

IBERDROLA

Full Year 2001

Results



Conference Call

February 28, 2002

Introduction

- 2001, a critical year for the utility sector as a whole
- Iberdrola's performance as a result of the 2002-2006 Strategic Plan reflects a strong positioning in the industry



A more visible structure

**Full Year
2001**

Changes in Consolidation

- Brazil and Guatemala, consolidated through proportional integration
 – *Increased visibility*
- CTC's are accounted on cash basis

Analysts Reports have been prepared on the basis of these criteria with 2000 in comparable terms

A more visible structure

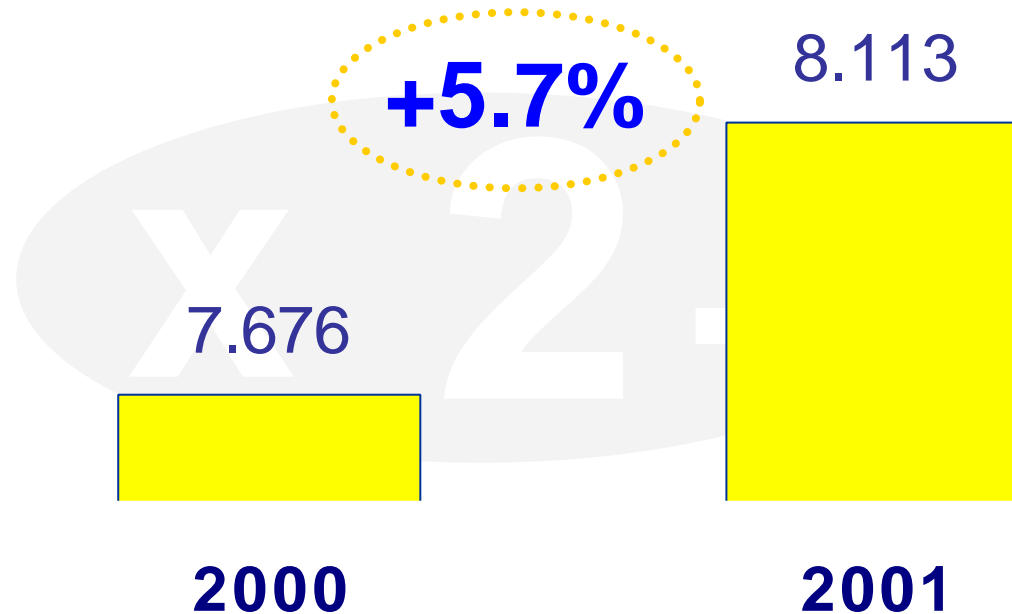
- For further analysis, additional Financial Statements are provided

		Brazil and Guatemala	CTCs
Proportional Consolidation <i>(commented)</i>	Year 2000	• Proportional Consolidation	• Cash Basis
	Year 2001	• Proportional Consolidation	• Cash Basis
Equity Method	Year 2000	• Equity Method	• Cash Basis
	Year 2001	• Equity Method	• Cash Basis
Annual Report	Year 2000	• Proportional Consolidation	• Cash Basis
	Year 2001	• Equity Method	• Accrual Basis

Full 2001 Highlights

Net Sales

(million euros)

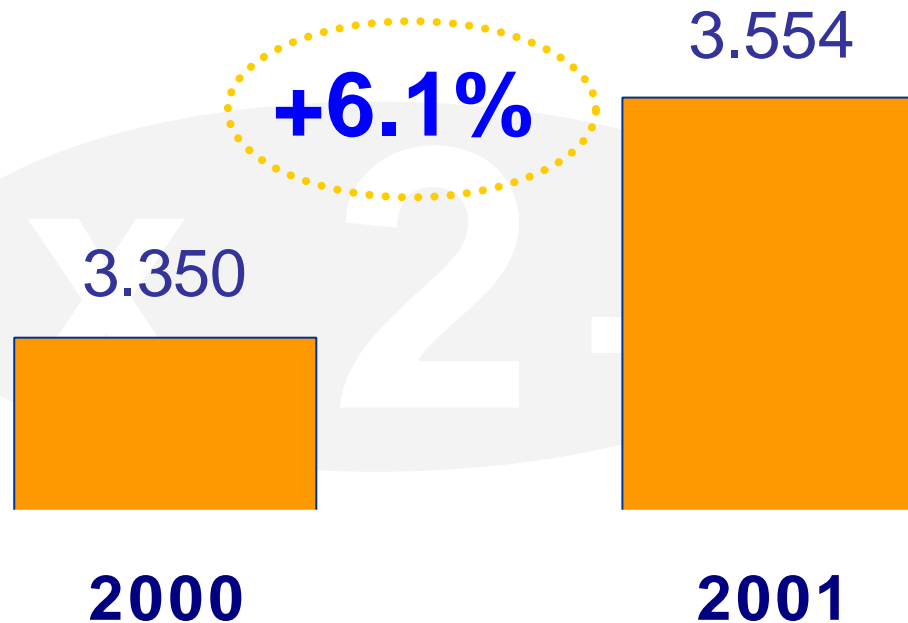


- Increased market share in the Wholesale Market: **31.3%**
- Leader in Liberalized Supply **40.4%**

Full 2001 Highlights

(million euros)

Gross Margin



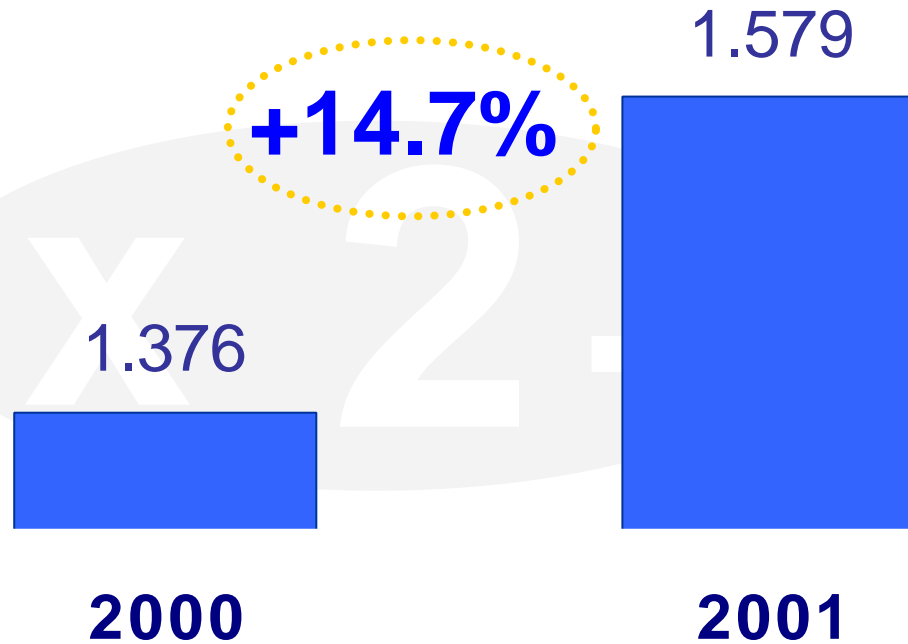
•Net Production (GWh)

+14.8%

Full 2001 Highlights

EBIT

(million euros)



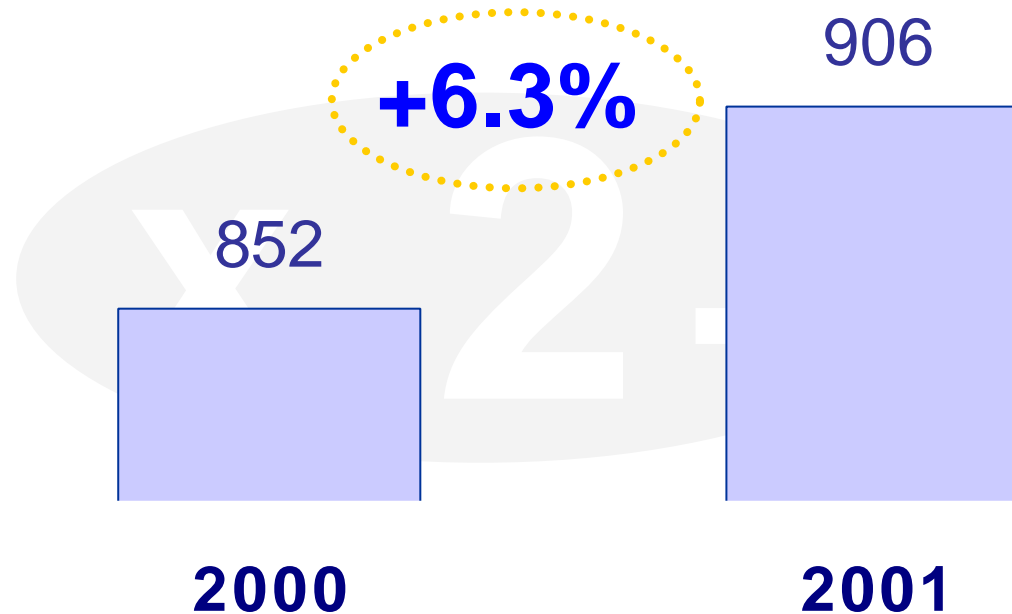
• Depreciation Expenses

+ 7.2%

Full 2001 Highlights

Net Profit

(million euros)

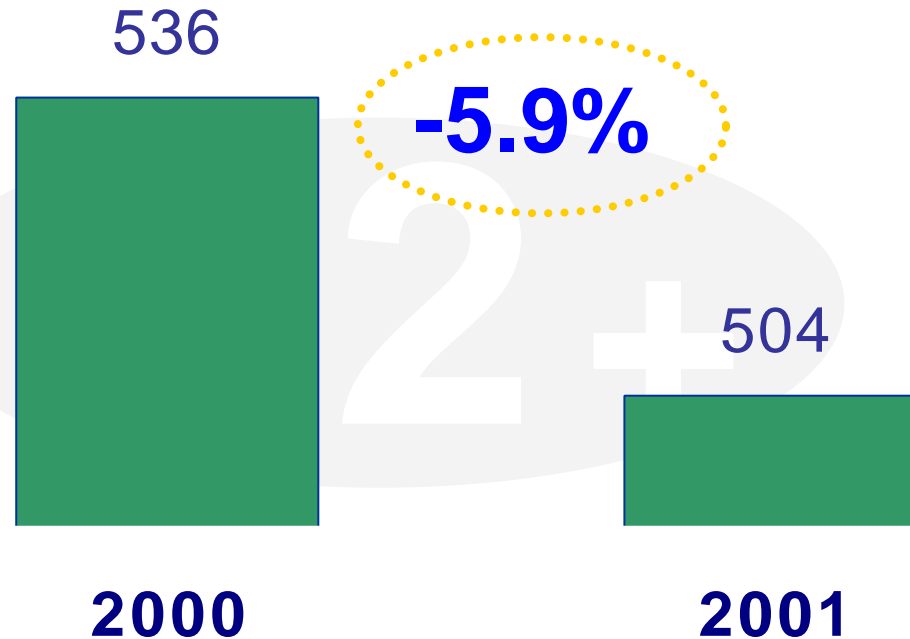


- Includes provisions up to 318 million euros
- Excluding extraordinaries, Net Profit rose by 10.1%

Full 2001 Highlights

(million euros)

External Services



- 5.9% total decrease, 9.0% decrease in traditional business
- Improved results in 2nd half of the year (-15.9% vs +6.4% in 1st

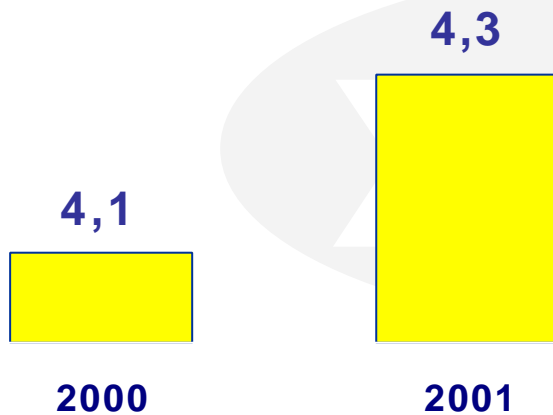
half)

Full 2001 Highlights

(million euros)

Financial Strength

EBITDA/Net Financial Expenses



- Credit Ratings qualify Iberdrola amongst the top 5 investor-owned utilities

Moody's:

A1

Standard & Poors:

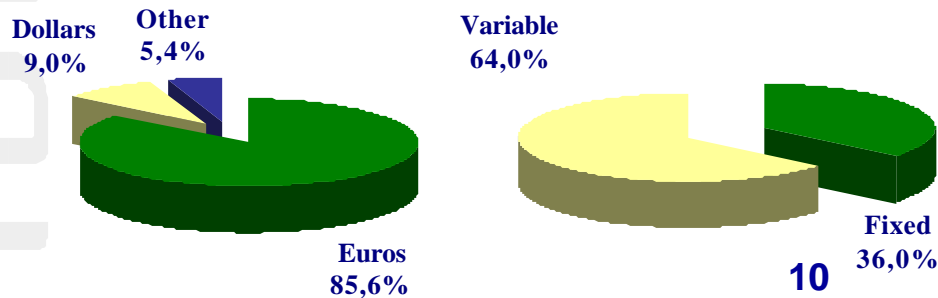
A+

Fitch:

AA-

- Strong Interest Coverage and Leverage ratio
- Higher Debt as a result of ambitious but realistic investment plan

Structure of the Debt



Leverage Ratio

Equity **43%**

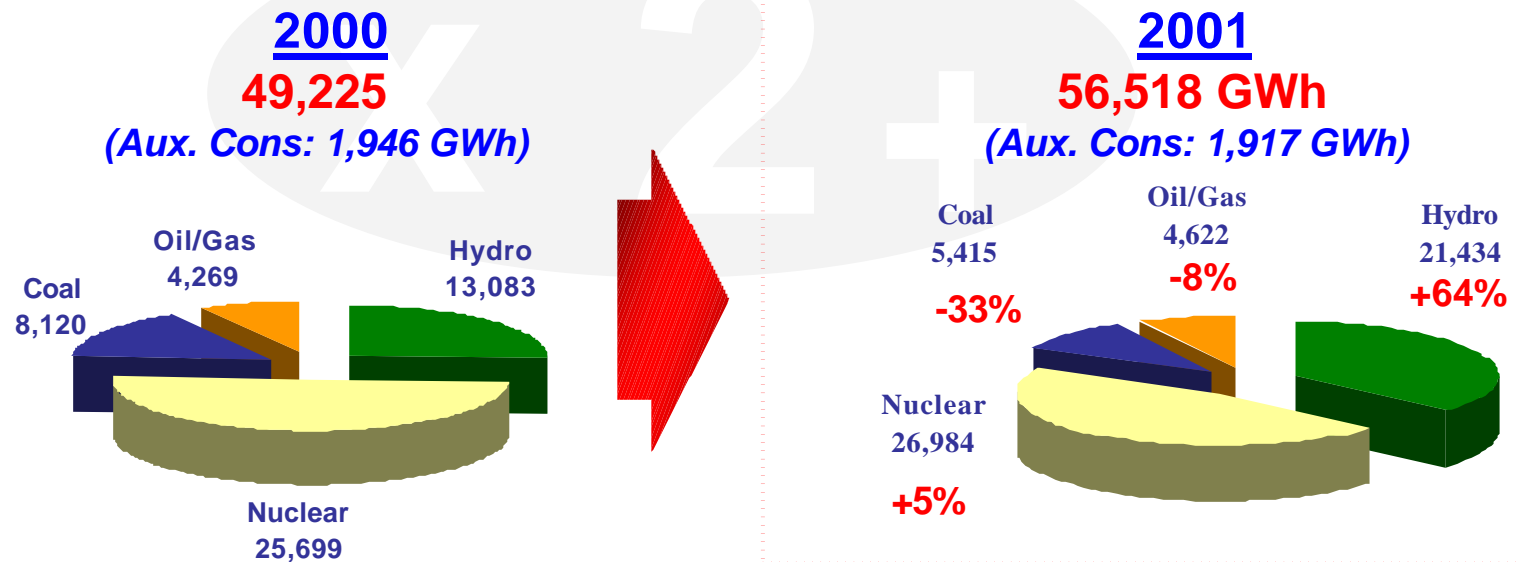
Financial Debt **57%**

Operating Performance

Gross Margin in Generation:

+11.9%

- Net Production +14.8% vs lower market prices



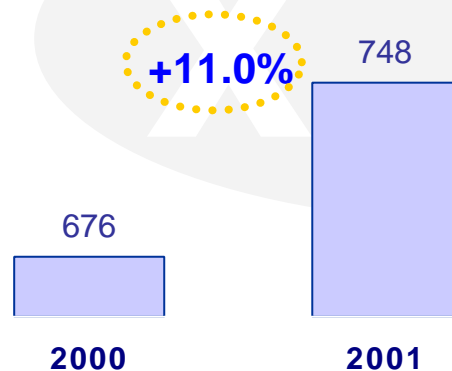
- Lower Fuel Costs/kWh produced: **25.1%** -

Operating Performance

Operating Expenses: +0.6%

Personnel Expenses

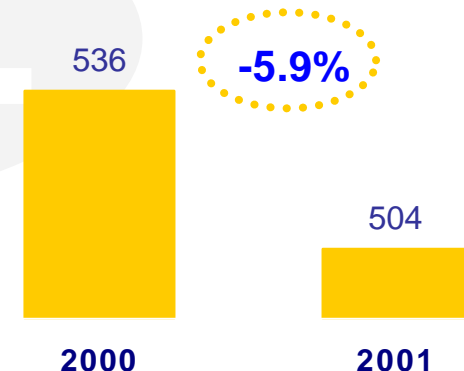
Net Sales/Employee (Eur)



- More Net Sales with less resources
 - 3.7% lower average workforce
- Personnel Expenses include non-recurring costs: 28.1 million euros

External Services

Ext. Services (mill Eur)

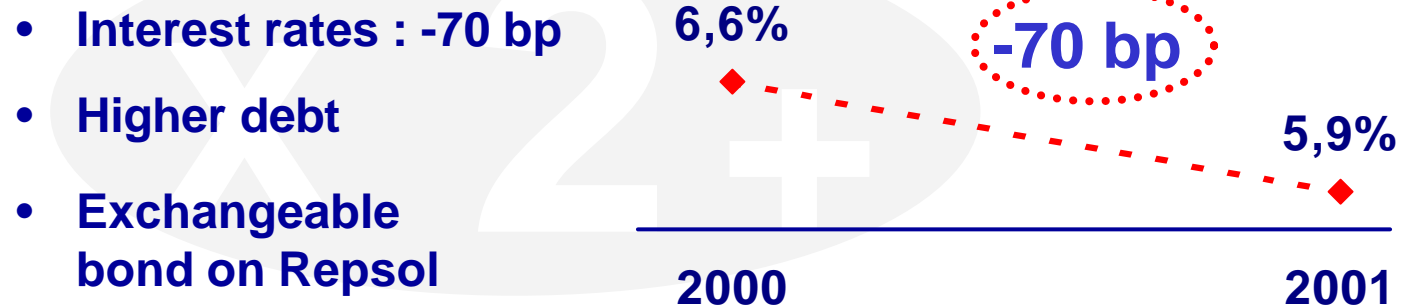


- 5.9% total decrease, 9.0% decrease in traditional business
- Improved results in 2nd half of the year (-15.9% vs +6.4% in 1st half)

Financial Performance

Financial Results

- Interest Expenses: +47 million euros



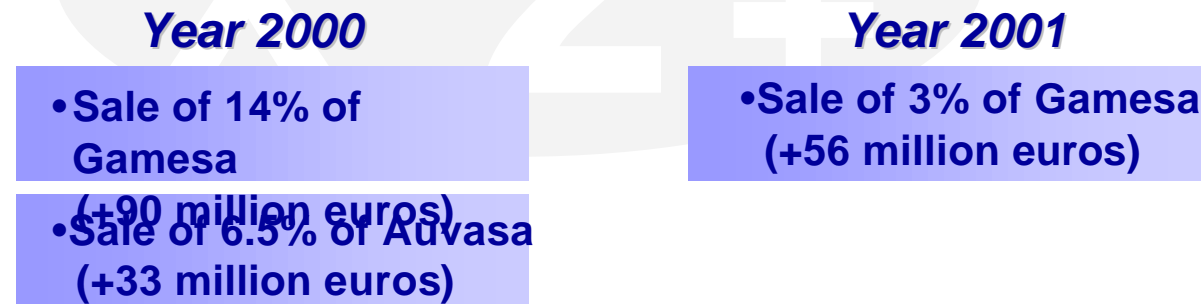
- Non recurrent Provisions

- Brazilian and Guatemalan currencies +72 million
- Depreciation of Telefonica +60 million

Financial Performance

Companies carried by the Equity Method **-27.2%**

- Lower Capital Gains



- Contribution from Repsol: -32 million euros vs. 2000

Extraordinary Results

Linked to Restructuring

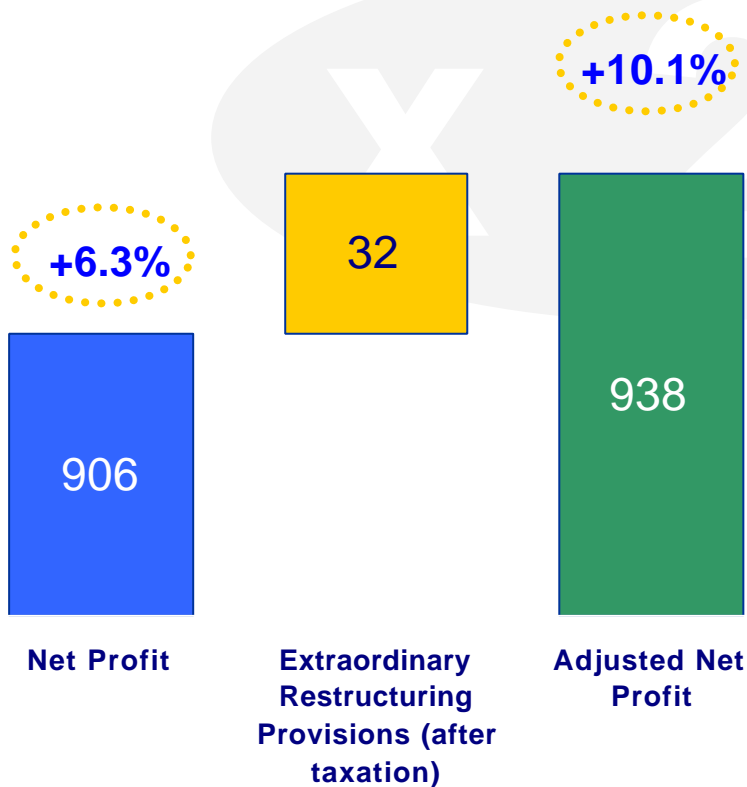
- Ordinary Profit: +8.8%
 - Successful performance of ordinary activities
- Ordinary Profit (mill. eur)*

Year	Ordinary Profit (mill. eur)
2000	1.109
2001	1.206
- Extraordinary Results aim at efficiency gains
 - Personnel provisions: 37 million euros

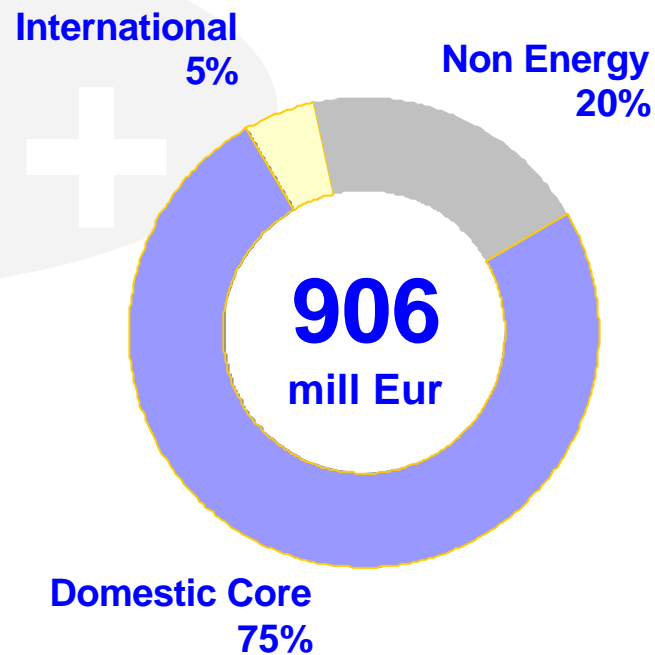
Net Profit

Net Profit: +6.3%

Effect of Extraordinary Restructuring Provisions

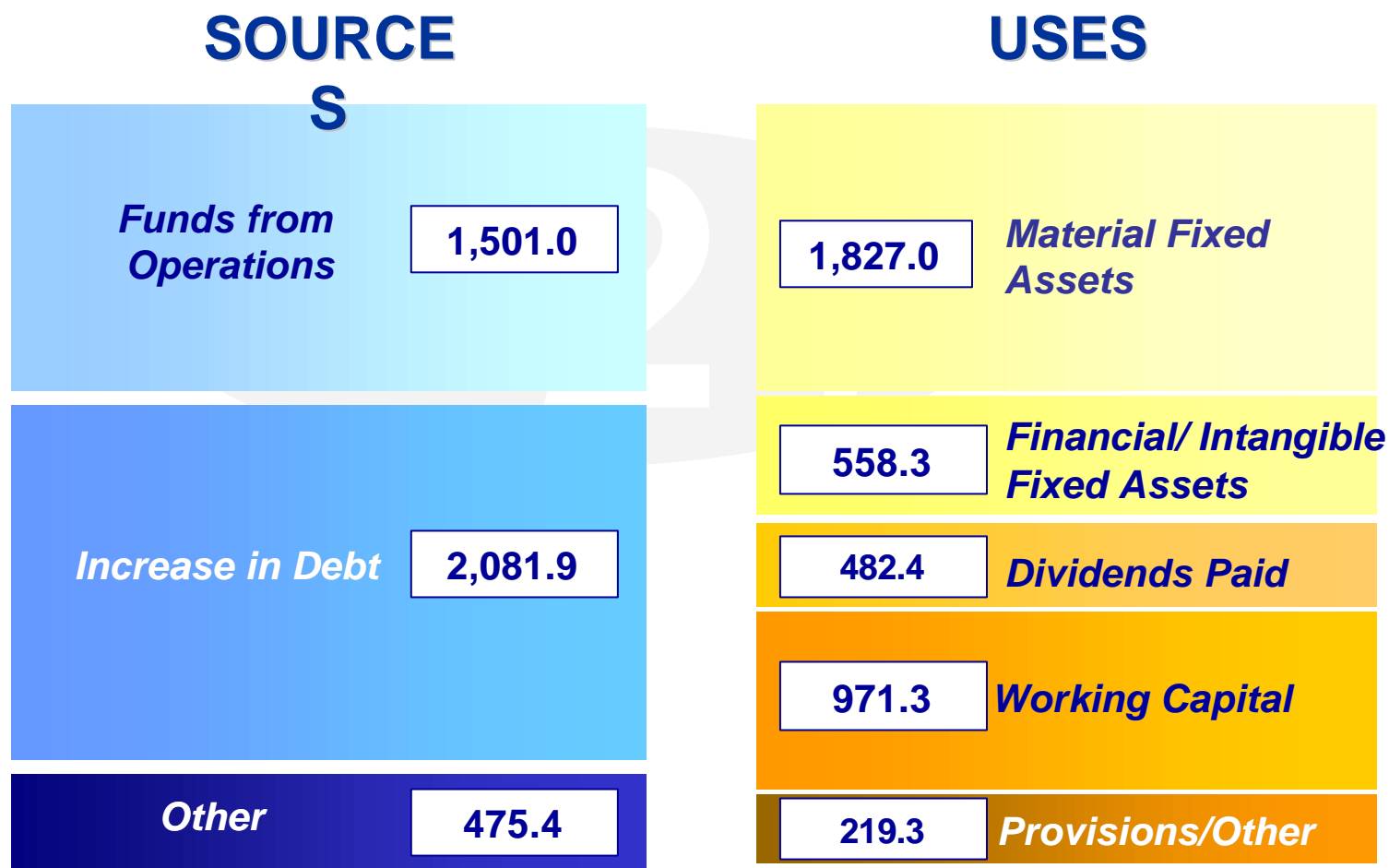


Contribution to Net Profit



Sources and Uses of Funds

(million euros)



Key Performance indicators

	<i>Year 2001</i>	<i>% Change vs 2000</i>
Total Shareholders Return (%)	13.6%	+1,290 bps
Earnings per Share (Euros)	1.0	+6.3%
Cash Flow per Share (Euro cents)	1.7	+13.7%
R.O.A. (%)	9.8%	+40 bps
R.O.E. (%)	11.3%	+40 bps
Operating expenses / Sales (%)	15.4%	-70 bps
Provisions / Sales (%)	3.9%	270 bps
Workforce (Domestic business)	9,685	-3.7%
Net Sales / Employee (Dom.Business.)	748.0	+11.0%
EBITDA/Net financial expenses (times)	4.3x	+0.2x

2002-06 Strategic Plan Achievement

Optimal Use of Capital

- **Divestment Plan: Pogressing as Scheduled**
 - High Voltage Network: Analyzing offers
 - Real Estate Property in Madrid: Advanced Stage
- **Investment Plan: Beating Estimates**
 - CCGT Plan:

	Q1	Q2	Q3	Q4	Total 2002
Spain			Castellón +800 MW	Castejón +400 MW	+1,294 MW
Mexico	Monterrey I-II +500 MW			Monterrey III +250 MW	+750 MW

2002-06 Strategic Plan Achievement

Gas Business

- Procurement: 80% of total needs fulfilled

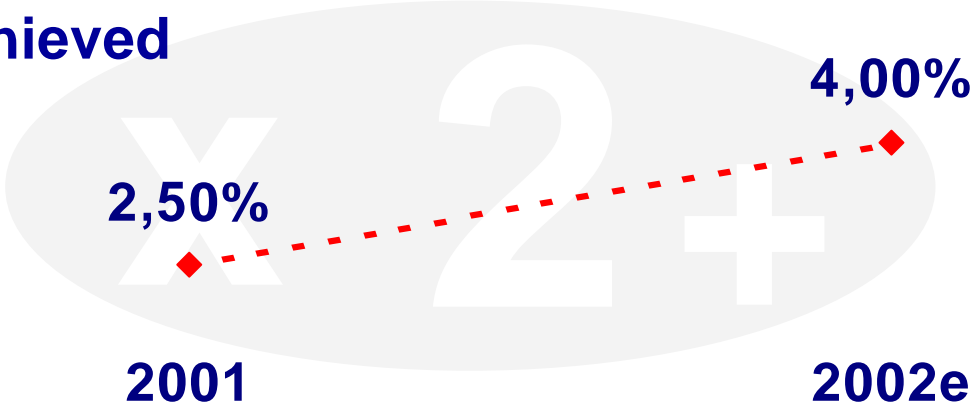
	<i>Contract/MOU Signed</i>	<i>Under Negotiation</i>	<i>Total</i>
<i>Statoil</i>	1.50 bcm		1.50 bcm
<i>ENI-Snam</i>	1.20 bcm		1.20 bcm
<i>Gas Natural</i>	1.30 bcm		1.30 bcm
<i>Sonatrach</i>	0.50 bcm	1 bcm	1.50 bcm
<i>Nigeria (mou)</i>	1.50 bcm		1.50 bcm
<i>Trinidad.-Tobago mou)</i>	0.25 bcm		0.25 bcm
Total (bcm)	6.25	2.00	8.25

- México 3.6 and Brazil 1.1 bcm

2002-06 Strategic Plan Achievement

Gas Business

- Supply: 2.5% of liberalized market share achieved



- Regasification Plants

	<i>Base Capacity</i>	<i>Extended Capacity</i>	<i>Operating</i>
<i>Bilbao</i>	3 bcm	6 bcm (signed)	2003
<i>Sagunto</i>	6 bcm	9 bcm (under study)	Mid 2005

2002-06 Strategic Plan Achievement

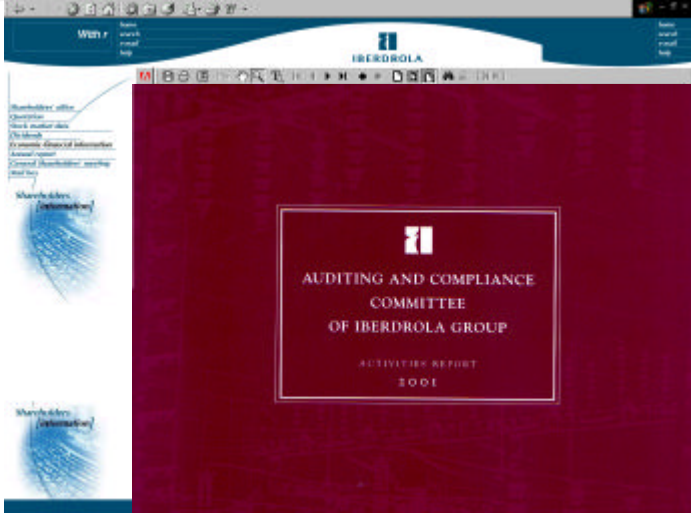
Non Energy Businesses

- **Telecoms**
 - **Neo + SkyPoint: Creation of the largest fixed wireless broadband technology operator**
- **APEX 2000**
 - **Outstanding profitability (ROE: 18%)**

2002-06 Strategic Plan Achievement

Corporate Governance

- New Corporate Governance Model
- Group's Code of Ethics
- Auditing and Compliance Committee
 - Supervisory Role.
 - Appointment External Auditor.
 - Best Practice: Activities Report 2001



Final Considerations

Regulatory Issues

- **Stable framework required**
 - **Retribution of capacity payments**
 - **Retribution of Regulated activities**
 - **more objective, transparent and predictable**
 - **Similar tariff scheme to the recently approved in the gas sector**

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