

## **SHARE BUYBACKS SOAR, BUT TAKEOVER FIREPOWER WANES**

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### Highlights

European share buybacks increased 59% in 2005 due to a combination of dwindling organic growth opportunities and low relative valuations. Buybacks averaged 4.6% of shares in issue, compared with 3.5% in 2004. Despite the scale of the increase, the impact on earnings per share (EPS) was not enhancing as, in aggregate, there was an increase in the total number of shares in issue. This is in sharp contrast with the US, where our research reveals share buybacks have enhanced EPS significantly.

The key investment implications for investors from our research centre on trends in the healthcare sector, where we view the absence of any change in share buybacks as positive. Specifically, it is our belief managers see core investment opportunities as the best place for shareholders' capital. This stands in contrast with sectors such as telecoms, where buybacks more than doubled in 2005 as corporates conceded that the sector had turned ex-growth and returning cash to shareholders via dividends or buybacks was the best use of surplus cash.

Corporate holdings of treasury shares also grew dramatically last year. Our survey of companies representing 75% of the S&P Europe 350 by market capitalisation highlighted a 27% increase in treasury shares held on-balance sheet. As a proportion of market value, the figure rose to 2% last year compared with 1.8% in 2004.

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**TABLE 1: ECONOMIC AND VALUATION DATA**

	EPS Growth		PE Ratio		PEG Ratio	EV/EBITDA		17-Jul-06
	06	Fwd	06	Fwd	12 Mth Fwd	05	06	Sector Weight
<b>Consumer Discretionary</b>	10.1	13.4	12.4	11.6	0.9	5.9	5.3	9.1
Auto	5.7	13.9	10.1	9.1	0.7	3.2	2.8	2.2
Consumer Durables & Apparel	30.4	25.6	14.1	13.0	0.5	8.7	7.5	2.1
Hotel, Restaurants & Leisure	-0.3	6.5	13.8	12.9	2.0	7.5	7.0	1.0
Media	8.0	9.4	14.8	14.2	1.5	7.4	6.7	2.5
Retail	8.9	10.5	17.8	16.9	1.6	8.9	8.0	1.3
<b>Consumer Staples</b>	9.8	10.1	16.6	15.9	1.6	9.0	8.2	9.1
Food, Beverage & Tobacco	8.0	8.7	15.6	15.0	1.7	9.0	8.2	6.5
Food & Drug Retailing	14.6	13.8	16.7	15.8	1.1	7.8	7.1	1.9
Household & Personal Products	12.9	12.8	25.3	24.0	1.9	13.7	12.4	0.7
<b>Energy</b>	8.8	4.1	9.7	9.7	2.4	4.4	4.4	11.9
<b>Financials*</b>	9.1	8.9	10.2	9.8	1.1	1.8	1.7	29.7
Banks*	9.6	9.9	10.5	10.0	1.0	1.9	1.7	17.9
Diversified Financials*	10.7	7.9	9.7	9.5	1.2	0.18	0.17	6.0
Insurance*	6.3	7.1	9.5	9.1	1.3	0.14	0.14	5.3
Real Estate*	-0.6	5.0	36.3	34.4	7.0	0.03	0.04	0.5
<b>Health Care</b>	14.0	12.3	18.1	17.4	1.4	11.2	10.1	9.5
Health Care Equipment & Services	12.4	12.2	37.9	35.8	2.9	11.6	10.1	0.2
Pharmaceuticals & Biotechnology	14.0	12.2	17.8	17.1	1.4	11.2	10.1	9.3
<b>Industrials</b>	15.9	14.7	14.3	13.6	0.9	7.0	6.1	7.1
Capital Goods	21.5	17.5	13.4	12.7	0.7	7.1	6.4	5.0
Commercial Services & Supplies	11.7	13.4	16.7	15.7	1.2	8.2	7.0	0.6
Transport	-1.4	5.0	16.9	15.9	3.2	6.9	6.0	1.4
<b>IT</b>	21.9	19.9	14.6	13.6	0.7	8.2	6.9	3.6
Software & Services	25.6	22.6	20.7	22.6	1.0	12.2	10.1	0.9
Hardware & Equipment	14.4	13.8	12.5	11.8	0.9	7.5	6.5	2.3
Semiconductors	159.3	91.2	22.1	18.1	0.2	5.3	4.4	0.5
<b>Materials</b>	18.5	11.5	12.3	12.1	1.1	5.1	4.7	6.5
<b>Telecom Services</b>	4.4	5.8	10.6	10.2	1.8	5.5	5.2	7.4
<b>Utilities</b>	10.4	10.3	13.7	13.2	1.3	6.8	6.3	6.0
<b>S&amp;P 350</b>	10.5	9.2	12.0	11.4	1.2	6.3	5.9	

Source: Consensus data from JCF

\*EV/EBITDA for financials+banks = P/BV, diversified financials, insurance+real estate = ROE. For autos EV/EBITDA includes financial services debt

**TABLE 2: KEY ECONOMIC ASSUMPTIONS**

GDP	2005	2006	2007
Euro Zone	1.4%	2.2%	1.7%
UK	1.7%	2.2%	2.5%
US	3.5%	3.4%	2.5%
<b>Interest Rates</b>	<b>Current</b>	<b>3 Mth</b>	<b>12 Mth</b>
Euro Zone	2.75%	3.00%	3.50%
UK	4.50%	4.50%	4.75%
US	5.25%	5.50%	5.50%
<b>Exchange Rates</b>	<b>Current</b>	<b>3 Mth</b>	<b>12 Mth</b>
USD/EUR	1.25	1.3	1.32
EUR/GBP	0.69	0.7	0.72

Source: Standard & Poor's Equity Research

## BUYBACK BONANZA

The surge in European share buybacks last year pales in comparison with developments in the US. Research published earlier this year by Howard Silverblatt, our senior index analyst, highlighted a 77% increase in share buybacks in the S&P500, against the 59% in the DJ Stoxx 600. Expressed as a proportion of market value, the divergent trends on either side of the Atlantic become even more apparent. Share buybacks as a proportion of the value of the S&P500 increased to 3.1% last year compared with 1.7% in 2004. In Europe over the same periods, the change was more modest: to 1.1% from 0.8%.

Part of the reason for the subdued increase in the European ratio was the 23% gain in the S&P Europe 350 last year compared with a 4% gain for the S&P500. Moreover, we believe buybacks continue to be the preferred route to channel cash to shareholders in the US despite the change in the tax treatment of dividends. As the table below highlights, at the 2005 mid-year mark for the S&P500, the annual dividend yield was 1.7%, compared with 3.5% for the S&P Europe 350.

**TABLE 3: US & EUROPEAN YIELD BREAKDOWN**

	Mid Yr Market Value	Annual Dividend	Share Repurchases	Dividend Yield	Buy Back Yield
S&P500 (USD bn)	10,890	201	349	1.8%	5.1%
S&P Europe 350 (EUR bn)	5,600	197	59	3.5%	4.6%

Source: Standard & Poor's Equity Research, Bloomberg

Combining the dividend and buyback values neutralises the effect of tax policy and makes the data more comparable. On this basis, the mid 2005 dividend and buyback yield for the S&P500 was 5.1%. This remains higher than the 4.6% yield for the S&P Europe 350, however, the disparity has narrowed significantly. Later in the report we discuss the reasons why companies buy back shares, including their desire to limit the dilution effect of share option programmes. The greater prevalence of share option schemes in the US relative to Europe can partially explain the need for US companies to buy back a greater proportion of their own shares and are also a tool to offset the potentially dilutive effect that share options can have on earnings.

Further complicating the analysis is the issue of whether shares repurchased are carried on the balance sheet as treasury shares or cancelled. While some European countries have rules governing this issue, in the US there is greater flexibility.

## IMPACT OF BUYBACKS ON EPS

Many investors have expressed to us their concern over the impact of share buybacks on EPS. As investors are aware, a company can enhance EPS via repurchasing shares, even if net income is unchanged. While this has become a significant issue in the US, our analysis indicates that investors need not be concerned about artificial EPS enhancement in Europe.

**TABLE 4: SAMPLE IMPACT OF SHARE CHANGES ON EPS**

	2004	2005 Shares Decreased 4%	2005 Shares Increased 4%
Income (EUR mn)	100	108	108
Average shares mn	100	96	104
EPS (EUR)	1.0	1.125	1.038
EPS If Shares Frozen (EUR)	1.0	1.080	1.080
Y-o-Y 2005 ES Growth		1.25%	3.85%
Y-o-Y if shares issued unchanged		8.00%	8.00%
Growth Due To Share Reduction		4.50%	-4.15%

Source: Standard & Poor's Equity Research

Our US quantitative analyst has researched the impact of share buybacks on the S&P500 in 2005. In total, 266 companies in the index bought back shares. After adjusting for outliers, 52 witnessed a minimum 4% reduction in their diluted shares and had positive EPS. These companies reported an average 16.2% increase in EPS. However, based on the prior year's average diluted share count, the increase was 11.5%. This is a dramatic difference in earnings growth and a contributing factor in our US strategist's caution over the outlook for the S&P500 index.

In Europe the news is much better. In our sample, 44 companies bought back at least 4% of their outstanding shares in 2005. On an unadjusted basis, this led to a 4.6% reduction in the number of shares outstanding in our sample – note that this is a gross number – excluding shares issued by companies that did not actively buy back. However, after netting buybacks against shares issued, there was actually a net increase in shares outstanding in our 2005 sample.

This is not a total surprise – shares issued tend to rise over time. Nevertheless, it does address investor concerns that buybacks are artificially inflating EPS. Reinforcing this point is the net income and EPS trend in 2005. S&P Europe 350 net income grew by 24% in 2005, compared with a 22% increase in EPS.

## GEOGRAPHIC & SECTOR ANALYSIS OF BUYBACKS

Our research revealed that British companies lead the league table for share buybacks, outpacing the nearest rival, France, by a factor of 3.5:1 in 2005. Differing treatment of dividends and capital gains on investments as well as the higher incidence of cross-shareholdings in Continental Europe are likely factors behind this.

**TABLE 5: GEOGRAPHIC BREAKDOWN OF BUYBACKS (EURbn)**

	2004	2005
United Kingdom	22	32
France	3	9
Germany	0.3	2.5
Sweden	1.5	2.6
Switzerland	3.3	4.8

Source: Datastream

On a sectoral basis, the breakdown of buybacks tells a very interesting story about the relative growth prospects across Markets. Telecoms, the fourth largest of the 10 sectors in the S&P Europe 350, bought back a record EUR13 billion shares in 2005. This was 30% more than the largest sector in the market — financials, which, measured by market cap, dwarfs the telecoms sector.

The surge in buybacks in the telecoms sector - following EUR6 billion in 2004 – we believe reflects two factors. Firstly, the increase in demand for surplus cash to be returned to shareholders and secondly the maturing of the sector's growth prospects. With investors taking an unfavourable view on further acquisitions, we believe management have little choice but to return cash to shareholders. Some, such as Telefonica and BT, have committed to high payout ratios, while others such as Vodafone are opting for a combination of higher payout ratios and share buyback programmes.

We note that Vodafone accounted for 62% of the value of share buybacks undertaken in Europe's telecoms sector last year. This is actually down from 86% in 2004 as companies such as Swisscom and KPN aggressively bought back shares in 2005 after not purchasing any in 2004.

**TABLE 6: SECTOR BREAKDOWN OF BUYBACKS (EURbn)**

	2004	2005
Cons Disc.	4	5
Cons Staples	4	7
Energy	6	9
Financials	8	10
Healthcare	3	3
Industrials	1	3
IT	3	3
Materials	1	2
Telecoms	6	13
Utilities	1	3

Source: Datastream

Given the level of oil prices Europe's energy sector also stepped up its share buyback programme, increasing the number of shares purchased by 50% to a value of EUR9 billion. We interpreted this as a sign that management do not believe oil prices will be sustained at current levels and valuations of potential acquisitions are high. With average oil prices in H1 06 19% above the full year average for 2005, investors can expect a further increase in buybacks in this sector in 2006.

All other sectors in the market witnessed an increase in share buybacks last year aside from two: healthcare and IT. The absence of buybacks in IT was a reflection of the challenges faced by the sector and the need for investment. The absence of and change in buybacks in the healthcare sector and the implications of this for investors are interesting.

## BUYBACK SIGNALS IN HEALTHCARE

Europe's healthcare sector is certainly not short of liquid assets. Our research reveals cash and cash equivalents rose by 15% in 2005, compared with a 6% increase in the S&P Europe 350. One conclusion of the stagnation of buybacks amid a sharp rise in cash and cash equivalents is that the sector has organic growth opportunities. Our healthcare analyst is positive on the sector's drug pipeline and the trend for big pharmaceutical companies to acquire and/or co-operate with bio-technology businesses to develop new blockbuster drugs.

Companies in this sector are not using the increase in cash to raise dividends. At 2.1%, the sector's end-H1 06 dividend yield was exactly where it was 12 months earlier, while the dividend payout ratio actually dropped to 39% from 41%. This compares with a rise in the dividend yield for the S&P Europe 350 to 3.3% and an increase in the payout ratio to 41% from 38%. Remember that this was at a time when cash and cash equivalents for the entire market rose a modest 6% in 2005.

S&P currently has an overweight recommendation in the European healthcare sector. We recently upgraded our recommendation on Astra Zeneca to Buy (\*\*\*\*) from Sell (\*\*); our analysts also have a Buy (\*\*\*\*) recommendation on Novartis, GSK and Smith & Nephew.

## TREASURY SHARES SURGE

According to our research, treasury shares held by European corporates surged 27% last year to a value of EUR110 billion. In terms of the numbers of companies holding their own shares, the rise was even more marked, increasing 35%. In contrast with the UK's position as the top ranked country for share buybacks, relative to the value of each market it is only middle ranked; Switzerland leads the field, with France and Belgium taking the number two and three spots respectively.

**TABLE 7: EUROPEAN TREASURY SHARE BREAKDOWN**

	Treasury Shares As A % Market Value	Treasury Shares EUR bn
Switzerland	3.7%	18.0
France	2.9%	21.0
Belgium	2.1%	4.0
Holland	2.1%	9.0
Germany	2.1%	10.0
Italy	1.8%	5.0
UK	1.5%	28.0
Denmark	1.4%	2.0
Sweden	1.3%	4.0
Norway	1.2%	2.0
Ireland	1.0%	1.0
Spain	0.6%	2.0
Finland	0.4%	1.0

Source: Standard & Poor's Equity Research, Bloomberg

## TREASURY SHARES AS M&A CURRENCY

In the US, our index analyst believes that the current accumulation of treasury shares will be used to support growing M&A (merger and acquisition) activity. This conclusion is driven in part by the greater flexibility US companies have over the use of treasury shares and a slowdown in the growth of share options as a compensation tool, which historically has been the primary use of treasury shares

In Europe we do not see the surge in treasury shares as a clear-cut leading indicator of future M&A activity, a view supported by the more stringent restrictions on the use of treasury shares relative to the US. While there is considerable flexibility in the UK, other European countries require that the shares be cancelled after they are acquired.

Additionally, in our sample the value of treasury shares held and cash and cash equivalents as a percentage of market value actually dropped to 11.1% in 2005 compared with 11.8% in 2004. Given the dramatic rise in M&A activity in Europe last year, this tells us that despite the surge in value of treasury shares held – in combination with the rise in cash and cash equivalents - the two failed to keep up with the rise in the stock markets/cost of potential acquisitions. In effect, treasury shares and cash and cash equivalents held on-balance sheet are not good leading indicators of M&A activity.

**TABLE 8: CASH AND TREASURY SHARES AS A % OF MARKET VALUE**

	Cash + Cash Equivalents	Treasury Shares (T. Shares) Held	T. Shares As A % Market Value	Cash & T. Shares As A % Market Value
2004	480	86	1.8%	11.8%
2005	510	109	2%	11.1%

Source: Standard & Poor's Equity Research, Bloomberg

Moreover we have not been able to gather comprehensive pan-European data on the breakdown of treasury shares held by corporates that can be re-issued at a later date and those that have been accumulated as part of employee share-ownership schemes. What we can say is that companies do not have the flexibility to reissue all of the treasury shares acquired in recent years. Some will be cancelled, some committed to employee share-ownership schemes and some used to satisfy share option schemes.

## TREASURY SHARE INDICATORS

We have concluded that, as a broad market trend, treasury shares are unlikely to resurface as a takeover currency similar to that witnessed in the late-nineties in Europe. As such, a legitimate question remains over why companies are increasing their holdings of treasury shares. We believe there are three reasons:

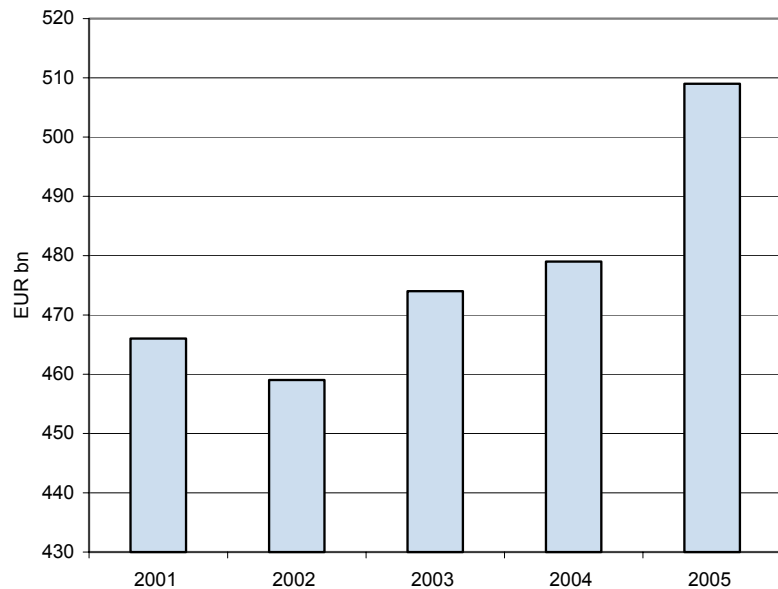
- Limited organic growth opportunities.
- Putting excess cash to work.
- Investors undervaluing shares.

The issue of limited organic growth opportunities is a theme that has resurfaced in many research notes we have published this year and last. While some investors dismiss this concern – citing the 22% growth in EPS last year — we continue to believe that there is a diminishing pool of organic growth opportunities in Europe. Hence the focus on cost control, outsourcing and the continued rise in emerging market investments by European companies.

Reasons behind the limited organic growth opportunities in Europe include lacklustre eurozone economic growth in recent years, expected to peak this year at 2.2%, which is actually below trend for the region. Inflexible labour markets are also encouraging corporates to invest in new production facilities outside Europe.

Cash and cash equivalents for the S&P Europe 350 grew 6% last year. After years of using cash to pay down debt, corporates actually started to increase their borrowings last year – short- and long-term debt rose 10% according to JCF. Some of this debt was used to increase holdings of treasury shares, possibly reflecting the fact that corporates view their shares as undervalued.

**CHART 1: S&P350 CASH AND CASH EQUIVALENTS**



Source: Standard & Poor's Equity Research

We believe that European shares are currently inexpensive; however, we lack a catalyst for a re-rating. At 11.8x 12-month forward forecasts, the S&P Europe 350 is at the low end of its 10-year historic trading range. A flattening yield curve, a cyclical high for profit margins and concerns over the outlook for earnings growth have all acted as a drag on European valuations this year.

In combination with limited organic growth opportunities and excess cash, corporates view low valuations as an ideal opportunity to invest in their own shares. This purpose is twofold; it can enhance EPS if the shares are cancelled and sends a signal to investors that company managers believe their shares are a solid investment opportunity.

## OUTLOOK FOR 2006

The analysis thus far has focused on trends during 2005, the most recent year for which we have published accounts available for most companies. A key question for investors is what is the trend this year? At the half-way mark for 2006, the trends look broadly similar year-on-year. Based on the limited data available, there has not been a marked change in share buybacks. However, in the UK, which represented almost 50% of buybacks in Europe last year, the annual general meeting season is currently underway, and boards of directors may ask for an increase in their authority to buy back shares.

Given low valuations in selected European sectors such as telecoms, we expect share buybacks to continue. Financials, which witnessed a 25% increase in buybacks last year may also see further increases in share buybacks if profits remain at current heightened levels for longer than expected.

While there is a risk that corporates use shares as an acquisition currency, our analysis indicates that the increase in treasury shares and cash and cash equivalents has not kept pace with the rise in Europe's stock markets. In combination with low valuations, we believe there is no real risk of earnings dilution via acquisitions. Moreover, low interest rates make cash the preferred takeover currency during the current cycle. If valuations rise, this could change, however, based on current market trends, the M&A cycle may run its course sooner than valuations are re-rated.

This view contrasts with our US index analyst who believes that the build up in treasury shares will be used to support growing M&A activity in North America. Remember that treasury shares represent 9.8% of shares outstanding in the S&P500, compared with 2% in the S&P Europe 350.

The good news for European investors is that, in contrast with concerns expressed by some, there is no evidence that share buybacks are distorting EPS data. Our analysis highlights that, on a net basis, total shares outstanding in the S&P Europe 350 increased last year. This implies that, despite the 59% growth in the value of share buybacks, EPS data was not artificially inflated.

This contrasts with the S&P500; 266 companies bought back shares. After adjusting for outliers, 52 reported at least a 4% reduction in diluted shares, and a 16.2% increase in EPS. However, based on the prior year's average diluted share count, the real increase was 11.5%.

## CONCLUSION

Corporate share buybacks in the DJ Stoxx 600 increased in value by 59% in 2005, this compares with a 77% rise in buybacks in the S&P500. European buybacks averaged 4.6% of the shares in issue, compared with 3.5% in 2004.

Despite the surge in share buybacks, our research indicates that EPS was not inflating as, in aggregate, there was an increase in the total number of shares in issue. This was in sharp contrast with the US, where share buybacks resulted in significant EPS enhancement.

Corporate holdings of treasury shares also increased dramatically last year. A survey of companies representing 75% of the S&P Europe 350 by market capitalisation highlighted a 27% increase in treasury shares held on-balance sheet. Adding cash and cash equivalents to this, the total value as a percentage of market value actually declined to 11.1% from 11.8% in 2004. As such share buybacks and cash levels can be viewed as poor leading indicators of European M&A during the current cycle.

The conclusions of our research are positive for investors as we have unearthed no evidence of buybacks manipulating EPS. In terms of the investment implications, we believe that the

most interesting trend is in the healthcare sector where we view the absence of an increase buybacks as a positive trend. Specifically, we believe managers see core investment opportunities as the best place for shareholders' capital. This stands in contrast with sectors such as telecoms, where buybacks more than doubled in 2005 as corporates conceded that the sector has turned ex-growth and returning cash to shareholders via dividends or buybacks was the best use of surplus cash

# Appendix

2005	Treasury Shares Held EUR mn	Value of Buybacks EUR mn	2004	Treasury Shares Held EUR mn	Value of Buybacks EUR mn
Vodafone	11969	-7841	Vodafone	7477	-4939
BP	7355	-6241	UBS	7211	-2300
UBS	6973	-2400	Total	5030	-2261
Total	4431	-3011	Roche	4326	
ENI	4216		ENI	3229	
CS Group	3781	-888	CS Group	2953	
Roche	3485		Royal Dutch Shell	3377	
Deutsche Bank	3368	-3119	Telefonica	2741	
Philips	2919		BNP Paribas	2661	-922
Unilever	2758		Unilever	2625	
L'Oreal	2638	-977	Societe Generale	1878	478
Royal Dutch Shell	3072		Allianz	1704	
Volkswagen	2285		AP Moller-Maersk	1644	
AP Moller-Maersk	2117		Alcatel	1607	
Nestle	1799		Nestle	1581	
Telefonica	1737		Deutsche Bank	1573	-2497
Carnival	1670		Carnival	1545	
Alcatel	1575		Pirelli	1361	
Fortis	1487		L'Oreal	1324	
Societe Generale	1435	-819	Swisscom	1300	
Allianz	1351		Philips	1239	
Swisscom	1300	-1379	Fortis	1101	
Group Danone	1149		LVMH	1006	
Christian Dior	1129		Group Danone	918	
TeliaSonera	1097		Volvo B Shares	839	
LVMH	972		Volvo A Shares	807	
Diageo	948	-1362	Nordea Bank	674	-486
Xstrata	900		Serono	641	14
Nordea Bank	878	-968	Allied Irish Bank	640	
SAP	775		ABN AMRO	632	
Allied Irish Bank	738		AGF	593	
Volvo B Shares	723		Dexia	585	-394
TNT	712	-415	SAP	569	
Volvo A Shares	699	-374	Credit Agricole	558	
AXA	658		Renault	508	
AGF	655		Erste Bank	487	
KPN	641	-2394	Veolia Environnement	459	
Credit Agricole	618		Peugeot	431	
Erste Bank	610		Sandvik	423	133
ABN AMRO	600		WPP	405	
Dexia	592	-669	ThyssenKrupp	387	
Belgacom	564		Norsk Hydro	383	-129
Aegon	545		Cie Fin Richemont	383	
BMW	506		Svenska Handelsbanken	382	
Reuters	493		L'Oreal	367	
Norsk Hydro	482	-291	AXA	363	
Renault	456		Suez	355	
Veolia Environnement	453		STMicroelectronics	348	
Nokia	451	-2681	Swatch Group	336	
Mediaset	451		Publicis	332	
EADS	445		Holcim	317	
WPP	428		Ciba Specialty Chemicals	308	-80

Source: Standard & Poor's Equity Research

Note : Positive buyback amount indicates shares issued exceeded buybacks

Where company has listed only number of treasury shares held (10% of total) we have valued these at the year average share price.

2005	Treasury Shares Held EUR mn	Value of Buybacks EUR mn	2004	Treasury Shares Held EUR mn	Value of Buybacks EUR mn
Swatch Group	401	-49	Generali	295	
DSM	376		Thales	292	
ThyssenKrupp	368		British American Tobacco	277	688
Deutsche Boerse	367	-263	Belgacom	271	
Schneider Electric	364	-363	Casino Guichard	266	
Cie Fin Richemont	364		Altana	259	
Suez	356		E.On	256	
STMicroelectronics	348		Aegon	256	
Vinci	336		Nokia	252	-1817
Publicis	323		Lagardere SCA	236	
Cie de St Gobain	310	198	TNT	235	
Syngenta	307	-487	KBC	232	
Pernod Ricard	269		Groupe Bruxelles Lambert	214	
Arcelor	267		DSM	202	
British American Tobacco	266	-529	Schneider Electric	200	149
Barclays	264		Portugal Telecom	190	
Stora Enso	260	-265	Stora Enso	181	-265
E.On	256		EADS	177	
KBC	251		Barclays	174	-1013
Svenska Handelsbanken	242		Electrolux	164	-256
Serono	242	-449	Air Liquide	162	
Thomson	239		Henkel	161	
Altana	237		Christian Dior	155	
Peugeot	220	-407	Cie de St Gobain	152	-261
Givaudan	206	-195	Swiss Re	146	
Lagardere SCA	201		Solvay	140	
Munich Re	201		Orkla	139	
Swiss Re	193		KPN	137	
Groupe Bruxelles Lambert	188		Xstrata	134	
Swedish Match	178	-104	Swedish Match	123	-121
Ciba Specialty Chemicals	175	-99	BP	120	-3836
Henkel	174		Altadis	117	
Solvay	170		3i	112	22
Electrolux	168		Novartis	103	
Generali	167		Lafarge	102	
BNP Paribas	165	-2494	Puma	100	
Abertis	165		Friends Provident	94	
Puma	160		Munich Re	92	
Thales	142		ABB	90	
Altadis	125	-473	Vinci	88	
BBVA	112		William Hill	87	-167
Safran	111		UCB	85	
Hanson	107		Sanofi Aventis	77	
Portugal Telecom	102	-795	Ericsson	72	-791
Friends Provident	102		Safran	69	
3i	101	-584	Essilor	64	
Sodexo Alliance	99		AGFA	61	-253
Lafarge	98		Commerzbank	60	
Banca Monte dei Paschi	97		Julius Baer	58	
UCB	95		Thomson	55	-123
Novartis	95		Wolters Kluwer	53	
Casino Guichard	94		Logica	53	

Source: Standard & Poor's Equity Research

Note : Positive buyback amount indicates shares issued exceeded buybacks

Where company has listed only number of treasury shares held (10% of total) we have valued these at the year average share price.

2005	Treasury Shares Held EUR mn	Value of Buybacks EUR mn	2004	Treasury Shares Held EUR mn	Value of Buybacks EUR mn
Sanpaolo IMI	92		Accor	52	
AGFA	92	2	Baloise Holding	52	
ABB	88		PPR	52	
William Hill	84	-113	Reed Elsevier (UK)	51	
Royal Sun Alliance	83		Reed Elsevier (NL)	47	
Essilor	82		Hermes Intl	45	
Enterprise Inns	81		Hanson	44	
Air Liquide	74		Schroders	44	
BOC	74		BAA	42	
Reed Elsevier (UK)	72		Enterprise Inns	41	
Luxottica	70		Legal & General	39	
Telecom Italia	69		BBVA	35	
Reed Elsevier (NL)	68		Intercontinental Hotels	32	
Schroders	67		ACS	29	
InBev	66		Swiss Life	25	
Ericsson	64	-224	Ladbrokes	21	
Vivendi	61		GKN	21	-45
Accor	60		Delhaize	18	
Orkla	59	-137	Cookson Group	18	
Sanofi Aventis	58		Mediaset	17	
Banca Fideuram	54		BRISA Auto Estradas de Portugal	17	
BSCH	53		Rentokil Initial	16	
Legal & General	53		Cimpor Cimentos de Portugal	16	
Julius Baer	52		Capitalia	15	
Logica	52		OMV	15	
Bank of Ireland	52		Scottish & New castle	15	
UPM	49		Tomkins	13	
Svenska Cellulosa	48		Vivendi	13	
Energias de Portugal	45		BG Group	12	
GKN	41	-25	Akzo Nobel	12	
Wolters Kluwer	41		Clariant	11	
Adecco	38		BBA	11	
Holcim	38		Banca Intesa	10	
Bankinter	34		Buhrmann	10	
Delhaize	33		Deutsche Telekom	8	
Intercontinental Hotels	32		Slough Estates	8	
Fiat	29		Statoil	7	
Baloise Holding	28		TF1	7	
Firstgroup	28		Aegis Group	6	
Swiss Life	27		Novo Nordisk	6	
BRISA Auto Estradas de Portugal	27		InBev	6	
Tomra Systems	26		Persimmon	5	
Ladbrokes	23		Hammerson	4	
Hermes Intl	20		Iberdrola	4	
Statoil	19		Schering	4	
BASF	19		Compass Group	1	
Cookson Group	18		Zurich Financial Services	1	
Rentokil Initial	16		Capita Group	0	15
Aegis	15		Banco Sabadell	0	
OMV	14		Abertis	0	
PPR	14		Acerinox	0	
Hays	14	-366	Adecco	0	

Source: Standard & Poor's Equity Research

Note : Positive buyback amount indicates shares issued exceeded buybacks

Where company has listed only number of treasury shares held (10% of total) we have valued these at the year average share price.

2005	Treasury Shares Held EUR mn	Value of Buybacks EUR mn	2004	Treasury Shares Held EUR mn	Value of Buybacks EUR mn
Cimpor Cimentos de Portugal	13		Adidas	0	
Tomkins	13		Ahold	0	
Akzo Nobel	13		Alleanza	0	
Clariant	12		Alliance & Leicester	0	-199
Slough Estates	10		ALPHA Bank	0	
Buhrmann	10		Alstom	0	
Alleanza	10				
Associate British Foods	9				
Novo Nordisk	8				
TF1	7				
Hammerson	6				
Deutsche Telekom	6				
Persimmon	6				
BAA	6				
Smith & Nephew	5				
Bouygues	5	-219			
Land Securities	5				
FKI	4				
Shire	4				
Schering	4				
Finmeccanica	4				
Randstad	4				
Capitalia	3				
Commerzbank	3				
Iberdrola	2				
Pirelli	2				
Mediolanum	2				
Compass Group	1				
Siemens	1				
Mediobanca	1				
BBA	1				
Union Fenosa	1				
Capita	1	-96			
United Utilities	0				
Inditex	0				
Banco Espirito Santo	0				
Acerinox	0				
ACS	0				
Adidas	0				
Ahold	0				
Alliance & Leicester	0	35			
ALPHA Bank	0				
Alstom	0				
Amvescap	0				
Anglo American	0				
Anglo Irish Bank	0				
ARM	0				
ASML	0				
Assa Abloy	0				
AstraZeneca	0	-1742			
Atlas Copco	0				
Autostrade	0				

2005	Treasury Shares Held EUR mn	Value of Buybacks EUR mn
Aviva	0	
AWG	0	-22
BAE Systems	0	
Banca Intesa	0	
Banca Commercial Portugues	0	
Banca Popolare di Verona	0	
Banco Popular	0	
Banco Sabadell	0	
Bayer	0	
Benetton	0	
BG Group	0	
BHP Billiton	0	
Boots	0	-160
HBOS	0	-1450

Source: Standard & Poor's Equity Research

Note : Positive buyback amount indicates shares issued exceeded buybacks

Where company has listed only number of treasury shares held (10% of total) we have valued these at the year average share price.

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B+	Average	NR	Not Ranked
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