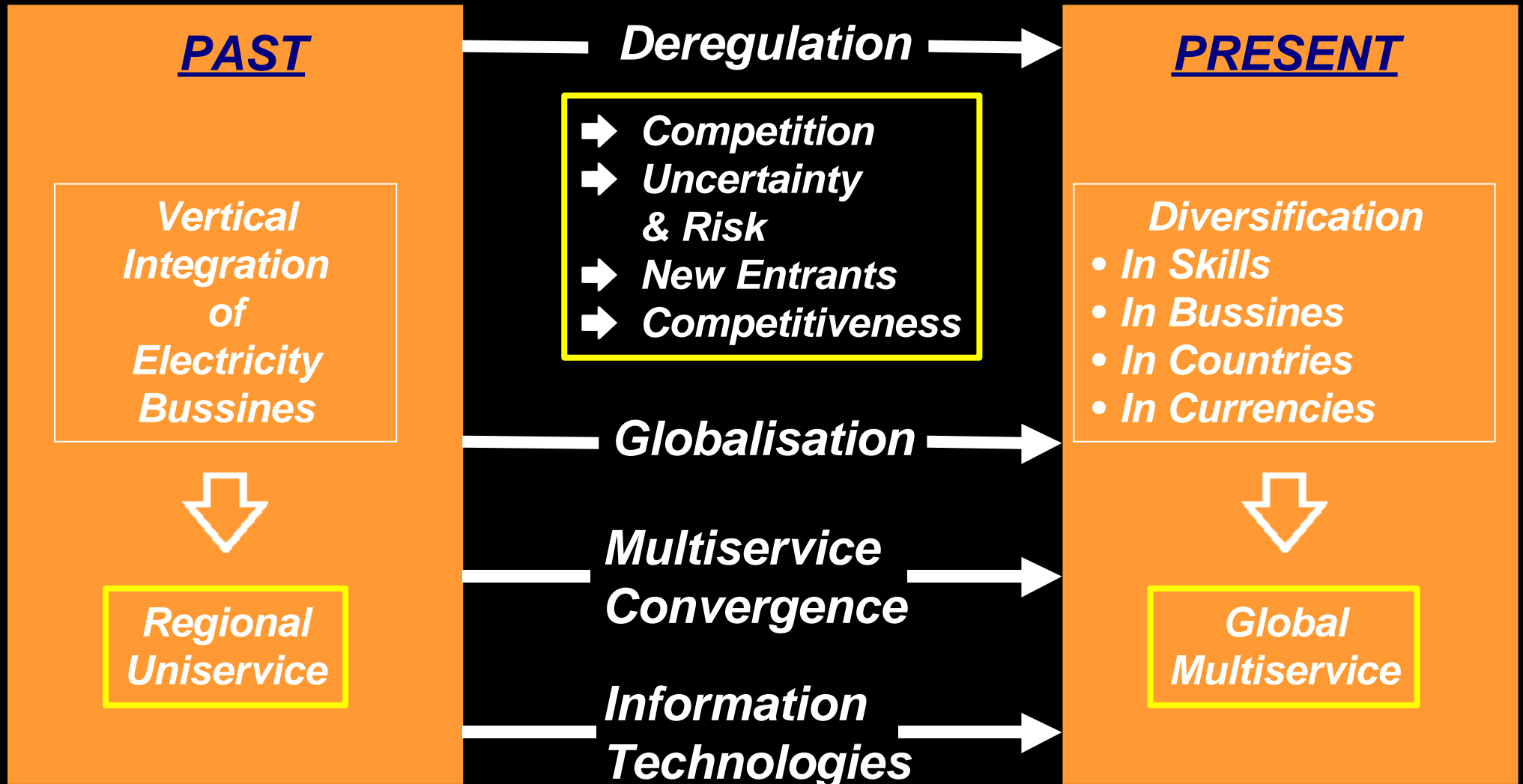


IBERDROLA

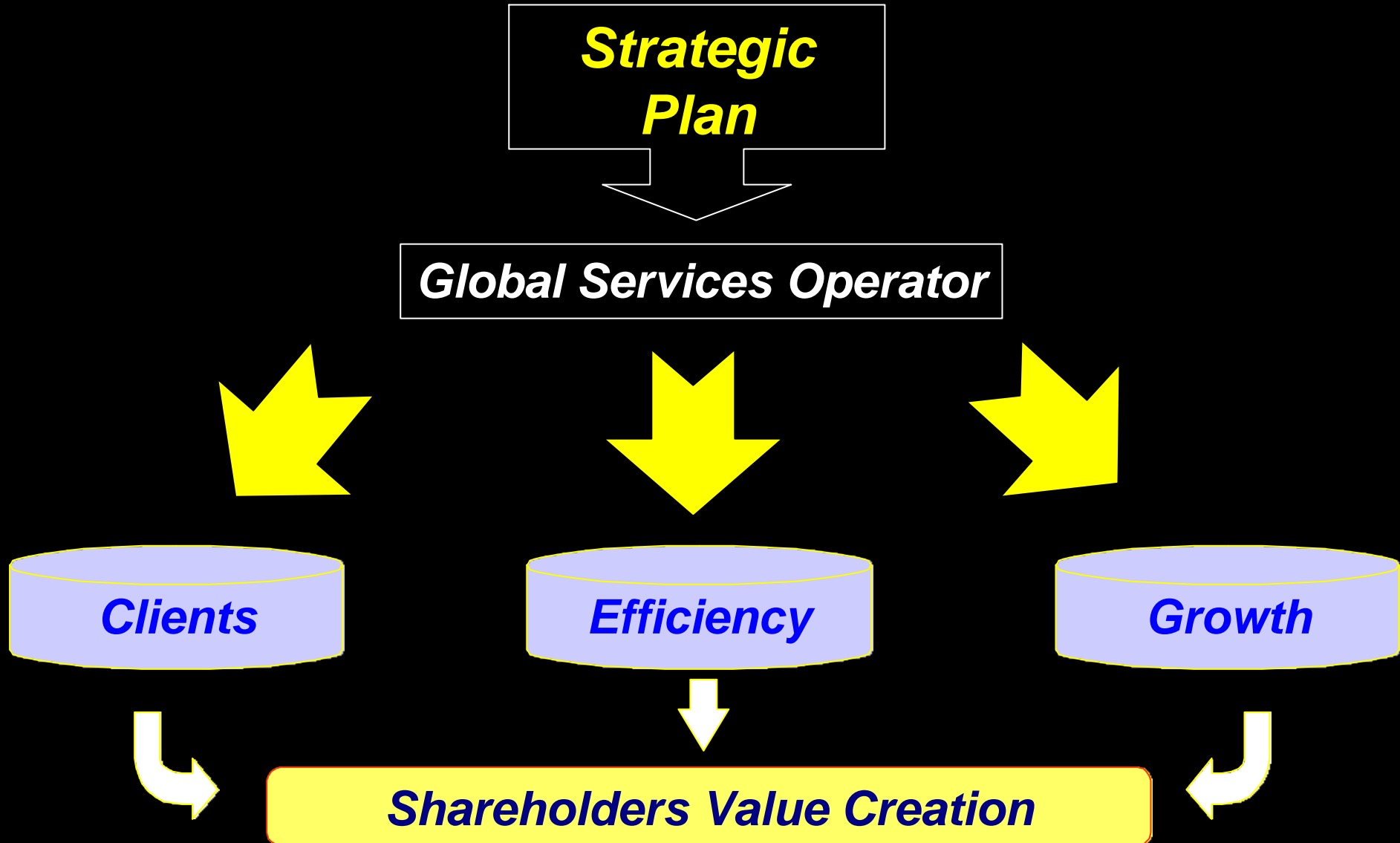


The Scenario





Iberdrola's Responses

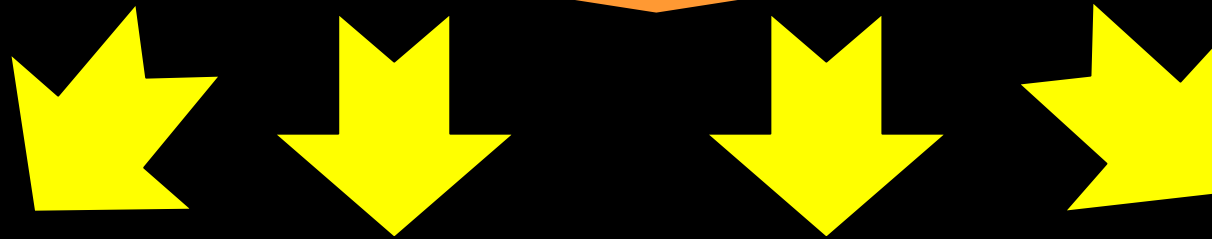




Iberdrola's Responses

Global Services Operator

Growth



Mature Markets

Emerging Markets

**Gas, Telecom,
E-Business,
Water**

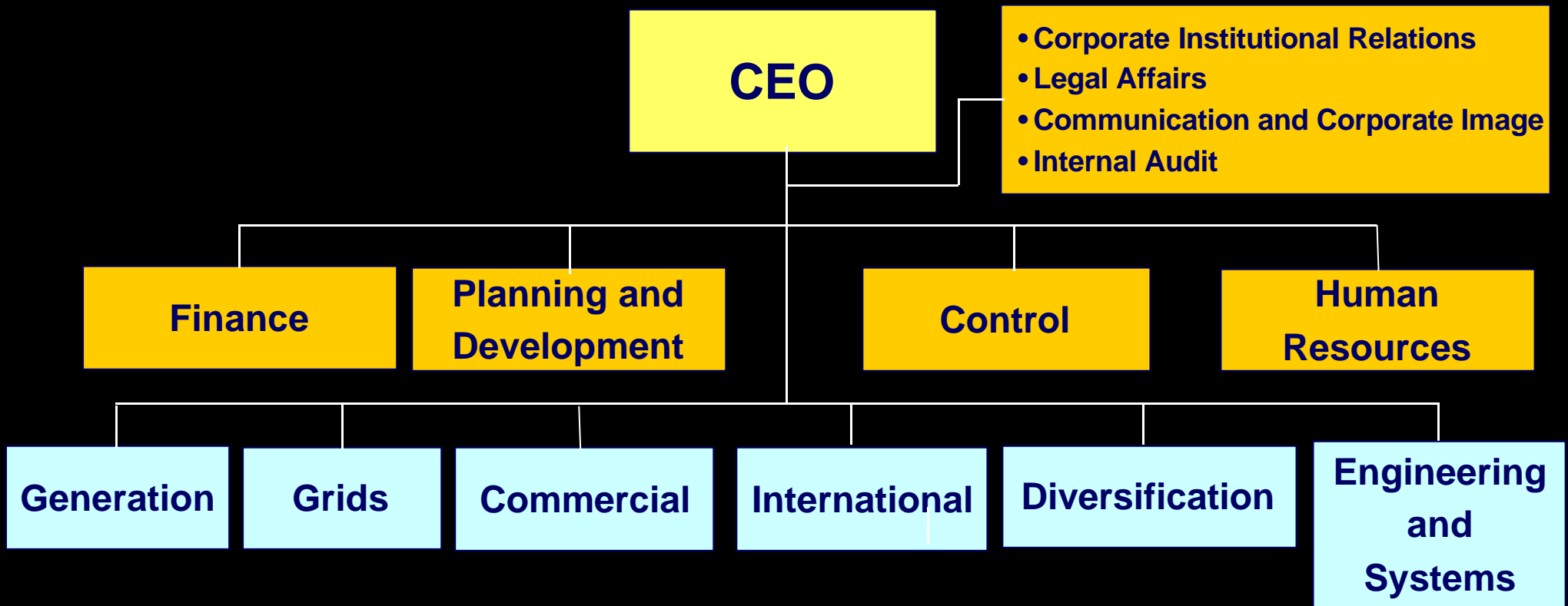
Services

A project for growth with a strong basis: our current solid positions in domestic markets, international and diversification



Iberdrola's Responses

New Structure: A Corporation Of Businesses With Common Strategy And Policies



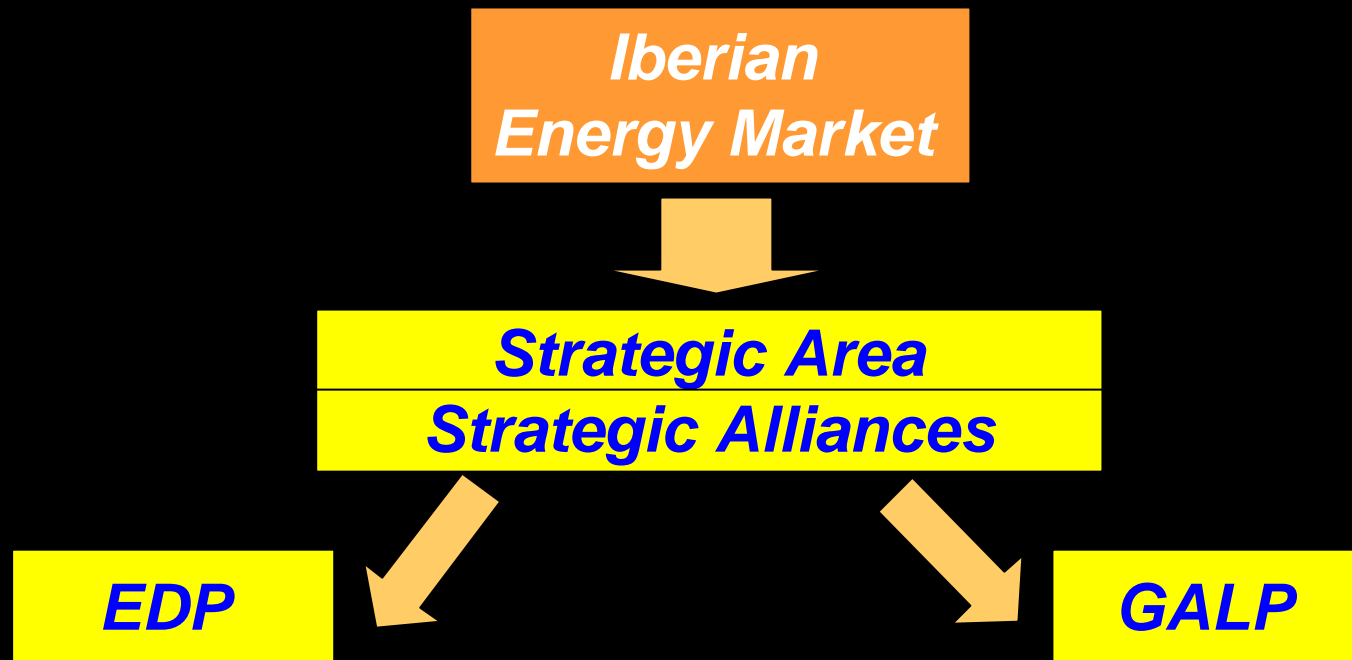
The new structure allow us to achieve our strategic goals with maximum sinergies and minimum costs



Domestic Energy Business



Energy: Iberdrola's Responses



- Obtaining synergies and sharing risks in the Iberian and Latin American Electricity Market: new capacity, new clients.
- Positioning in the development of an Iberian Gas Market, ensuring gas supply, diversifying gas sources and exchanging know-how.
- A basis for the development of a multiutility concept with an Iberian dimension.

**A first step in the expansion of activities in mature markets
(Europe and North America)**



Energy: Iberdrola's Responses

Spanish Generation Market



Starting Position

Financial Strength

Spanish Distribution Market



Highest Margins
Cheapest Generator
Sites close to:

- Infrastructures
- Market

Least exposure to domestic coal risks

8.4 Million Customers
1995-99 Demand C.A.G.R.: 4.8%
Mix: 55% Residential-Services
45% Industrial



Energy: Iberdrola's Responses

Generation

Investment Plan 1999-04 (€ Mill)

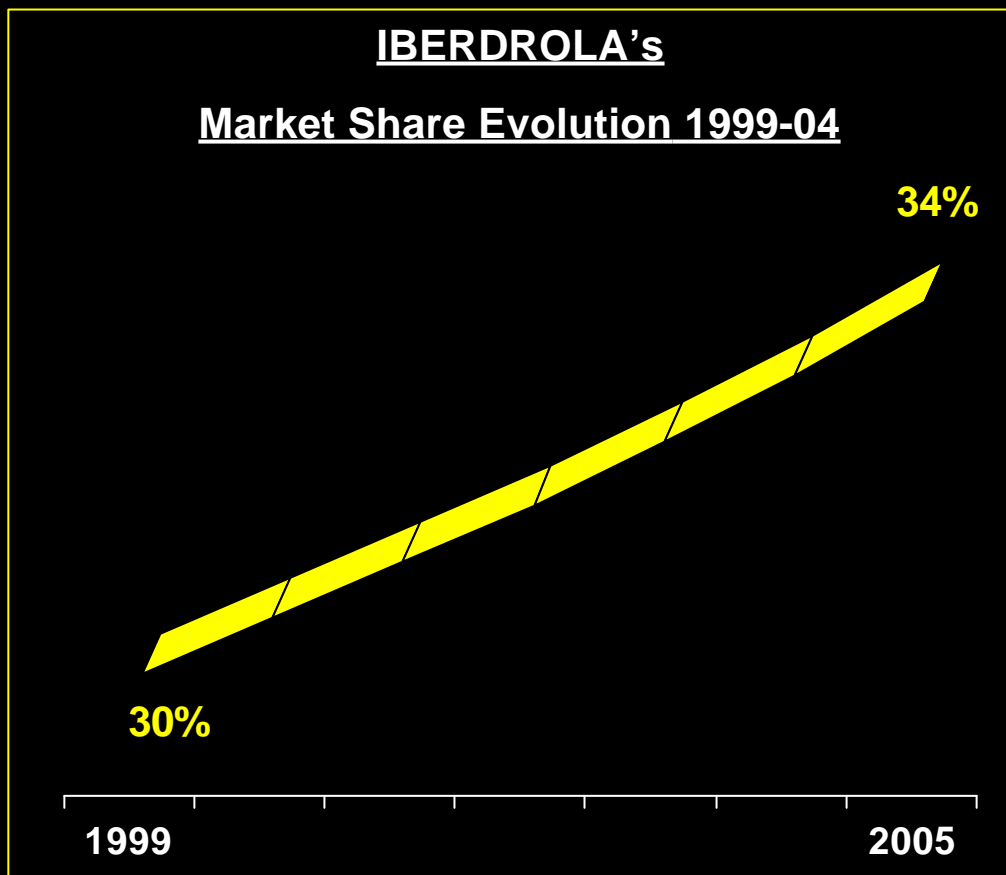
- 1 CCGT(100%)..... 180
- 5 CCGT (50%)..... 450
- 1 CCGT (25%)..... 45
- Regasification Plant (25%).. ... 48

TOTAL INVESTMENT..... € 723 Mill

INSTALLED CAPACITY... 2,400 MW (direct owned)

Cogeneration & Renewables Plan 1999-03 (MW)

		1998	2003
Cogeneration	MW	141	207
	GWh p.a.	1,062	1,588
Renewables	MW	329	2,575
	GWh p.a.	1,143	6,924
- Minihydro	MW	88	115
- Wind	MW	207	2,401
- Waste	MW	34	59
TOTAL	MW	470	2,782
	GWh p.a.	2,205	8,512

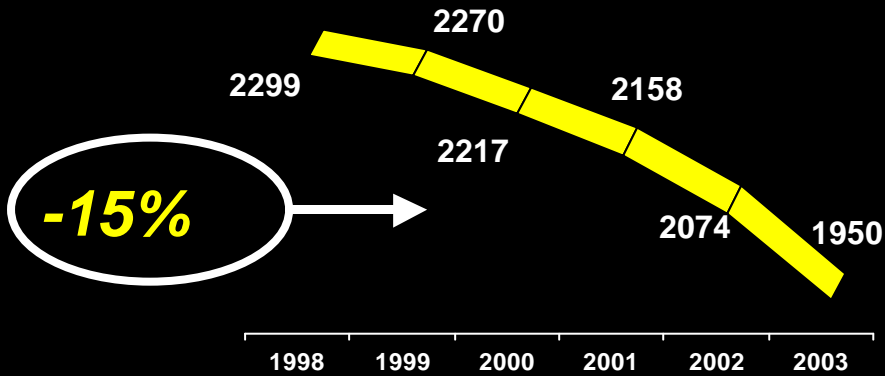




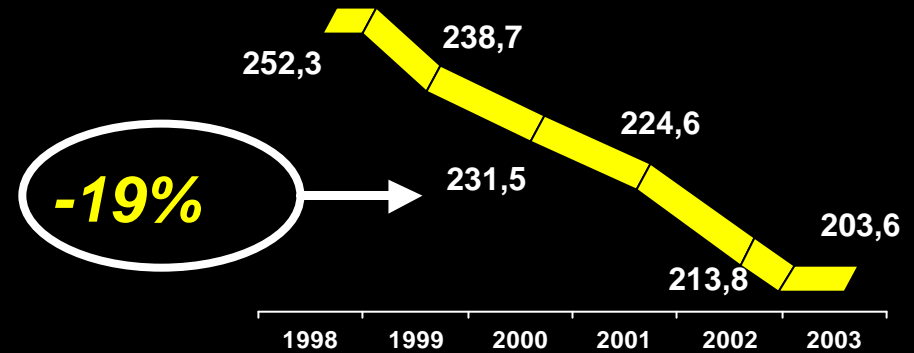
Energy: Iberdrola's Responses

Generation

EMPLOYEES



O&M COST (€ Mill)



EFFICIENCY RATIOS

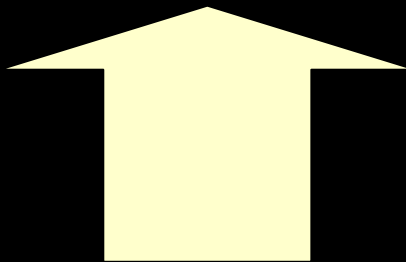
	1998	2003(E)
Installed MW/Employee	7.2	9.7
O&M Cost/Installed MW, €Th	15.9	10.9
Capex/Employee, €Th	27.2	21.0

Business Plan 1.999-2.003: €135.2 Million improvement in Cash-Flow



Energy: Iberdrola's Responses

Distribution - Business Plan



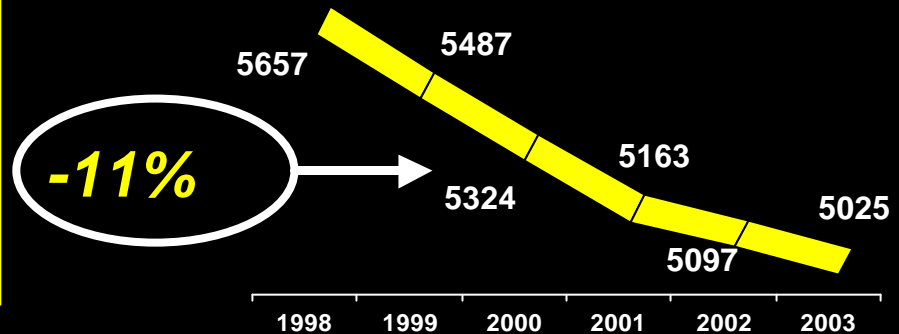
REGULATOR MANAGEMENT	NON-REGULATED REVENUES	PAYROLL	EXTERNAL EXPENSES	CORPORATE EXPENSES	INVESTMENTS
+2.8%	+€40.6 Mill.	-20%	-20%	-20%	-25%



Energy: Iberdrola's Responses

Distribution

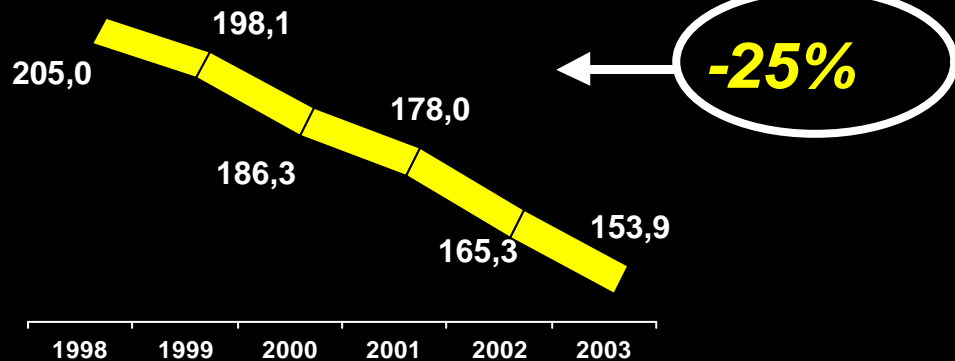
Employees



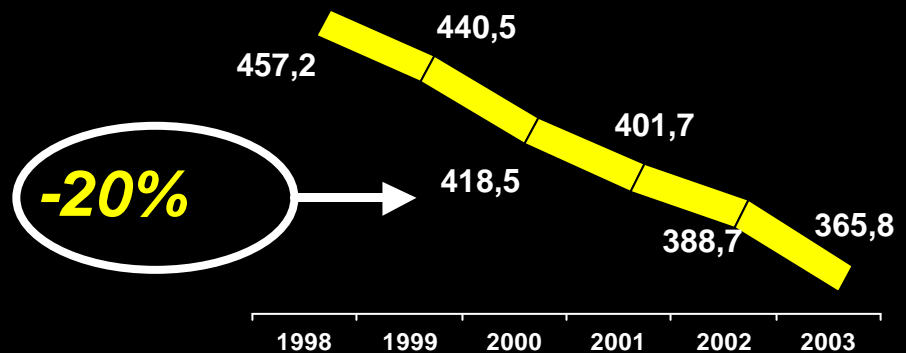
Efficiency Ratios

	1998	2003(E)
GWh Billed/Employee	10.8	14.4
O&M Cost/GWh Billed, €Th	7.4	5.1
Capex/Employee, €Th	36.2	30.6

Recurrent Investment (€Mill)



O&M Cost (€Mill)



Business Plan 1.999-2.003: €228.4 Million improvement in Cash-Flow



Energy: Iberdrola's Responses

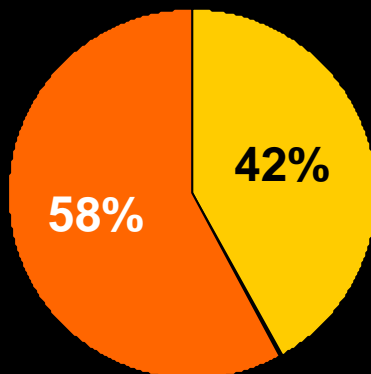
Supply

Eligible



- Low Margins
- High Costs
- Risk from Generation and Clients

1999 Market Share

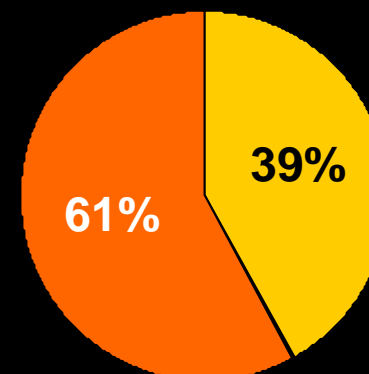


Retail



- High Margins due to regulatory obligations and cross subsidies
- New Products and Services

1999 Market Share



Maintain existing customer base and capture new customers with margin



Energy: Iberdrola's Responses

Supply

New Developments

One to One Marketing	Offering customer-tailored services and products.
Internet Professional Services Web Call-Center	<ul style="list-style-type: none">• Ensuring constant information exchange with customers• Best use of Information Technologies.
Iberdrola Gas	Gas supply to customers



Energy: Iberdrola's Responses

Summary: A basis for expansion

<p>A Defined Strategy for all Activities</p>	<p>Based on:</p> <ul style="list-style-type: none"> • Iberian markets approach. • Specific investment projects. • Cost cutting and efficiency improvements. • Corporate synergies: new products and services.
<p>A Strong Competitive Position</p>	<p>Due to:</p> <ul style="list-style-type: none"> • The value of the assets and their cash-flow generation capacity. • The competitive mix of generation in terms of costs and efficiency. • The extensive customer base. • New strategic alliances: EDP and GALP.
<p>A Strong Financial Position</p>	<p>Which allows:</p> <ul style="list-style-type: none"> • Growth in generation and supply. • An aggressive investment plan in generation.

**A platform for growth in other mature markets
(Europe and North America)**



International



International: Key Points

Long term

We are long term investors, without giving up short term profits.

Partners

We invest together with local partners and with our strategic partners.

Sectors

Electricity Distribution, Electricity Generation, Water and Gas Distribution, and Telecommunications.

Sinergies

We do not make isolated investments but we search for synergies with others investments.

Consolidation

Shareholdings allowing control and consolidation of financial statements.



International: Key Points

Financial and economic strengthen

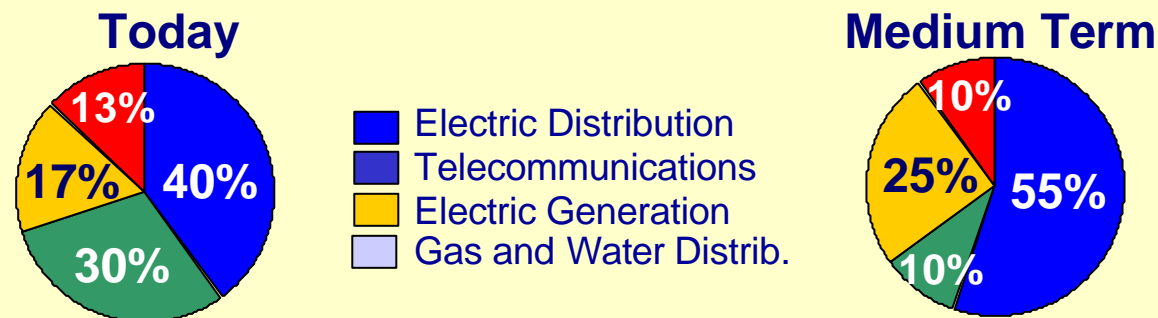
We look for reinforcing the companies in order to assure a continuous growing contribution to profits.

Risks

Risk management policy considering sectors, countries and maturity of investments.

Balanced Portfolio

The aim is to obtain a business balanced portfolio:



Profitability

The investment return must be higher than the financial cost of the project including the country risk premium.



International: Strategic Positioning

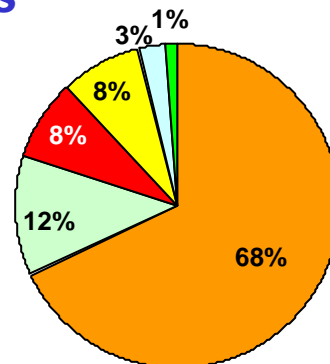
GLOBAL OPERATOR

CURRENT INVESTMENTS

- 2,400 € Million
- 12% Group's Assets

Countries

■ Brasil	■ Chile
■ México	■ Colombia
■ Guatemala	■ Bolivia



- Customer base: More than 4.5 Million managed

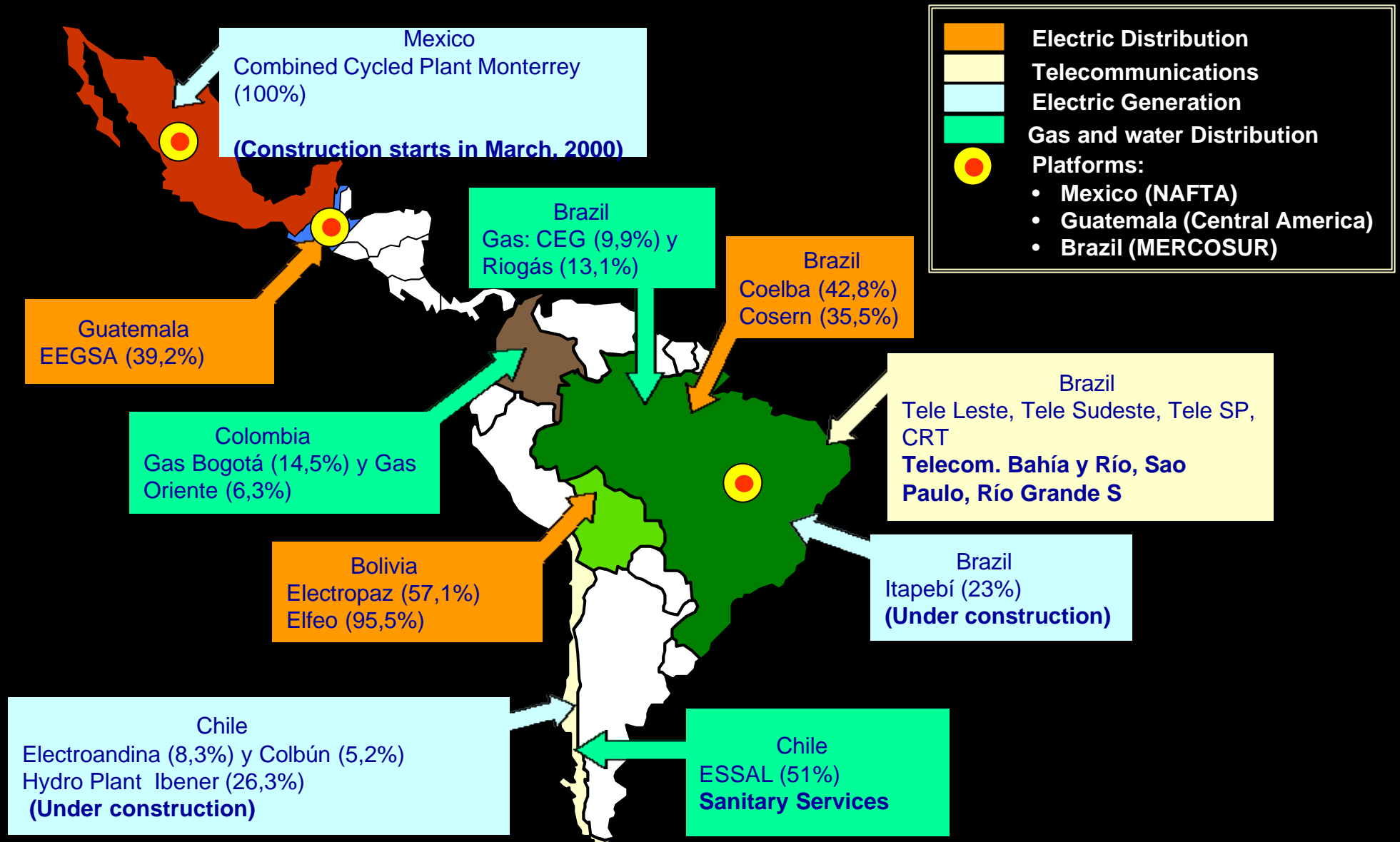
EXPANSION

- 480 € Million p.a. (2000-04)
- 180 € Million Net Results in 2004
- **Balanced Portfolio**
 - Countries
 - Businesses
- **Fully Integration: Buyout**

GOAL: Value Creation



International: Investments





International: Conclusions

Iberdrola Group in Latin America

We are confident in the evolution of Latin American economies. We will continue investing in the area with a cautious risk policy and requiring adequate levels of return.

Basic Approach

Serving to the aim of being a global multiservice Group.

Strategy

- Long term.
- Own operation and efficient management of the businesses.
- Excellent integration in the environment.



Diversification



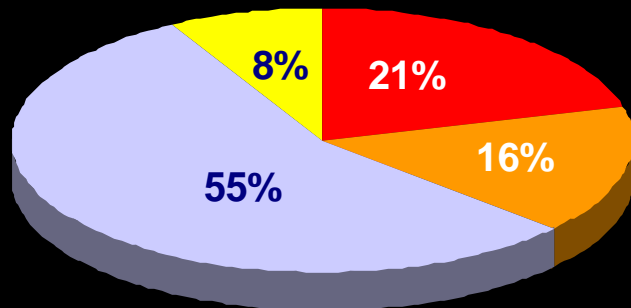
Diversification

1998 and future profitability

Diversification
Share in total Net Income



R.O.E.98
Diversification Business
16.5%



ENERGY

REAL ESTATE

IBV

OTHER



R.O.E.

28.7 %



8.1 %



24.3 %



10.9 %

R.O.E(E)

<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
18.8%	21.6%	22.6%	23.2%



Diversification

Five Years Plan. Basic Criteria

Growth	Development of business owned by Iberdrola and acquisition of companies engaged in specific and compatible diversification activities.
Value Creation	In existing companies and new projects.
Synergies with the Core Business	Mainly achievable in all business related to Energy, Real State, Services, New Technologies, Telecommunications and Internet.
Integrated Management	Industrial Group: keeping, promoting and reinforcing shareholdings according to joint principles and models..



Diversification

Marketing & Supply through Internet in “Mass Markets”

Specific Actions

- Improvement and further development of Databases, Marketing strategies and tools, Back Office, IT know-how, etc
- Acquisition and setting up of Web Call Centers in main cities and demand regions
- Setting up of KRISTINA INTERNET BUSINESS SOLUTIONS together with PROXICOM (Reston, Virginia) to offer integral services through internet, mainly in Europe and Latin America



Diversification

Spanish Telecommunications

Specific Actions

UMTS

MOVI2 Consortium. Stake 20%. Technological partner France Telecom. Third generation Mobile. Voice, data and images. High speed in Internet connection.

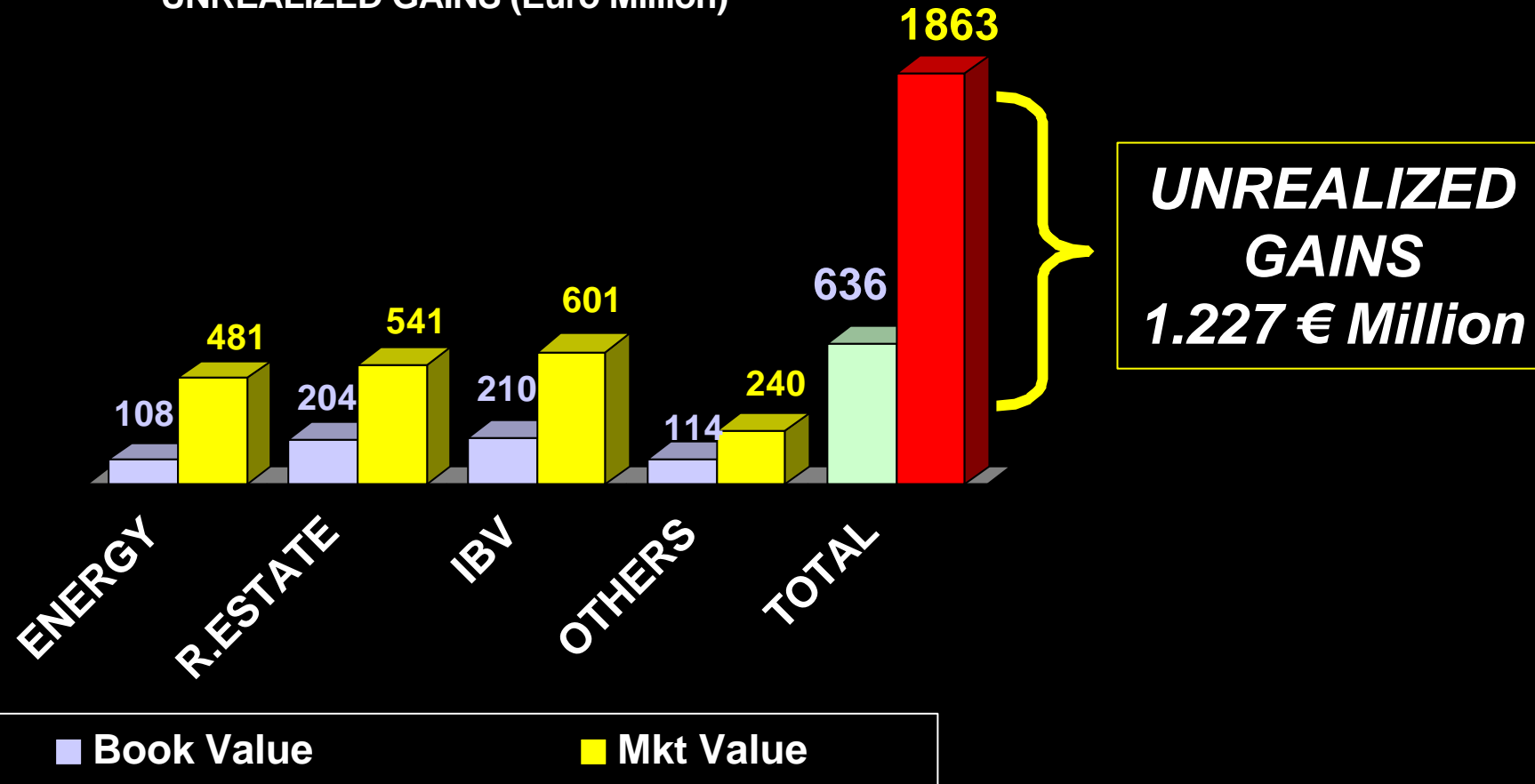
LMDS

ABRANET Consortium. Stake 35%. High speed through radio transmission (26GHz).



Diversification

BOOK VALUE vs Mkt VALUE
UNREALIZED GAINS (Euro Million)



Expose value of subsidiaries
Obtain resources to invest in telecoms and E-Business



Diversification: Conclusions

**Iberdrola
Diversification**

A strategic tool for maximizing our Client Base.

**Iberdrola
Diversification**

A solid, profitable and visible division for growing the Group's value.

**Iberdrola
Diversification**

An area focused on telecommunications and E-Business.



Conclusions



Conclusions

New Scenario

*A strategy for profitable and stable growth:
Iberdrola group, a global services operator*

*Defined and specific objectives and projects
New structure and organization*

*Iberian alliances: a first step in the expansion to
Other mature markets*

Diversification focused on telecom and E-Business

Enhancing Shareholder Value



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