

CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA



4th October 2000



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

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1. THE COOPERATION AGREEMENTS



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

INTRODUCTION

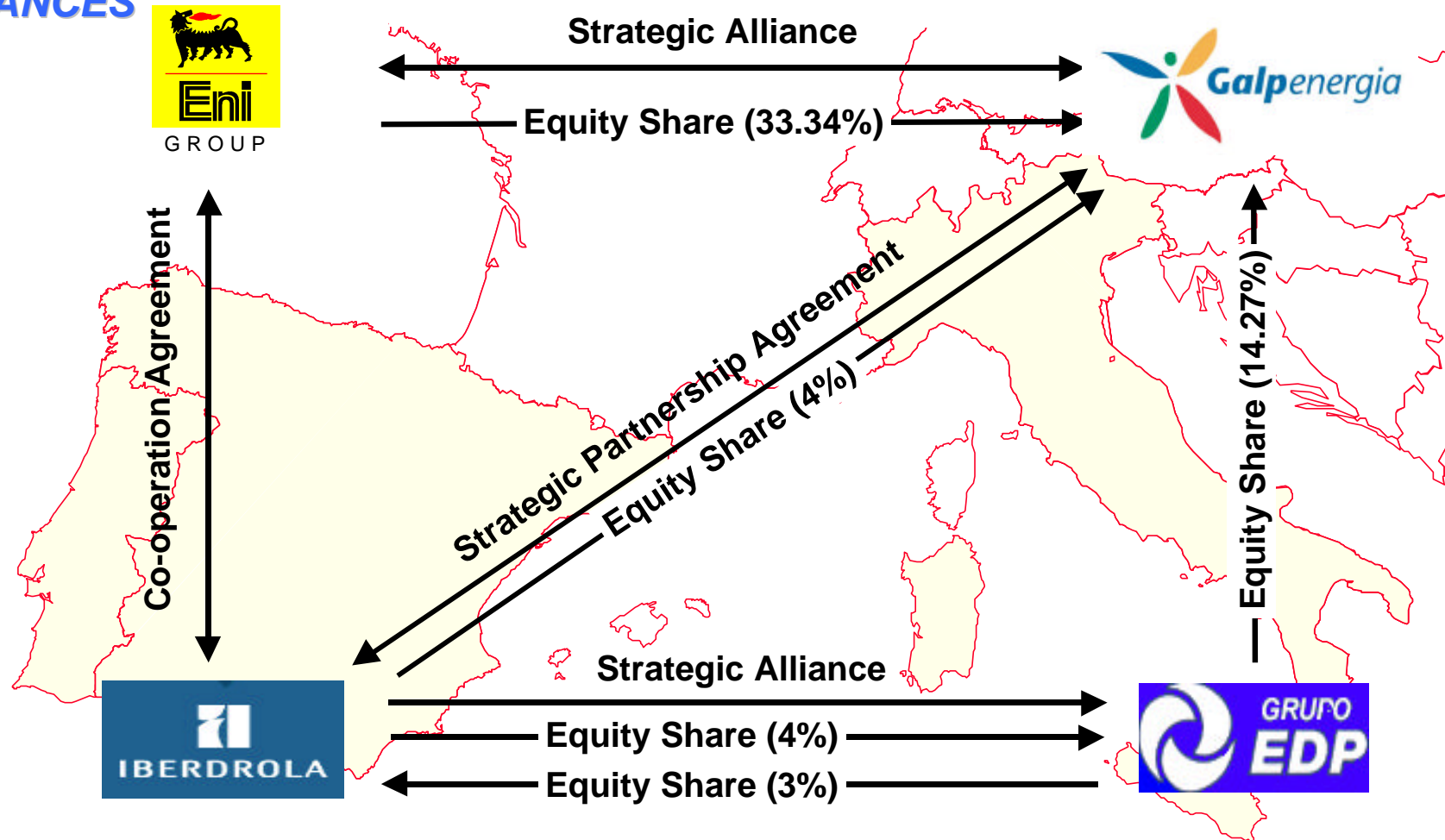


Second player in Spanish power market with strong capabilities in electricity generation and marketing

Strong European gas player, with relevant supply and marketing capabilities, able to supply gas to Spain at competitive conditions

CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

THE CO-OPERATION AGREEMENT IN THE FRAMEWORK OF IBERDROLA'S STRATEGIC ALLIANCES



Consolidation of the strategic alliance with Portuguese energy companies, shaping an Iberian energy field and gaining access to Italy



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

CONVERGENCE OF GAS AND ELECTRICITY BUSINESS WITHIN THE GLOBAL SERVICES OPERATOR STRATEGY

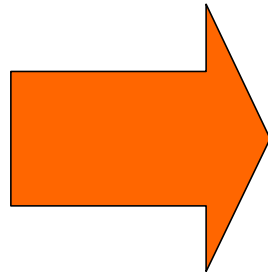
GOALS

To obtain gas for generation
at competitive prices

To become an integrated
services provider

Arbitrage of gas and
electricity

To benefit from the different
margins between purchase
and sale prices



ACTIONS

Strengthening of purchase power:
new CCGTs, Cogeneration and Energy
Works

Iberdrola already has a license for gas
comercialization

Shareholder in infrastructures: BBG
(Vizcaya) and Sines (Portugal)

**COOPERATION AGREEMENTS
ENI/SNAM - IBERDROLA**



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

MAIN OBJECTIVES

- ☑ To achieve a gas market target share in Spain of 15%- 20% in 2005, through:
 - a joint **Gas Marketing & Trading Company**.

- ☑ To jointly operate in the Italian power market, through:
 - the participation of **Iberdrola** as a shareholder in **EniPower**.

- ☑ To become a leading player in the energy sector, particularly in **Europe and Latin America**.



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CONTENTS OF THE AGREEMENTS

- ☑ **Snam gas supply** to Castellon and Castejon CCGT power plants (1,5 bcm/yr).
- ☑ Set up in Spain of a joint **Marketing and Trading Gas Company**: Snam S.p.A. obtains a 49% stake in Iberdrola Gas S.A.U.
- ☑ Active **participation of Iberdrola in EniPower**, through the acquisition of a 10% stake, in the planned development of generation capacity from the existing 1,000 MW up to 8,000 MW in the medium term, and in the possible acquisition of one of the Enel GENCO's, and in trading activities in Italy.
- ☑ **Galp**, as a strategic partner of Eni Group and Iberdrola, will participate in the Marketing and Trading Gas Company.
- ☑ **Edp** will be invited to participate in projects of common interest.



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

CO-OPERATION AREAS, PARTNERS' CONTRIBUTION AND SOURCES OF VALUE CREATION (1/2)

Co-operation areas in Spain

Partners' contribution



Sources of value creation

Gas marketing and trading to eligible clients

- ◆ Largest European Gas marketer.
- ◆ Competitive, reliable and flexible gas supply.
- ◆ Strategic assets access.

- ◆ Large gas consumer.
- ◆ Sales force expertise.
- ◆ Power clients portfolio.

- ◆ Ability to tailor offers on customer needs.
- ◆ Price/cost competitiveness.
- ◆ Consolidated client relationships.

CCGT power plants gas supply

- ◆ Competitive, reliable and flexible gas supply.
- ◆ Strategic assets access.

- ◆ Envisioned increased capacity.
- ◆ Competitive power generation mix.
- ◆ Power trading expertise.

- ◆ Efficiency in Power Gen
- ◆ Outstanding gas sourcing capabilities.

Possible joint investments on strategic assets.

- ◆ Gas technology and operation know-how.
- ◆ Gas assets valuation and negotiation capabilities.
- ◆ Financial strength.

- ◆ Spanish market knowledge.
- ◆ Financial strength.

- ◆ Negotiation capabilities.
- ◆ Market knowledge.
- ◆ Operational skills.



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

CO-OPERATION AREAS, PARTNERS' CONTRIBUTION AND SOURCES OF VALUE CREATION (2/2)

Partners' contribution

Co-operation areas in Italy



Sources of value creation

Power generation and trading

- ◆ Italian market knowledge.
- ◆ Gas client portfolio.
- ◆ Power Gen assets.
- ◆ Financial strength.

- ◆ Generation experience.
- ◆ Marketing and trading skills in competitive markets.
- ◆ Financial strength.

- ◆ Efficiency in Power Gen.
- ◆ Tailored service offered to clients.
- ◆ ENEL GENCO's divestiture.

Supply of integrated energy services

- ◆ Gas client portfolio.
- ◆ Italian market knowledge.

- ◆ Affiliated company (EnergyWorks).
- ◆ Technological and marketing know-how.

- ◆ Operational efficiency and effectiveness.
- ◆ Marketing skills.
- ◆ Tailored service offered to clients.

Renewable energies

- ◆ Italian market knowledge.

- ◆ Affiliated company (IBERENOVA).
- ◆ Renewable energies experience.

- ◆ Efficiency in Power Gen
- ◆ Environmental contribution.



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

CONCLUSIONS

- ❖ IBERDROLA MOVES FORWARD TOWARDS A GLOBAL “MULTIUTILITY”.
- ❖ IBERDROLA, THROUGH THE GAS MARKETING & TRADING COMPANY, WILL BECOME THE **SECOND GAS OPERATOR IN SPAIN** WITH A MARKET SHARE GOAL OF 20% IN 2005.
- ❖ IBERDROLA GAINS ACCESS TO **FLEXIBLE AND COMPETITIVE GAS** FOR ELECTRICITY GENERATION AND COMERCIALIZATION TO LARGE CUSTOMERS.
- ❖ IBERDROLA ENTERS THE **ITALIAN ELECTRICITY MARKET** WITH ITS SHAREHOLDING IN ENI POWER.
- ❖ THE STRATEGIC ALLIANCE WITH THE **PORTUGUESE ENERGY COMPANIES** WILL BE DEVELOPED.
- ❖ WE MAKE POSSIBLE THE SET UP OF AN **INTEGRATED ENERGY OPERATOR** WITH IMPORTANT PRESENCE IN SOUTH EUROPE AND THE MEDITERRANEAN REGION AND ALSO WITH CAPABILITY OF ACTION WORLDWIDE.



2. THE PARTNERS



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

ENI GROUP AND SNAM SpA. (1/2)

ENI GROUP

❖ ONE OF THE MAJOR INTEGRATED ENERGY GROUPS IN THE WORLD AT PRESENT WITH THE FOLLOWING ACTIVITIES:

- Exploration and production of gas and crude oil (*Agip*)
- Supply, transport and distribution of natural gas (*Snam*)
- Refining and marketing (*AgipPetroli*)
- Petrochemistry (*EniChem*)
- Services and engineering (*Saipem / Snamprogetti*)

FINANCIAL DATA (Mill. Euros)

- | | |
|-------------------------|--------|
| ➤ Market Value (Sep00): | 49,000 |
| ➤ Income*: | 31,008 |
| ➤ Net Profit*: | 2,857 |
| ➤ Cash Flow*: | 6,300 |

OPERATIVE DATA

- | | | |
|-----------------------------|-------|----------|
| ➤ Hydrocarbon reserves: | 5,534 | mill boe |
| ➤ Gas reserves, proven: | 383,5 | bcm |
| ➤ Reserves in exploitation: | 164 | bcm |
| ➤ Gas production: | 22,7 | bcma |



*Data as of 31/12/1999

CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

ENI GROUP AND SNAM, SpA. (2/2)

SNAM

- ❖ ENI GROUP'S SUBSIDIARY FOR THE SUPPLY, TRANSPORT AND DISTRIBUTION OF NATURAL GAS IN ITALY.
 - NATURAL GAS TRASPORTATION OF THIRD PARTIES IN ITALY AND ABROAD (PARTICIPATION IN PIPELINES)
 - OPERATION OF THE PANIGAGLIA REGASIFICATION PLANT (3.5 BCMA)
 - PRESENT IN GAS DISTRIBUTION MAINLY IN ITALY WITH ITALGAS (41%) AND IN HUNGARY WITH TIGAZ (26.3%)
 - SHIPPING (14 SHIPS) FOR THE TRASPORTATION OF CRUDE OIL, OIL PRODUCTS, LPG AND LNG.

OPERATING DATA (Dec 99)

FINANCIAL DATA (Mill. Euros)

➤ Income*:	9,910
➤ Net Profit*:	1,222
➤ Cash Flow*:	2,403

Gas purchases:	60.58 bcm
♦ Italy (Own Production)	16.16 bcm
♦ Argelia/Rusia /Holanda	44.42 bcm
➤ Transport Grid in Italy:	29,000 kms
➤ Italgas Sales in Italy:	8.08 bcm
➤ Sales of Tigaz:	2.67 bcm

MAIN OPERATOR IN THE EUROPEAN GAS MARKET

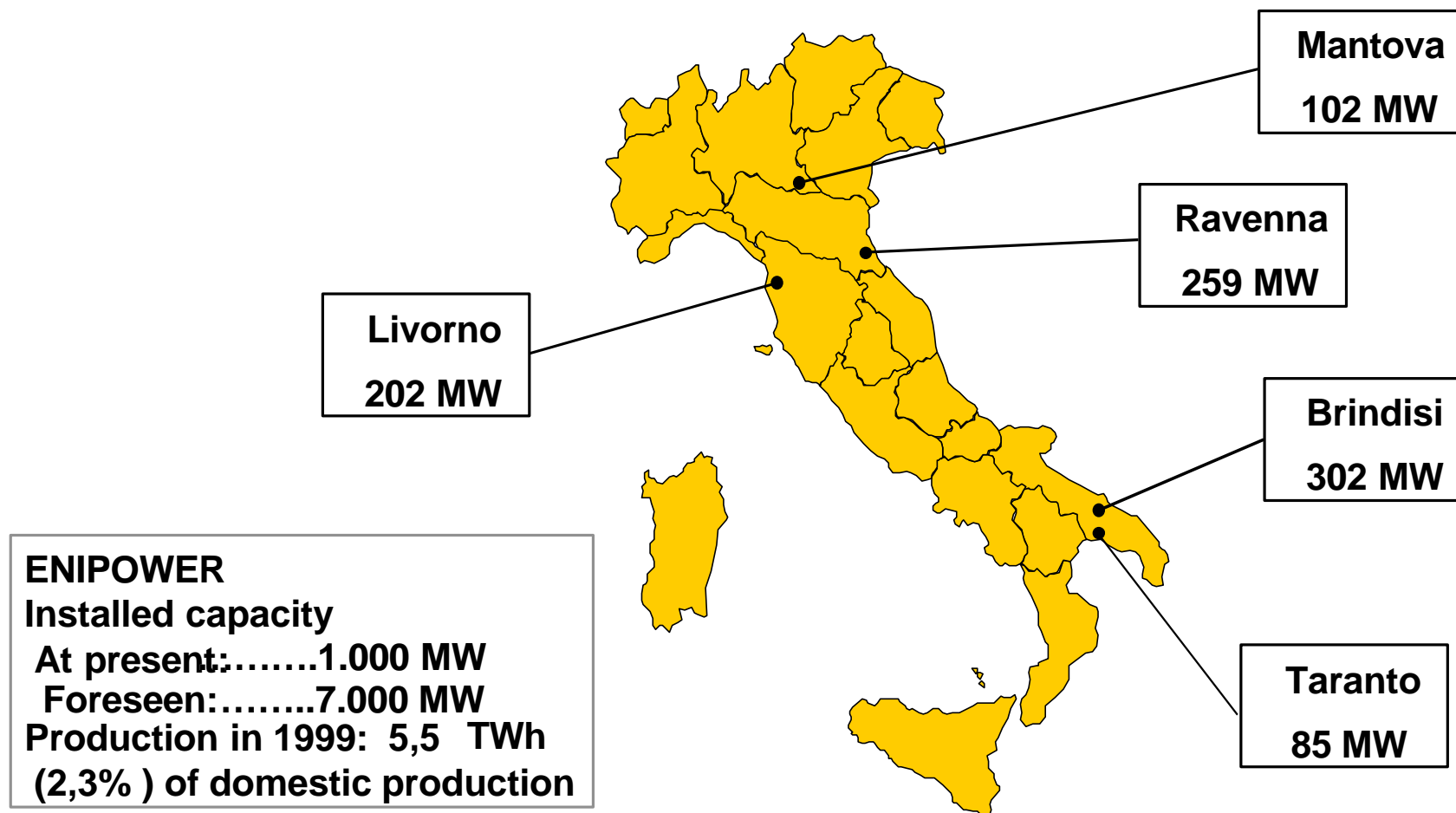


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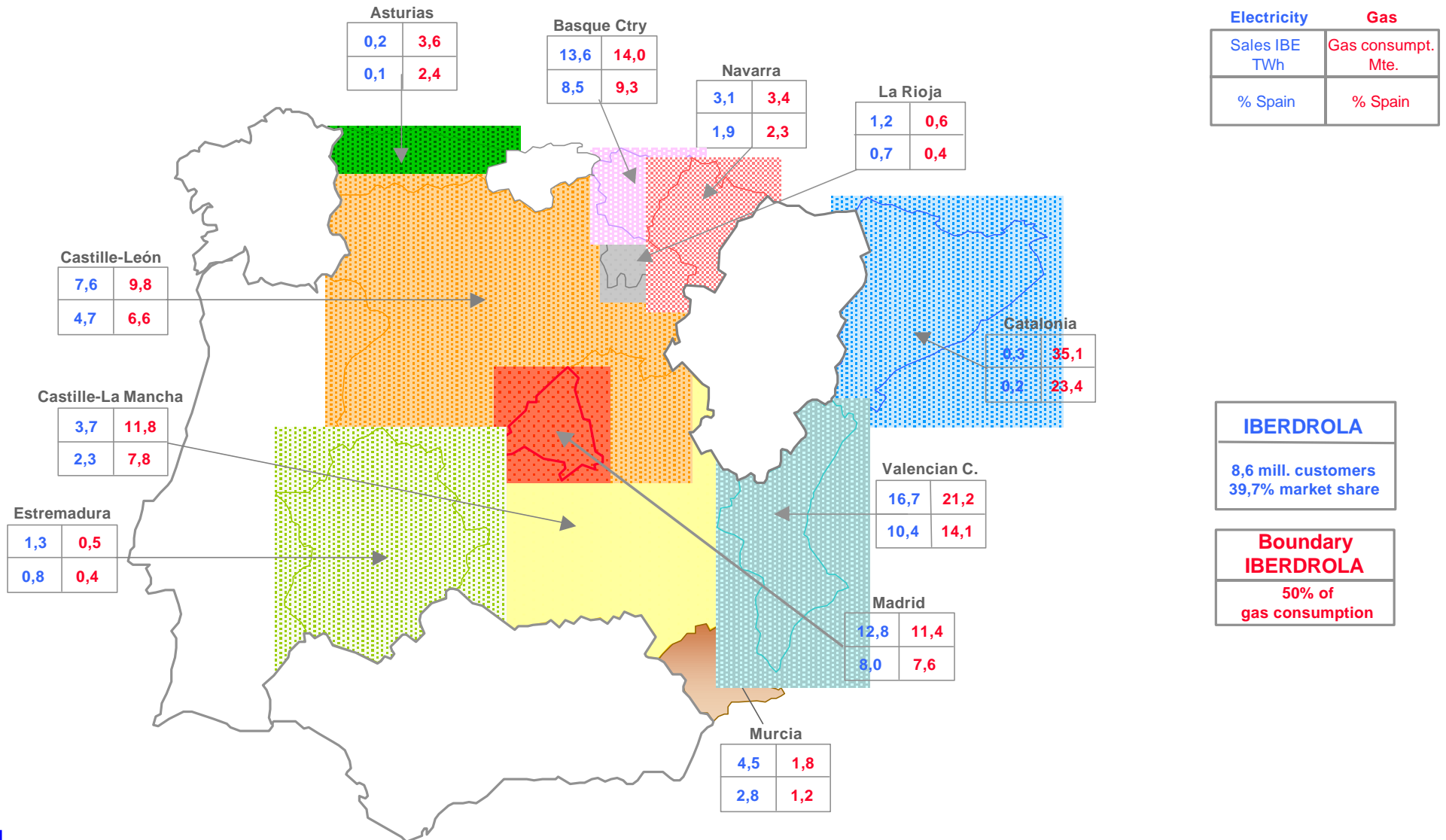
ENI GROUP AND SNAM, SpA. (3/2)

POWER STATIONS OF ENIPOWER IN ITALY



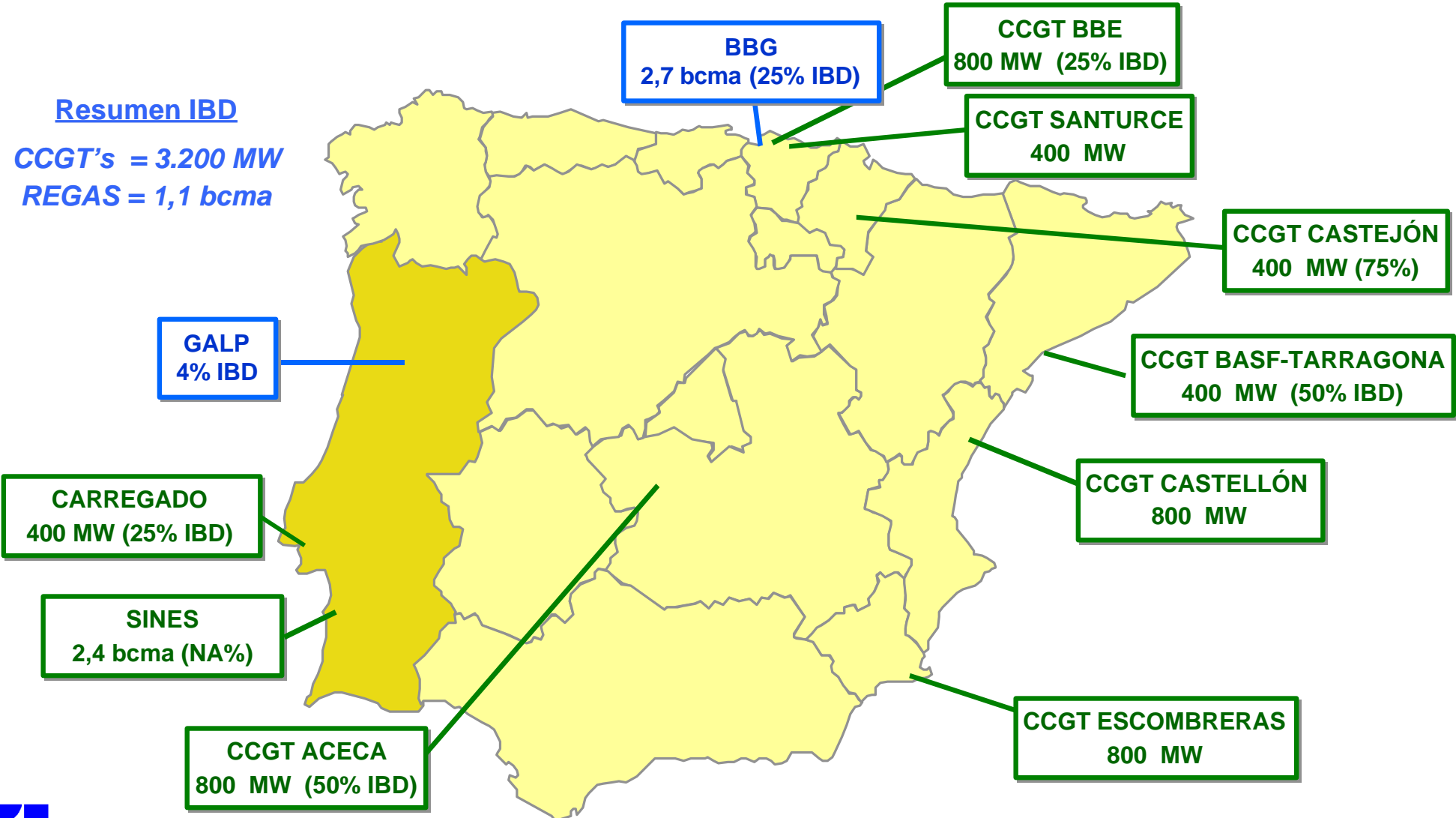
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IBERDROLA AND THE SPANISH ENERGY MARKET



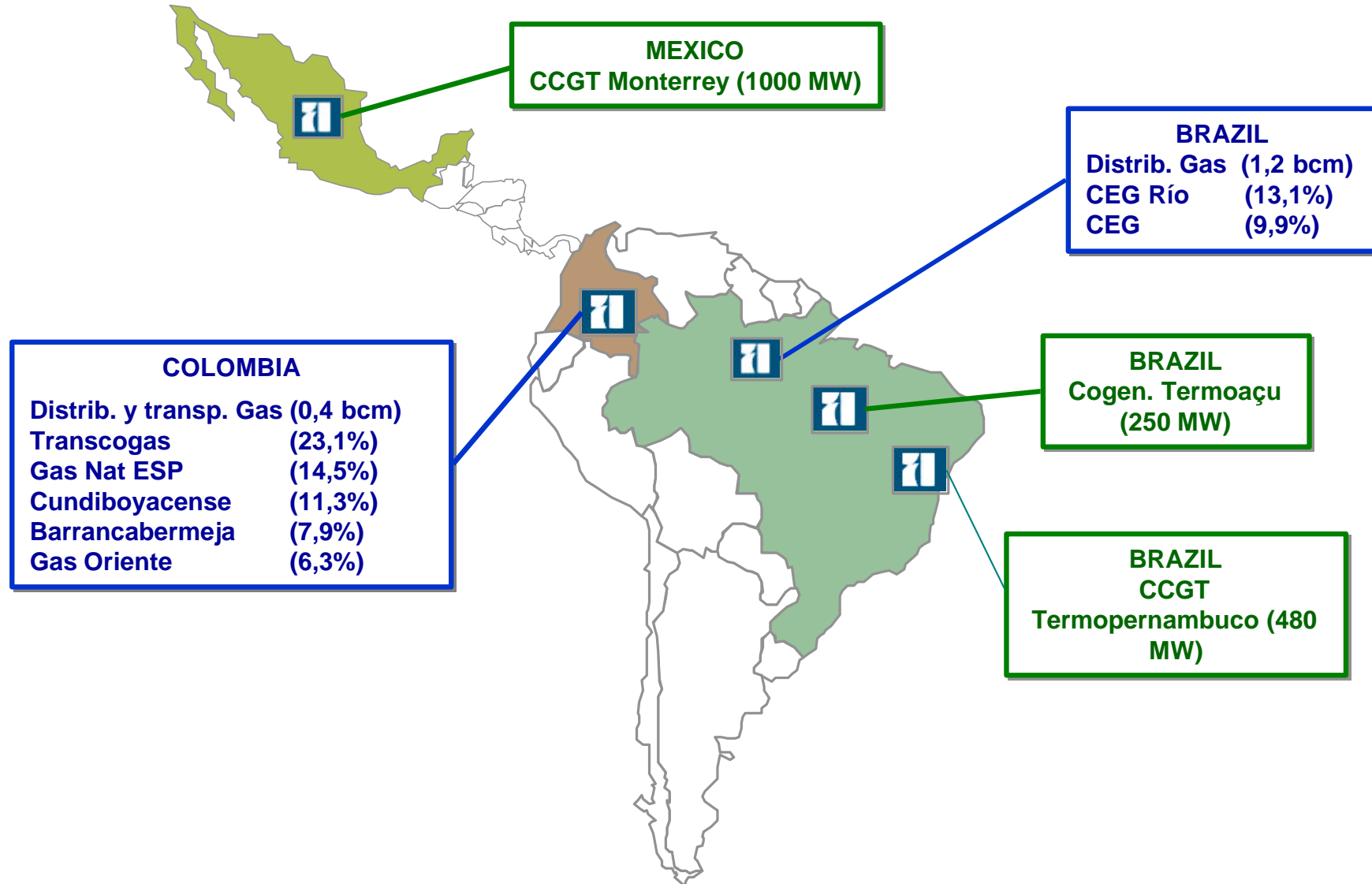
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IBERDROLA'S GAS ACTIVITIES WORLDWIDE (1/2) PRESENCE IN THE IBERIAN PENINSULA UNTIL 2005



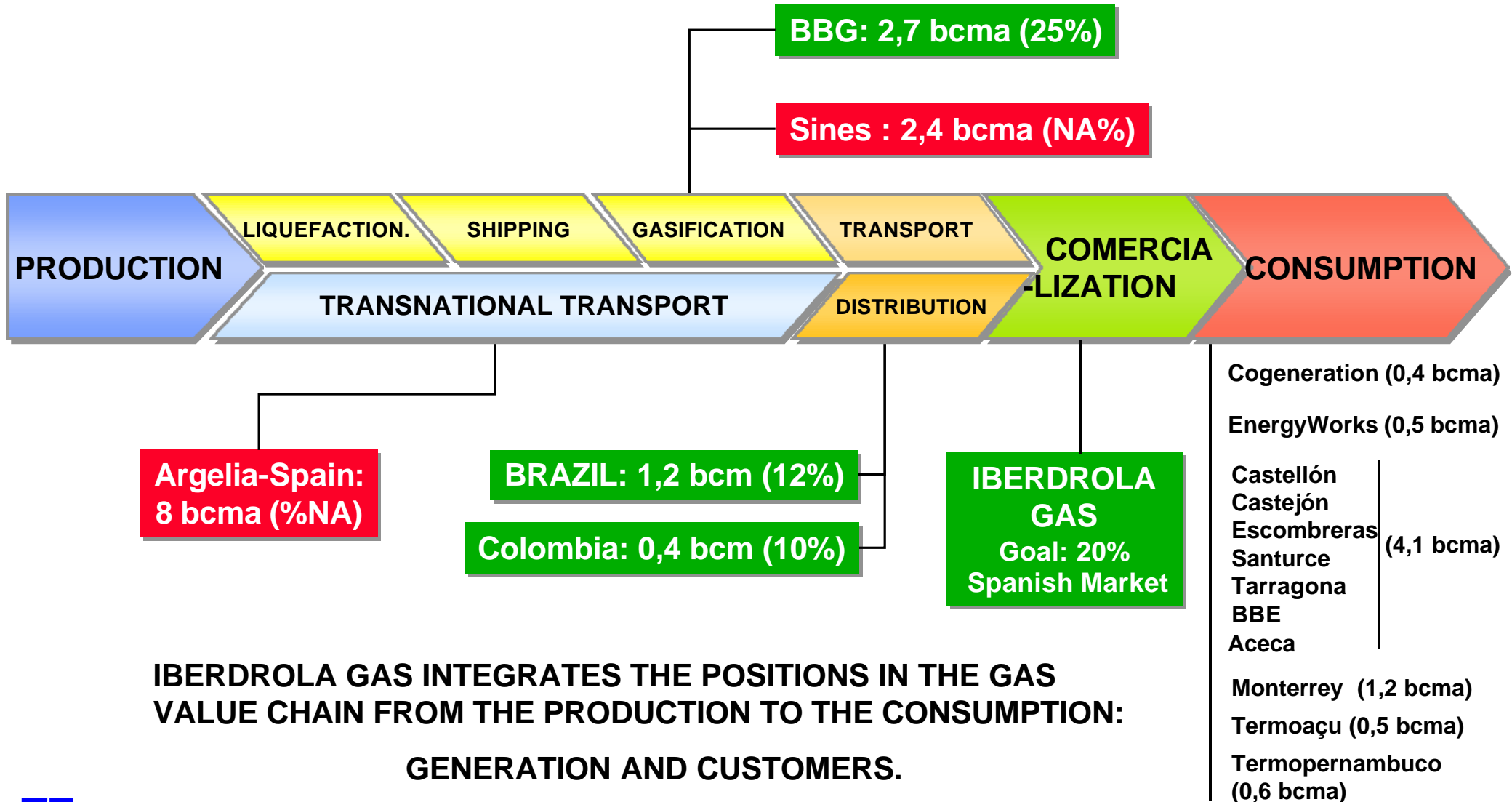
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IBERDROLA 'S GAS ACTIVITIES WORLDWIDE (2/2) INTERNACIONAL PRESENCE AT PRESENT



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

IBERDROLA'S PRESENCE IN THE GAS VALUE CHAIN (1/2)



CO-OPERATION AGREEMENTS ENI/SNAM - IBERDROLA

IBERDROLA'S PRESENCE IN THE GAS VALUE CHAIN (2/2)

POSITION	COUNTRIES					
	SPAIN(*)	PORTUGAL	MEXICO	BRAZIL	COLOMBIA AND VENEZUELA	TOTAL
➤ REGAS (bcma)	0,7	NA	-	-	-	NA
➤ CCGTs (bcma)	4,1	0,1	1,2	0,6	-	6,0
➤ COGEN (bcma)	0,9	-	0,2	0,5	0,2	1,8
➤ DISTR/COM (bcma)	1,1	-	-	0,2	0,1	1,4
TOTAL CONSUMTION GAS (bcma)	6,1	0,1	1,4	1,3	0,3	9,2

(*) Medium-term development goal.

Data corresponds to Iberdrola's participation in the projects





Snam

