

Iberdrola: Agreement with EHN

14 November 2002



Highlights

Strategic Fit

Conclusions

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Highlights of the Transaction



Friendly split of participations with EHN



- Sale of 37% stake in EHN (parent company)
- Acquisition of 50% of EEE Holding
 - EEE S.A. 100% controlled by Iberdrola
 - Parks in Castilla La Mancha (Cuenca, Sisante, Enecamsa)
- 50% stake in ERR Murcia, with local partners
- 121 EUR MM net proceeds (*)

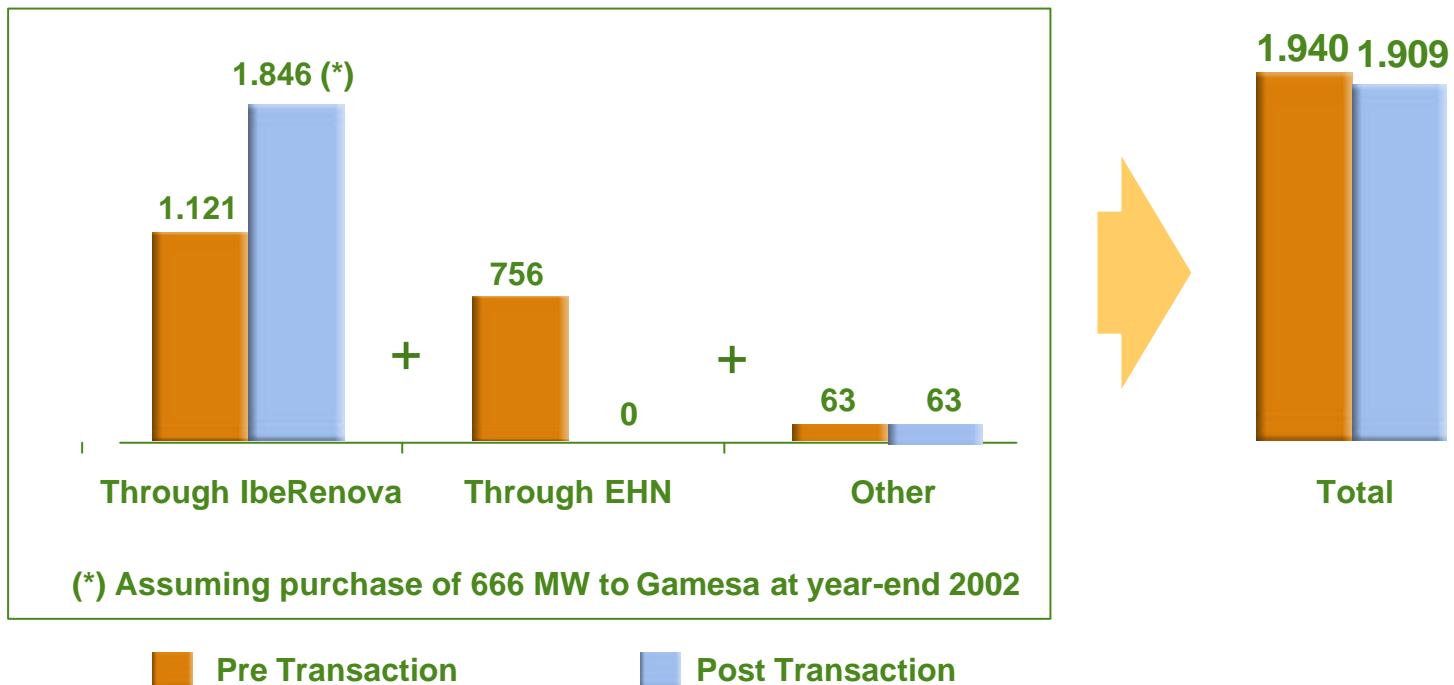
- EHN sells 50% of EEE to Iberdrola
- Partners in EHN acquire Iberdrola's 37% to control 100%
 - Control over wind farms in Navarra
- 50% stake in Renomar (Valencia), with local partners

(*) 131 EUR MM in Cash from valuation differences - 10 EUR MM increase in Consolidated Debt.

Attributable MW's



Split of attributable MW's (Dec 2002e)



Iberdrola to increase control of MW from 60% to almost 100%

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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

2002-2006 Strategic Plan: Renewables



Leader in Renewables

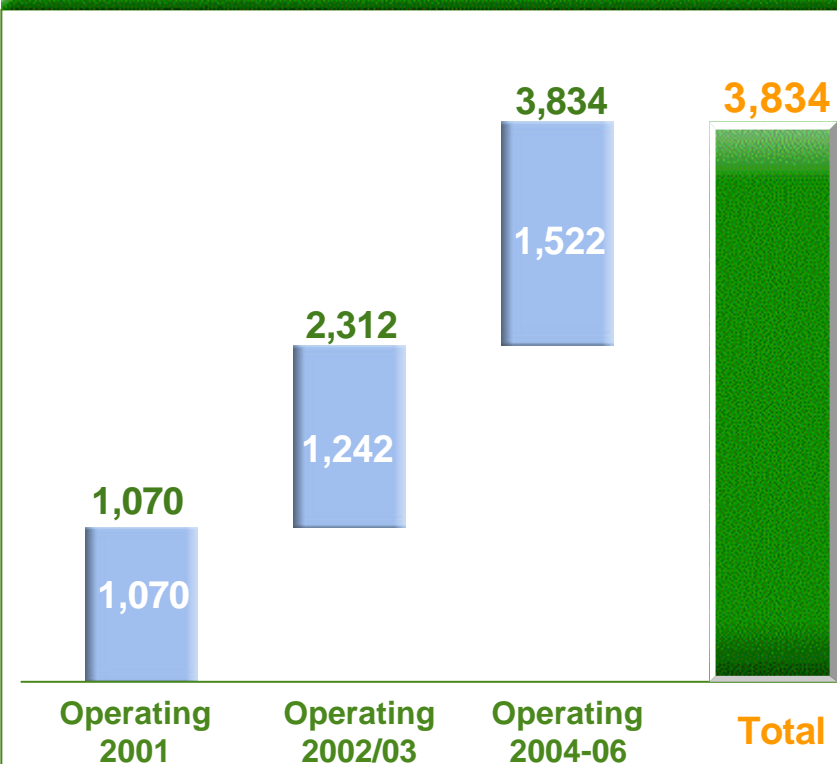
- **Significant growth opportunity**
 - Kyoto protocol and social concern
 - European Directive, National Energy Plan (NEP)
 - Iberdrola's Leadership in "wind" parks in Europe

- **Rationalization of participations**

- One subsidiary for all Iberdrola's interests: IBERENNOVA 100% under control

- **Renewables as a Business Unit**

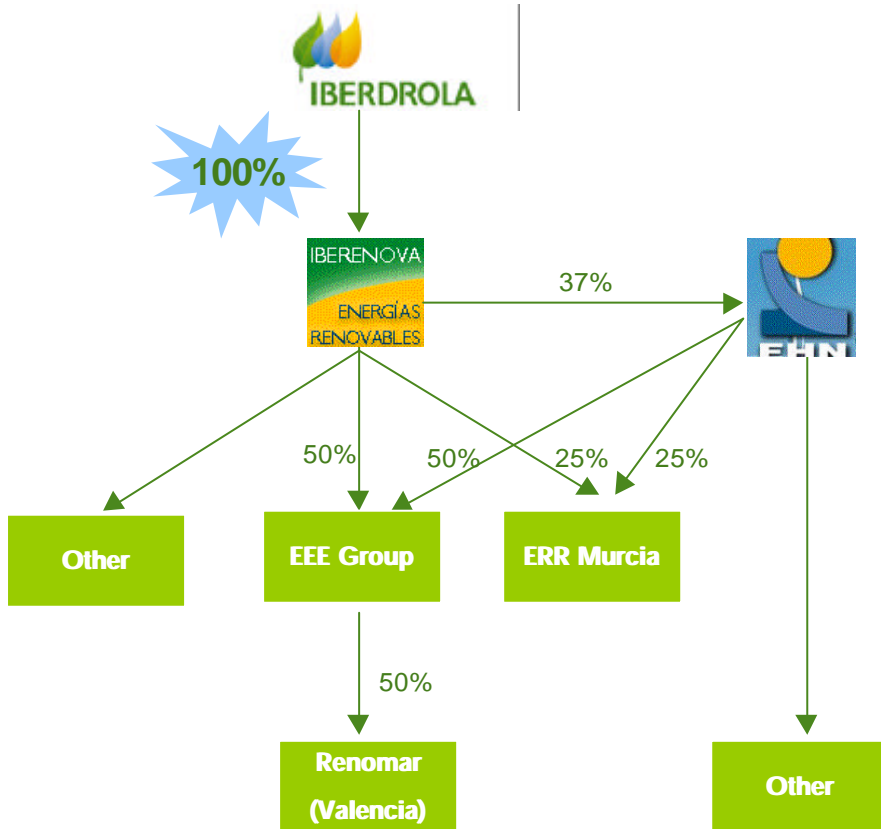
Installed Capacity Spain (MW)



Rationalization of participations

Transaction Perimeter

Structure Pre-Transaction



Structure Post-Transaction



Simpler structure increasing control over participations

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Operations



- Rationalization of participations
- Almost 100% MW attributable under control

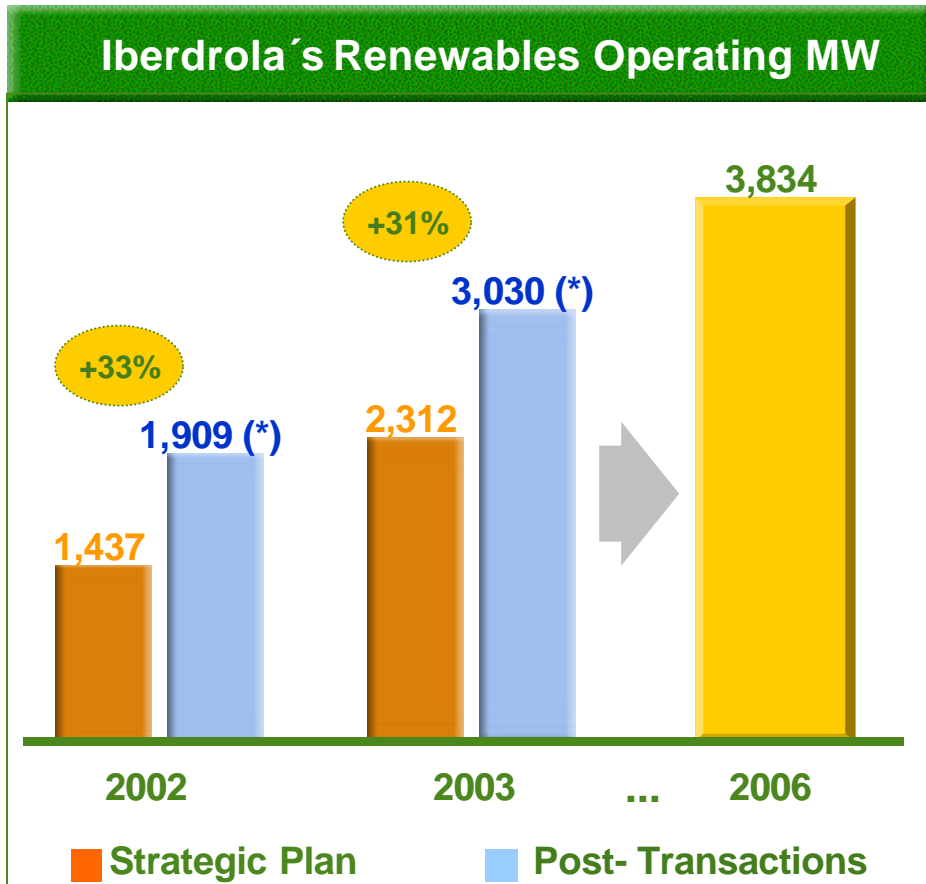
Finance



- Neutral impact in P&L
- Positive in debt ratios (0.5% reduction)
- Net proceeds 121 MEURO

... another objective of Strategic Plan achieved

...After Recent developments in renewables (Gamesa Parks & agreement with EHN)



Strategic Plan Objectives

Target	Performance	Status
3,834 MW in 2006	To be completed in advance	✓
Reorganization of stakes	Completed in October 2002	✓

(*) Assuming purchase of 666 MW to Gamesa at year-end 2002 and 283 additional MW in 2003

... Both Strategic Plan objectives achieved ahead of time

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