

Iberdrola: World leader in Renewable Energies

1st october 2002



Highlights

Framework of the transaction

Rationale

Financial Aspects

Conclusion

2

Highlights

Framework of the transaction

Rationale

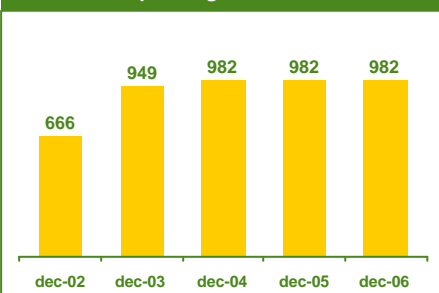
Financial Aspects

Conclusion

3

Highlights of the Transaction

Cumulative Operating MWs 2002-2006



Asset Locations



Transaction Value: Eur 1,055 M

Installed Capacity: 982 MW

(Eur MM)
 $\frac{\text{Price}}{\text{MW}} = 1,07/\text{MW}$
Turn-key

(Eur MM)
 $\frac{\text{Price}}{\text{GWh}} = 0,4/\text{GWh}$

Operating
 hours/year 21%
 above average

Leadership position with high quality assets

4

Additional Agreements

Contract to purchase wind turbines totalling 1,100 MW at attractive market prices by 2006

- All Purchases to be made according to Strategic Plan

Incorporation of JVs for future developments in Spain and abroad

- Greenfield development to be decided by the JVs
- 60% Iberdrola - 40% Gamesa

5

Highlights

Framework of the transaction

Rationale

Financial Aspects

Conclusion

6

2002-2006 Strategic Plan: Generation

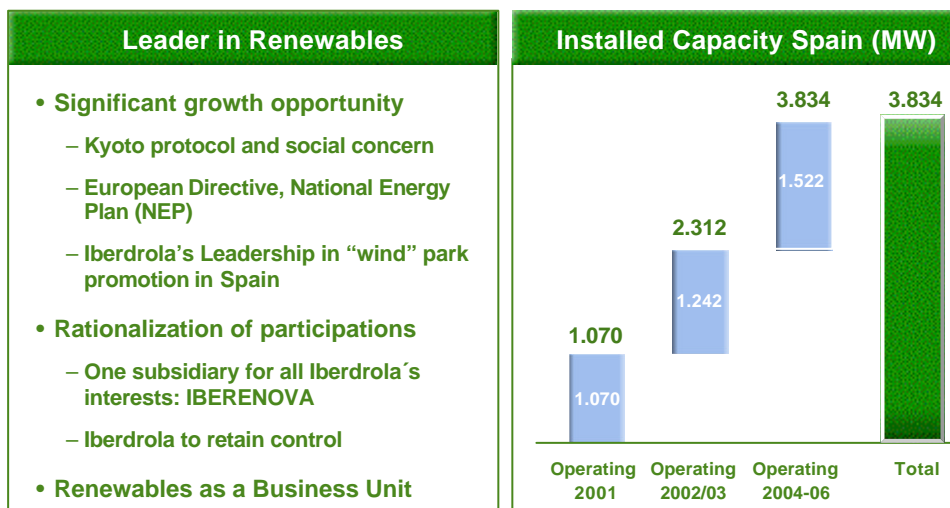


Investments in Generation (Spain)		
	MW	Investment
CCGTs	4,000 MW	Eur 1.9 Bn
Renewables	3,834 MW	Eur. 2.4 Bn

Focus on CCGTs and Renewables

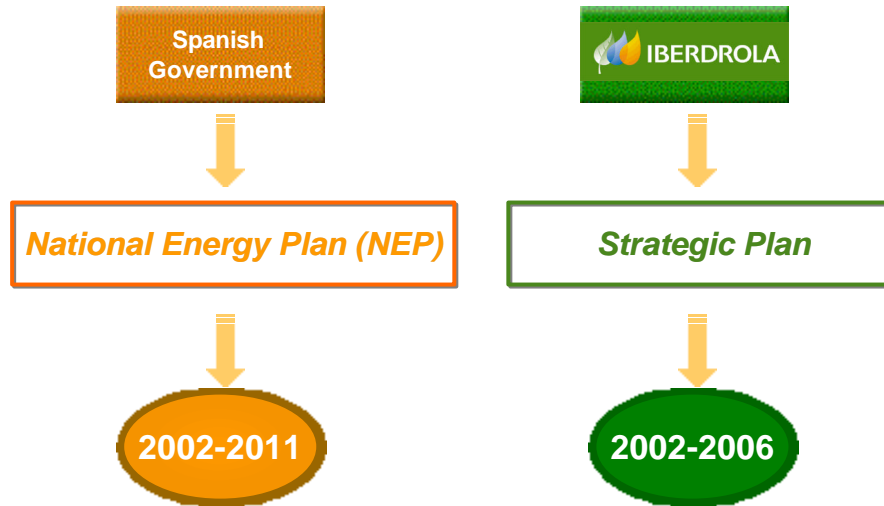
7

2002-2006 Strategic Plan: Renewable Energies



8

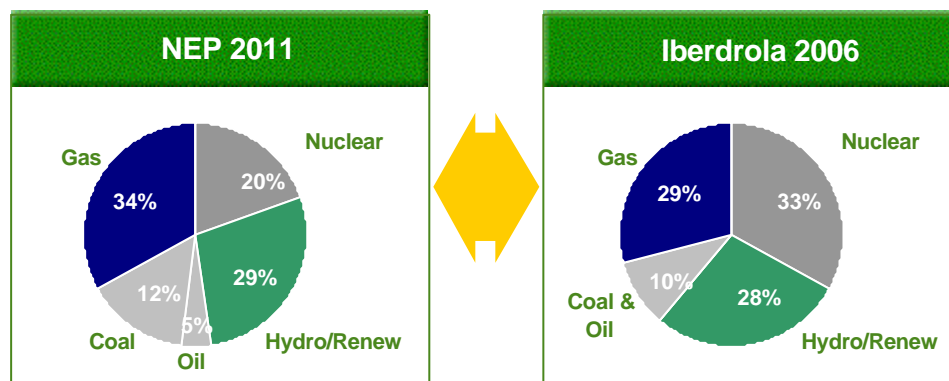
Iberdrola's Strategic Plan vs National Energy Plan



Iberdrola's Strategic Plan vs National Energy Plan

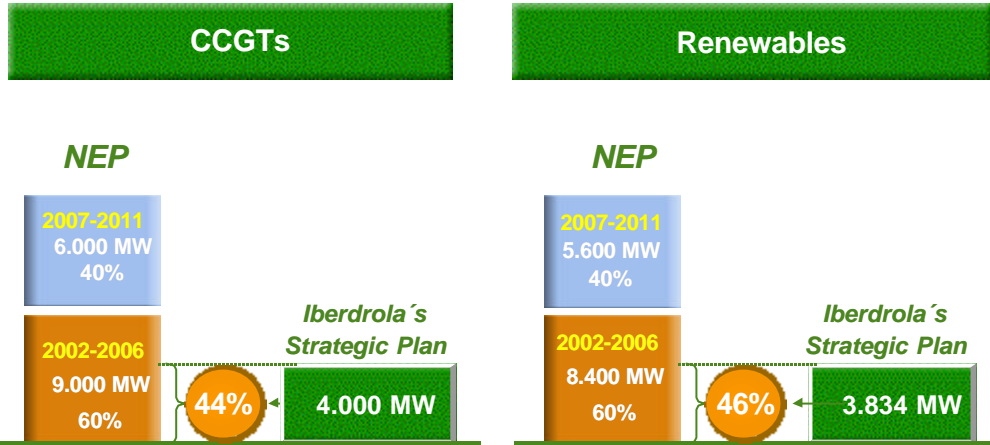


Production (GWh)



**Iberdrola anticipated NEP's targets
Strong commitment to CCGTs and Renewables**

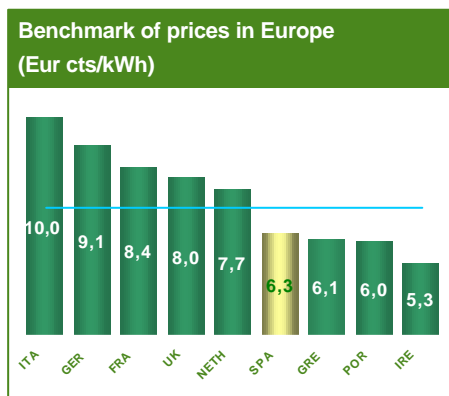
CCGTs and Renewables in Spain



Iberdrola to play a leading role in the development of CCGT and Renewables

11

Remuneration outlook



Spanish Prices below European average

NEP to incentivise Renewables

Additional sources of income (green prices, CO₂ certificates)

Conservative assumptions: Upside potential

12

Highlights

Framework of the transaction

Rationale

Financial Aspects

Conclusion

13

Rationale of the Transaction

Transaction based on the following key points:

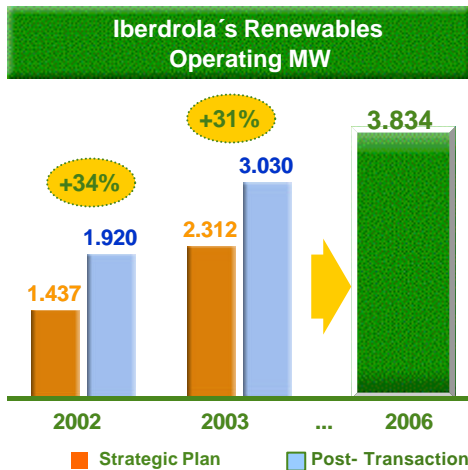
- Iberdrola's Strategic Plan to be achieved ahead of initial estimates
- Iberdrola to acquire high quality assets
- Extension of operations outside Iberdrola's distribution area
- First mover advantage
- Strong position vs potential competitors
- Leadership position allows for a selective approach to future developments
- Iberdrola to become worldwide leader

14

Rationale of the Transaction



Iberdrola's 2002-2006 Strategic Plan to be achieved ahead of initial estimates



- 79% of 2006 target fulfilled as of 12/31/2003.

- 2006 Targets to be achieved by 2004

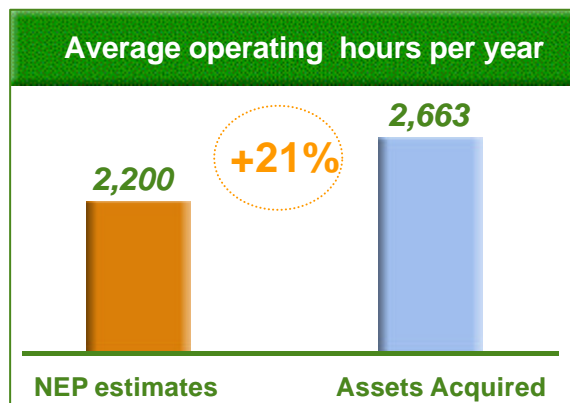
- Critical step to enhance the Renewables business unit

15

Rationale of the Transaction



Iberdrola to acquire high quality assets



- Load factor 21% above Spanish average (NEP)

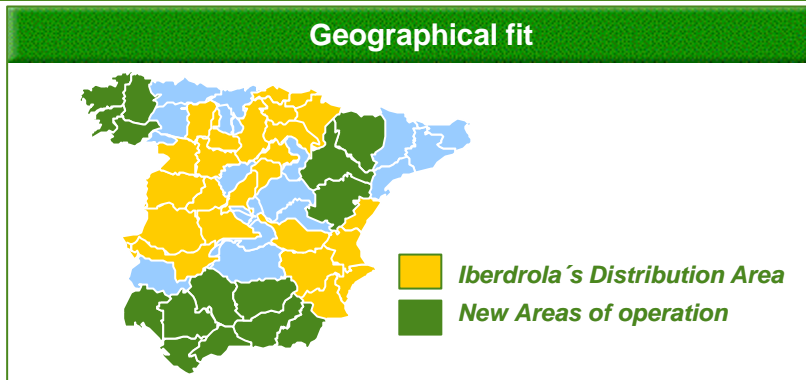
- High Energy Index*: Eur 0.402 MM GWh

- Scarcity of future assets with this quality levels

*Transaction Value per GWh produced

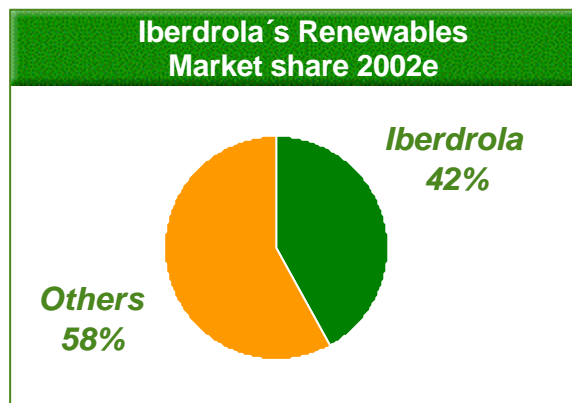
16

Extension of operation outside Iberdrola's distribution area



2/3 of total capacity acquired located in new areas of operation

First Mover Advantage



- Strong leadership post transaction
- Limited capacity in the System
- No alternative opportunity in Spain

Strong position vs potential competitors

The transaction ensures...

- 97% of MW acquired will be operational by December 03
- High quality sites
- Access to Gamesa equipment at competitive prices

The transaction reinforces Iberdrola's position in...

- Renewables: A core business activity
- Spain: A focus geographical area

19

Leadership position allows for a selective approach to future developments

Strategic Plan Targets to be achieved by 2004



Platform for additional greenfield developments
in Spain and internationally



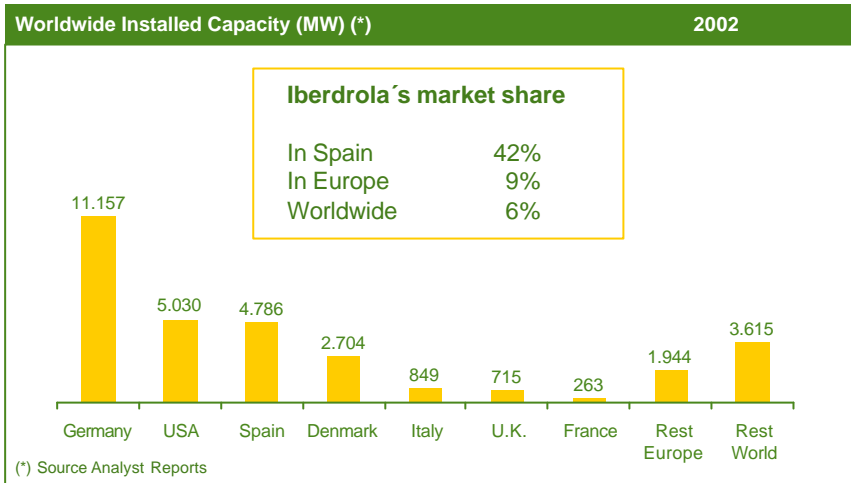
Potential future investments to be analyzed
with a selective approach

20

Rationale of the Transaction



Iberdrola to become worldwide leader



21



Highlights

Framework of the transaction

Rationale

Financial Aspects

Conclusion

22

Financial highlights



Transaction Value	→	Eur 1,055 MM (2002-2006)
IRR (project)	→	9% (according to Strategic Plan assumptions)
IRR (equity)	→	14% (according to Strategic Plan assumptions)
EPS	→	Accretive from Year 1
Goodwill	→	233 Eur Mill (tax deductible)

Complies with Strategic Plan's profitability requirements

23

Payments



Amount (Eur Mill)	2002	2003	2004-06	Total
Equity payment(*)	290	60	7	357
Debt assumption(*)	458			458
Capex	-	274	34	308
Eq. Purch.Agreement	(4)	(19)	(49)	(72)
International JV	4	-	-	4
Total	761	315	(8)	1.055

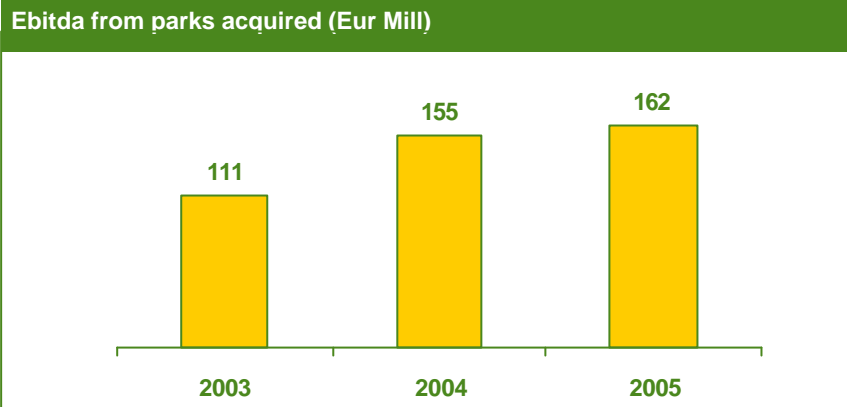
*Completion of 40%: End 2002/Early 2003

Turn-Key

Payments to be made as new capacity becomes operational

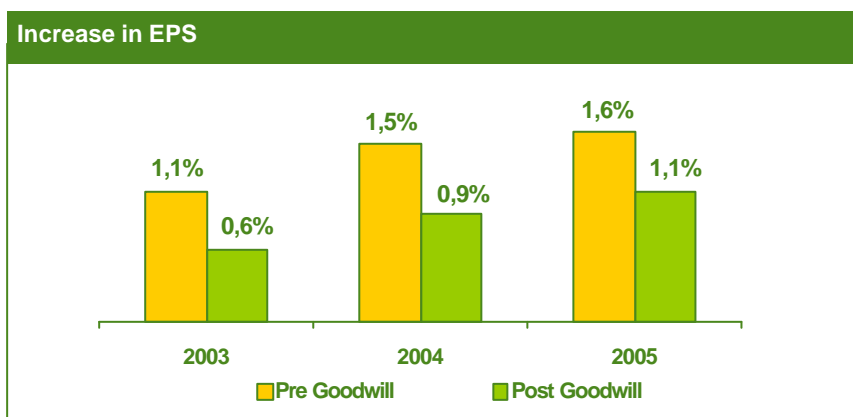
24

Positive contribution to EBITDA



25

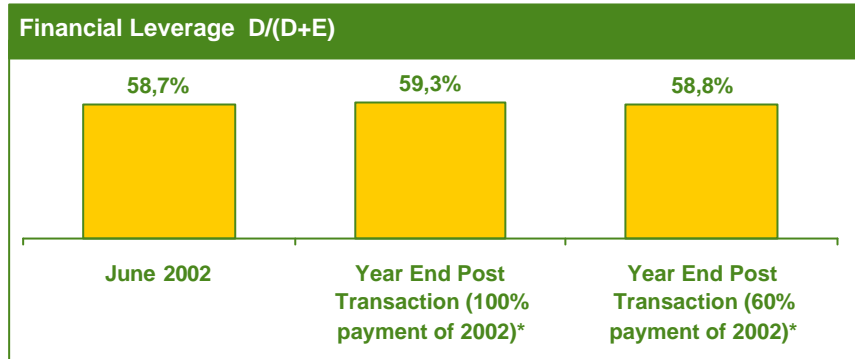
Accretive impact on EPS



- It does not include Capital Gains generated by Gamesa through the transaction
- Goodwill: 233 EUR Mill.

26

Leverage



*Post transaction leverage subject to effective payments made in 2002

Attractive operation with no significant increase in leverage

27



Highlights

Framework of the transaction

Rationale

Financial Aspects

Conclusion

28

Conclusion



A unique opportunity according to...

Size

Total Installed
Capacity:
982 MW

Quality

Operating hours/year
21% higher than
NEP average

Timing

All projects
operational
by 2004

...at an attractive price

29

Iberdrola:

World leader in Renewable Energies

1st october 2002

