

STANDARD
& POOR'S

2004 Review European Indices



Standard & Poor's

2004 Review: European Indices

S&P Europe 350

S&P Euro

S&P Euro Plus

S&P UK

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Executive Summary

In 2004 the European markets continued to recover from the 2001-2002 bear market, though the pace eased from 2003. The S&P Europe 350 returned 11.9% in 2004 (in euros), compared to 15.5% in 2003 and annual declines from 1999 through 2002 (Table 1). Annualized daily volatility was sharply lower in 2004, falling to 11.8% from 21.9% in 2003 (Table 3). The drop in volatility offset the impact of more modest returns, so the Sharpe ratio climbed from 0.243 in 2003 to 0.479 in 2004 (Table 2).

The performance of the Eurozone countries in the S&P Europe 350, measured by the S&P Euro, was slightly better at 12.0% than the overall S&P Europe 350. The S&P Euro Plus (which includes non-euro countries) was a bit better again, with a 12.3% return. Great Britain, measured in sterling rather than euros, returned 11.2% (Table 1). The euro gained only 0.5% against sterling in 2004.

Nine of the ten S&P Europe 350 GICS sectors were up, with Utilities (+30.6%) the clear leader. Second was Energy at 15.4%, followed by Telecommunication Services with a 15% gain. The sole loser was Information Technology, down 1.3% in 2004. Sector returns were quite different from 2003 when Information Technology was second best with a 30.1% gain, only 1.1 percentage points behind Industrials (Table 4). In one sense the Information Technology figure carries little importance, since at 3.8% of the index it is the smallest sector by market cap. Financials was the largest sector at 29.5%, more than double Energy, the next largest (Table 5).

Great Britain, well known for the equity orientation of its financial markets, investments and savings, was the largest market in the S&P Europe 350 with 36.9% of the total market capitalization, followed by France (13.8%), Germany (10.3%) and the Netherlands (7.3% – Table 9).

The lists of top and bottom 10 companies reflect the market's gains in 2004. The best performing, Elan Corporation plc, was up more than three times with a 257% gain. Even the 10th best gained more than 50% (MMO2 plc, up 59%). Among the laggards, Tiscali SpA lost 51% and Equant NV declined 48% (Table 12).

David M. Blitzler, Ph.D.
Managing Director &
Chairman of the Index Committee

Performance (all values in €, unless specified)

Table 1: Total Return

	2004	2003	2002	2001	2000	1999	1998
S&P Europe 350	11.9%	15.5%	-30.2%	-15.2%	-0.8%	36.8%	19.7%
S&P Euro	12.0%	20.1%	-33.4%	-18.4%	0.0%	42.2%	28.2%
S&P Euro Plus	12.3%	19.4%	-32.2%	-18.4%	2.2%	35.2%	24.9%
S&P UK (£)	11.2%	18.8%	-22.3%	-12.5%	-4.6%	19.7%	17.1%

Source: Standard & Poor's

Table 2: Sharpe Ratio

	2004	2003	2002	2001	2000	1999	1998
S&P Europe 350	0.479	0.243	-0.403	-0.283	-0.130	0.590	0.200
S&P Euro	0.379	0.272	-0.348	-0.260	-0.103	0.544	0.255
S&P Euro Plus	0.402	0.276	-0.369	-0.284	-0.059	0.473	0.223
S&P UK (£)	0.443	0.327	-0.349	-0.317	-0.184	0.332	0.213

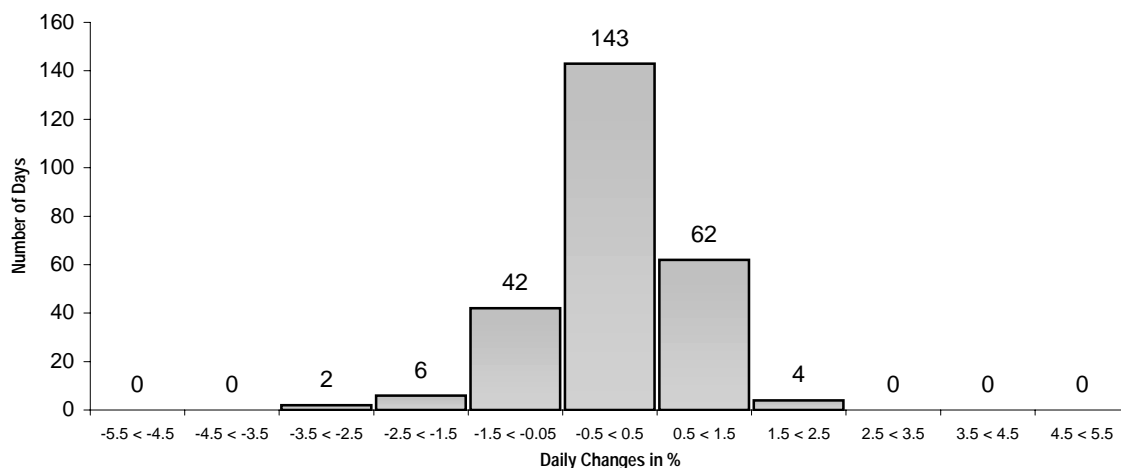
Source: Standard & Poor's

Table 3: Annualized Daily Volatility

	2004	2003	2002	2001	2000	1999	1998
S&P Europe 350	11.8%	21.9%	29.2%	23.1%	18.1%	17.0%	23.2%
S&P Euro	13.2%	24.2%	32.9%	25.6%	21.0%	17.9%	25.7%
S&P Euro Plus	12.7%	22.9%	31.2%	24.7%	19.8%	17.5%	25.4%
S&P UK (£)	10.3%	19.3%	27.1%	20.3%	17.7%	16.8%	20.1%

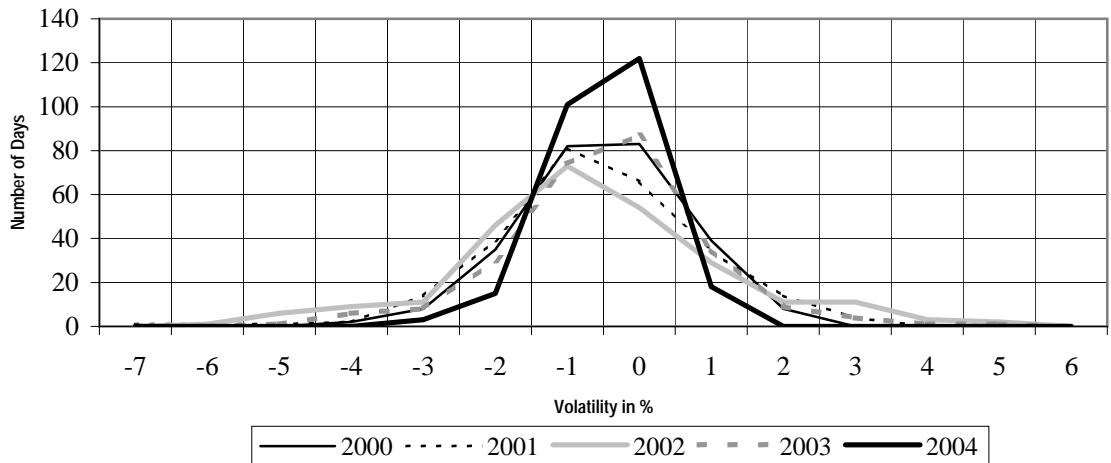
Source: Standard & Poor's

Chart 1: Daily Volatility of the S&P Europe 350 - 2004



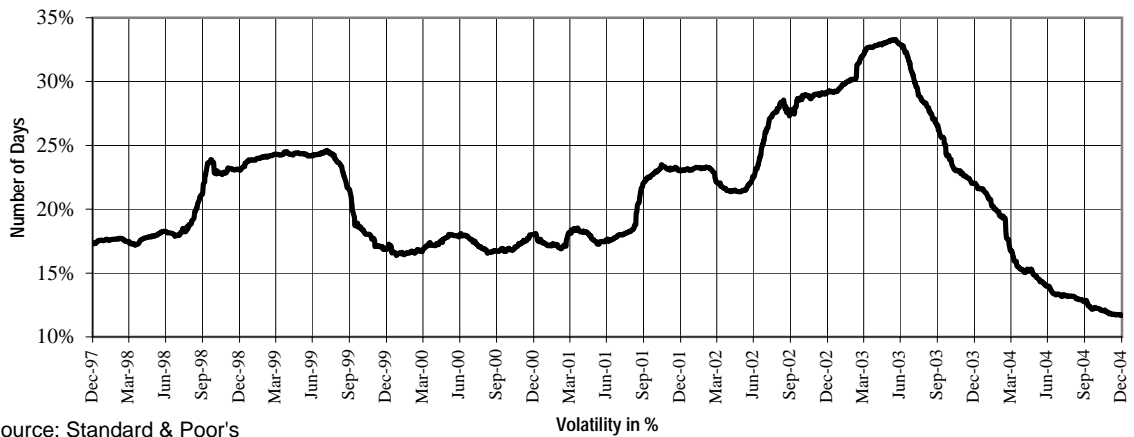
Source: Standard & Poor's

Chart 2: S&P Europe 350 Frequency Distribution of Daily Volatility - 2000-2004



Source: Standard & Poor's

Chart 3: S&P Europe 350 Volatility Measured by Rolling 12-Month Standard Deviation 1998-2004
(Based on 257-day moving average)



Source: Standard & Poor's

Table 4: Total Return on S&P Europe 350 by GICS®

	2004	2003	2002	2001	2000	1999	1998
Consumer Discretionary	8.1%	18.8%	-34.6%	-11.9%	-10.3%	38.2%	9.7%
Consumer Staples	8.3%	0.7%	-14.2%	-1.0%	24.1%	-4.8%	33.0%
Energy	15.4%	4.8%	-17.1%	-1.1%	3.2%	42.5%	-1.3%
Financials	13.2%	21.7%	-33.2%	-14.5%	15.6%	12.0%	26.1%
Health Care	3.6%	8.5%	-28.3%	-7.3%	25.0%	-3.8%	30.0%
Industrials	12.6%	31.2%	-35.6%	-22.2%	-6.2%	35.1%	11.2%
Information Technology	-1.3%	30.1%	-59.5%	-46.1%	-14.2%	174.2%	53.3%
Materials	14.5%	18.3%	-20.9%	0.4%	-5.6%	48.2%	5.4%
Telecommunication Services	15.0%	19.2%	-36.4%	-29.5%	-34.2%	82.7%	82.6%
Utilities	30.6%	13.9%	-22.0%	-7.2%	15.4%	-7.3%	33.3%

Source: Standard & Poor's

Sector Breakdown by Market Cap

Table 5: S&P Europe 350 GICS Breakdown by Market Cap, 1998-2004

	2004	2003	2002	2001	2000	1999	1998
Consumer Discretionary	9.34%	9.75%	9.49%	9.97%	10.27%	9.87%	10.63%
Consumer Staples	9.48%	9.90%	11.01%	8.93%	7.80%	7.21%	10.13%
Energy	11.28%	11.40%	12.85%	11.07%	10.10%	9.78%	8.12%
Financials	29.52%	28.72%	26.66%	27.41%	27.55%	24.63%	29.78%
Health Care	9.16%	10.31%	11.11%	11.37%	9.64%	8.17%	11.35%
Industrials	6.53%	6.22%	5.72%	5.76%	5.90%	6.53%	5.88%
Information Technology	3.84%	4.31%	3.77%	5.93%	9.35%	9.53%	3.64%
Materials	6.19%	6.00%	5.63%	5.10%	4.47%	4.86%	4.40%
Telecommunication Services	9.35%	8.91%	9.10%	10.06%	10.66%	14.26%	9.45%
Utilities	5.32%	4.48%	4.67%	4.39%	4.26%	5.16%	6.62%

Source: Standard & Poor's

Table 6: S&P Euro GICS Breakdown by Market Cap, 1998-2004

	2004	2003	2002	2001	2000	1999	1998
Consumer Discretionary	10.86%	11.76%	11.38%	12.33%	12.56%	11.23%	12.76%
Consumer Staples	6.21%	7.11%	8.24%	6.86%	6.04%	6.07%	7.13%
Energy	11.80%	12.42%	14.17%	11.57%	10.48%	9.80%	9.92%
Financials	29.93%	28.51%	26.06%	26.66%	27.87%	24.71%	31.92%
Health Care	4.03%	4.05%	4.49%	5.08%	3.83%	2.46%	2.72%
Industrials	6.94%	6.89%	6.30%	5.84%	5.43%	5.66%	4.67%
Information Technology	5.71%	7.26%	7.12%	9.70%	13.26%	11.57%	5.15%
Materials	6.46%	6.47%	6.16%	5.92%	5.42%	5.62%	6.04%
Telecommunication Services	10.24%	9.05%	9.68%	9.88%	9.18%	15.69%	11.15%
Utilities	7.83%	6.48%	6.40%	6.17%	5.93%	7.19%	8.53%

Source: Standard & Poor's

Table 7: S&P Euro Plus GICS Breakdown by Market Cap, 1998-2004

	2004	2003	2002	2001	2000	1999	1998
Consumer Discretionary	9.58%	10.12%	9.91%	10.56%	10.64%	9.84%	10.71%
Consumer Staples	7.82%	8.87%	10.13%	8.42%	7.50%	7.43%	9.08%
Energy	9.66%	9.94%	11.20%	9.00%	8.20%	7.88%	7.74%
Financials	30.01%	29.22%	26.97%	28.09%	29.38%	25.59%	32.53%
Health Care	8.98%	9.32%	10.33%	9.98%	7.88%	6.37%	9.86%
Industrials	7.41%	7.41%	6.56%	6.56%	6.45%	6.64%	4.72%
Information Technology	5.66%	6.45%	5.96%	8.95%	12.74%	12.62%	4.42%
Materials	6.18%	6.07%	5.85%	5.44%	4.98%	5.10%	5.35%
Telecommunication Services	8.63%	7.62%	8.16%	8.21%	7.62%	12.79%	8.97%
Utilities	6.07%	4.98%	4.93%	4.79%	4.62%	5.75%	6.62%

Source: Standard & Poor's

Table 8: S&P UK GICS Breakdown by Market Cap, 1998-2004

	2004	2003	2002	2001	2000	1999	1998
Consumer Discretionary	8.92%	9.14%	8.87%	9.06%	9.68%	9.93%	10.52%
Consumer Staples	12.32%	11.58%	12.30%	9.72%	8.28%	6.87%	11.70%
Energy	14.04%	13.76%	15.29%	14.29%	13.10%	12.60%	8.69%
Financials	28.69%	27.92%	26.21%	26.35%	24.67%	23.19%	25.65%
Health Care	9.46%	11.92%	12.26%	13.53%	12.42%	10.86%	13.58%
Industrials	5.02%	4.28%	4.47%	4.53%	5.02%	6.36%	7.63%
Information Technology	0.74%	0.83%	0.52%	1.26%	3.99%	4.94%	2.45%
Materials	6.19%	5.88%	5.30%	4.56%	3.67%	4.50%	2.97%
Telecommunication Services	10.58%	11.02%	10.50%	12.93%	15.47%	16.47%	10.18%
Utilities	4.05%	3.67%	4.29%	3.78%	3.69%	4.27%	6.64%

Source: Standard & Poor's

Country Breakdown by Market Cap

Table 9: S&P Europe 350 Country Breakdown by Market Cap, 1998-2004

	2004	2003	2002	2001	2000	1999	1998
Austria	0.08%	0.04%	0.04%	0.03%	0.08%	0.09%	0.12%
Belgium	1.73%	1.41%	1.36%	1.26%	0.92%	0.97%	1.51%
Denmark	0.77%	0.77%	0.67%	0.62%	0.64%	0.48%	0.55%
Finland	1.55%	1.97%	2.41%	3.03%	3.91%	4.41%	1.57%
France	13.79%	13.75%	13.72%	13.59%	14.05%	12.85%	11.55%
Germany	10.25%	10.38%	8.24%	9.96%	9.71%	11.94%	12.41%
Great Britain	36.90%	38.04%	40.33%	39.22%	38.75%	40.14%	39.97%
Greece	0.24%	0.19%	0.16%	0.20%	--	--	--
Ireland	1.04%	0.88%	0.91%	0.96%	0.46%	0.43%	0.74%
Italy	6.02%	5.37%	5.62%	4.95%	5.30%	4.53%	5.66%
Luxembourg	0.23%	0.17%	0.16%	--	--	--	--
Netherlands	7.30%	7.59%	8.09%	8.22%	8.67%	8.21%	8.49%
Norway	0.45%	0.36%	0.29%	0.26%	0.20%	0.20%	0.15%
Portugal	0.61%	0.58%	0.57%	0.59%	0.61%	0.45%	0.50%
Spain	6.05%	5.29%	4.67%	4.36%	3.99%	3.96%	4.01%
Sweden	3.36%	2.97%	2.41%	2.64%	3.03%	3.23%	2.02%
Switzerland	9.63%	10.26%	10.36%	10.11%	9.67%	8.12%	10.73%

Source: Standard & Poor's

Table 10: S&P Euro Country Breakdown by Market Cap, 1998-2004

	2004	2003	2002	2001	2000	1999	1998
Austria	0.15%	0.09%	0.08%	0.06%	0.16%	0.20%	0.27%
Belgium	3.53%	2.95%	2.95%	2.68%	1.93%	2.02%	3.24%
Denmark	--	--	--	--	--	--	--
Finland	3.18%	4.14%	5.24%	6.42%	8.19%	9.22%	3.38%
France	28.21%	28.88%	29.86%	28.83%	29.46%	26.86%	24.81%
Germany	20.96%	21.80%	17.94%	21.13%	20.36%	24.95%	26.64%
Great Britain	--	--	--	--	--	--	--
Greece	0.50%	0.41%	0.34%	0.42%	--	--	--
Ireland	2.14%	1.86%	1.98%	2.03%	0.97%	0.90%	1.60%
Italy	12.31%	11.27%	12.23%	10.50%	11.12%	9.48%	12.16%
Luxembourg	0.47%	0.36%	0.35%	--	--	--	--
Netherlands	14.93%	15.93%	17.62%	17.44%	18.18%	17.16%	18.24%
Norway	--	--	--	--	--	--	--
Portugal	1.25%	1.22%	1.24%	1.24%	1.27%	0.93%	1.06%
Spain	12.37%	11.10%	10.17%	9.25%	8.35%	8.28%	8.61%
Sweden	--	--	--	--	--	--	--
Switzerland	--	--	--	--	--	--	--

Source: Standard & Poor's

Table 11: S&P Euro Plus Country Breakdown by Market Cap, 1998-2004

	2004	2003	2002	2001	2000	1999	1998
Austria	0.12%	0.07%	0.06%	0.04%	0.13%	0.16%	0.21%
Belgium	2.74%	2.27%	2.27%	2.08%	1.50%	1.61%	2.51%
Denmark	1.22%	1.24%	1.12%	1.02%	1.04%	0.81%	0.92%
Finland	2.46%	3.18%	4.04%	4.98%	6.38%	7.37%	2.62%
France	21.86%	22.19%	22.99%	22.36%	22.95%	21.47%	19.25%
Germany	16.24%	16.75%	13.81%	16.39%	15.86%	19.94%	20.67%
Great Britain	--	--	--	--	--	--	--
Greece	0.39%	0.31%	0.26%	0.32%	--	--	--
Ireland	1.66%	1.43%	1.52%	1.58%	0.76%	0.72%	1.24%
Italy	9.53%	8.66%	9.41%	8.14%	8.66%	7.57%	9.43%
Luxembourg	0.36%	0.27%	0.27%	--	--	--	--
Netherlands	11.57%	12.24%	13.56%	13.53%	14.16%	13.71%	14.15%
Norway	0.71%	0.57%	0.48%	0.42%	0.33%	0.33%	0.26%
Portugal	0.97%	0.94%	0.95%	0.97%	0.99%	0.75%	0.83%
Spain	9.59%	8.53%	7.83%	7.18%	6.51%	6.61%	6.68%
Sweden	5.32%	4.79%	4.04%	4.35%	4.95%	5.39%	3.37%
Switzerland	15.26%	16.55%	17.37%	16.64%	15.80%	13.56%	17.87%

Source: Standard & Poor's

10 Best & Worst Performers by Company

Table 12: S&P Europe 350 Best and Worst Returns, by Company—2004

Top 10 Performers	Ticker	Return (local currency)	Country	Adjusted Mkt. Value (Mil. €)	Weight in S&P Europe 350
Elan Corporation plc	ELN.I	257.3%	Ireland	7,672	0.173%
VA Technologie AG	VATE.VI	128.4%	Austria	649	0.015%
OMV AG	OMVV.VI	87.7%	Austria	2,717	0.061%
Almanij NV	ALMB.BR	87.2%	Belgium	6,718	0.151%
Corus Group Plc.	CS.L	68.3%	Great Britain	3,173	0.071%
EMI Group	EMI.L	66.9%	Great Britain	2,958	0.067%
Ericsson LM AB - B Shares	ERICb.ST	64.3%	Sweden	34,939	0.786%
AWG plc	AWG.L	61.6%	Great Britain	1,667	0.037%
Reuters Group	RTR.L	60.6%	Great Britain	7,669	0.172%
MMO2 PLC	OOM.L	59.4%	Great Britain	15,076	0.339%

Source: Standard & Poor's, Bloomberg

Bottom 10 Performers	Ticker	Return (local currency)	Country	Adjusted Mkt. Value (Mil. €)	Weight in S&P Europe 350
Tiscali SpA	TIS.MI	-50.7%	Italy	590	0.013%
Equant NV	EQU.T.PA	-48.4%	Netherlands	504	0.011%
Epcos AG	EPCGn.DE	-38.5%	Germany	539	0.012%
Compass Group	CPG.L	-35.2%	Great Britain	7,515	0.169%
STMicroelectronics NV	STM.PA	-33.3%	Netherlands	9,361	0.211%
Cap Gemini SA	CAPP.PA	-33.1%	France	2,919	0.066%
Alstom	ALSO.PA	-30.9%	France	2,396	0.054%
AstraZeneca	AZN.L	-29.5%	Great Britain	44,178	0.993%
Adecco SA	ADEN.VX	-28.0%	Switzerland	4,862	0.109%
Infineon Technologies AG	IFXGn.DE	-27.6%	Germany	4,878	0.110%

Source: Standard & Poor's, Bloomberg

Turnover

*Table 13: Turnover in S&P European Indices, 1998–2004
Number of companies added/deleted during the year*

Year	S&P Europe 350	S&P Euro*		S&P Euro Plus*		S&P UK*	
		Added	Deleted	Added	Deleted	Added	Deleted
2004	8	3	3	4	4	4	4
2003	20	13	15	17	16	3	4
2002	13	10	5	13	5	0	8
2001	21	12	11	15	12	5	9
2000	46	27	16	34	21	12	25
1999	25	11	10	15	15	10	10
1998	11	4	3	5	5	6	6

Source: Standard & Poor's

* Turnover derived from turnover activity on the S&P Europe 350. Number of adds and deletes are not equal because indices are not fixed-numbered.

Table 14: Capitalization-Weighted Turnover[†] in S&P European Indices, 1998–2004

Year	S&P Europe 350	S&P Euro	S&P Euro Plus	S&P UK
2004	5.33%	6.81%	5.99%	3.41%
2003	5.41%	7.40%	7.39%	2.07%
2002	3.55%	4.35%	4.20%	2.73%
2001	8.75%	10.01%	7.75%	7.68%
2000	14.28%	11.72%	10.97%	19.59%
1999	16.13%	16.75%	17.65%	13.48%
1998	4.69%	4.31%	5.50%	3.83%

Source: Standard & Poor's

†Capitalization weighted turnover is calculated by adding the market value of company additions, company deletions, share issuances, share repurchases, and quarterly share changes in the index during the year, dividing by 2 and then dividing by the average market value of the index over the year.

Market Capitalization by Decile

Table 15: Market Capitalization for S&P European Indices, by Decile, as of 12/31/2004 (Market cap figures in €millions)

Decile	S&P Europe 350		S&P Euro	
First Decile/Number of companies	3		2	
Average market cap		141,635		94,954
Median market cap		139,100		94,954
Second Decile/Number of companies	5		4	
Average market cap		92,072		59,306
Median market cap		90,962		57,172
Third Decile/Number of companies	7		4	
Average market cap		63,047		48,061
Median market cap		60,579		48,025
Fourth Decile/Number of companies	9		6	
Average market cap		48,357		38,372
Median market cap		47,678		37,752
Fifth Decile/Number of companies	14		8	
Average market cap		34,433		29,159
Median market cap		34,703		28,626
Sixth Decile/Number of companies	18		10	
Average market cap		24,355		22,691
Median market cap		24,913		23,441
Seventh Decile/Number of companies	28		14	
Average market cap		16,215		15,734
Median market cap		16,238		15,524
Eighth Decile/Number of companies	44		21	
Average market cap		10,330		10,685
Median market cap		10,012		10,247
Ninth Decile/Number of companies	68		33	
Average market cap		6,591		6,609
Median market cap		6,645		6,668
Tenth Decile/Number of companies	154		72	
Average market cap		3,015		3,085
Median market cap		3,028		3,028

Source: Standard & Poor's.

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