	8.09
TPZ	4	6	9	9	7	7	9	7	7	6	6	11	77	**7.00**	7.00
UNF	8	8	11	8.5	6	9	9	8	10	4	7	11	88.5	**8.05**	7.27
URA	10	2	7	4	6	7	6	9	5	5	8	11	69	**6.27**	6.27
VAL	8	5	9	8.5	6	9	9	7	8	5	9	11	83.5	**7.59**	6.64
VIS	-1	3	6	0	5	3	0	7	4	5	6	10	38	**3.80**	3.80
AMP	9	5	10	7	2	7	8	4	2	3	6	11	63	**5.73**	5.73
ZEL	9	4	8	3	7	0	0	8	3	4	-1	9	45	**5.00**	5.00
ANZ	11	6	11	10	5	12	11	11	11	5	8	11	101	**9.18**	7.55
AVT	9	7	5	7.5	5	10	13	6	5	6	5	11	78.5	**7.14**	7.14
DAN	10	7	10	8.5	9	6	0	7	9	6	7	10	79.5	**7.95**	7.95
DCX	10	6	10	7	6	9	13	7	10	7	11	11	96	**8.73**	7.86
NOK	5	7	7	8	7	10	6	7	5	7	5	11	74	**6.73**	6.73
average	7.45	5.45	8.34	5.49	6.11	6.86	9.19	6.29	6.13	4.34	6.45			6.50	6.25

Table 18: Shareholder value orientation at a glance: score

Ranking	General attitude	Flexibility	Investments	Human resources	Dividends	Growth	Corporate control	Liquidity of shares	Risk management	Competitive advantages	Cost management	**Total**	Total score without questionnaire
ACE	26	21	27	29	18	24	32	35	26	34	34	**35**	34
ACS	26	21	22	20	32	17	26	7	11	11	17	**25**	25
ACR	12	7	3	10	27	27	19	7	26	11	4	**12**	23
ACX	6	37	35	29	3	30	33	22	37	11	36	**36**	36
AGS	35	30	1	16	10	24	19	7	20	31	26	**27**	31
ALB	26	21	7	27	3	30	19	22	34	34	34	**31**	29
ANA	6	14	7	16	32	17	19	7	11	31	17	**20**	18
AUM	20	7	1	38	3	27	26	35	26	34	26	**29**	27
BBV	12	1	7	3	1	5	7	7	2	6	2	**2**	2
BKT	12	2	7	19	1	5	33	3	26	11	33	**10**	8
CAN	1	14	35	21	18	30	7	7	5	22	22	**16**	14
CTG	26	14	33	21	18	5	1	22	15	11	26	**21**	20
DRC	24	3	22	7	32	5	13	22	20	31	17	**23**	22
ELE	2	21	22	21	3	13	5	32	2	11	7	**8**	5
FCC	33	35	30	34	9	17	26	7	31	11	36	**33**	32
IBE	24	14	7	10	10	17	1	30	18	22	13	**11**	9
MAP	26	33	7	29	18	30	19	22	11	29	13	**26**	35
NHH	26	21	22	21	38	2	11	32	20	22	7	**22**	21
POP	12	3	30	29	10	13	33	22	5	34	7	**18**	16
PRY	36	7	35	21	37	30	29	7	31	6	7	**34**	33
PUL	38	37	38	36	31	37	13	37	37	34	26	**38**	38
REP	2	21	17	21	18	13	7	30	34	1	4	**12**	11
SCH	6	3	3	7	10	5	5	2	1	1	1	**1**	1
SOL	20	21	17	29	32	36	11	22	18	22	32	**30**	28
TAB	2	30	7	16	10	13	19	38	15	22	7	**17**	15
TEF	12	7	17	13	3	27	13	7	5	1	4	**5**	3
TPZ	33	14	17	2	10	17	13	7	15	6	22	**15**	13
UNF	20	3	3	3	18	5	13	5	5	22	17	**6**	10
URA	6	35	27	27	18	17	29	3	20	11	13	**24**	24
VAL	20	21	17	3	18	5	13	7	11	11	7	**9**	18
VIS	36	33	30	37	27	35	33	7	26	11	22	**37**	37
AMP	12	21	7	13	32	17	19	32	34	29	22	**28**	26
ZEL	12	30	22	34	10	38	33	5	31	22	36	**32**	30
ANZ	2	14	3	1	27	1	7	1	2	11	13	**3**	7
AVT	12	7	33	10	27	2	1	22	20	6	26	**12**	11
DAN	6	7	7	3	3	24	33	7	10	6	17	**7**	4
DCX	6	14	7	13	18	5	1	7	5	1	2	**4**	5
NOK	32	7	27	7	10	2	29	7	20	1	26	**19**	17

Table 19: Shareholder value orientation at a glance: ranking