



The New Iberdrola

Mr. Ignacio Galán

Vice-Chairman & Chief Executive Officer

Madrid, 11th of March 2002

I. Full Year 2001 Results

II. 2002-2006 Strategic Plan: Main Achievements

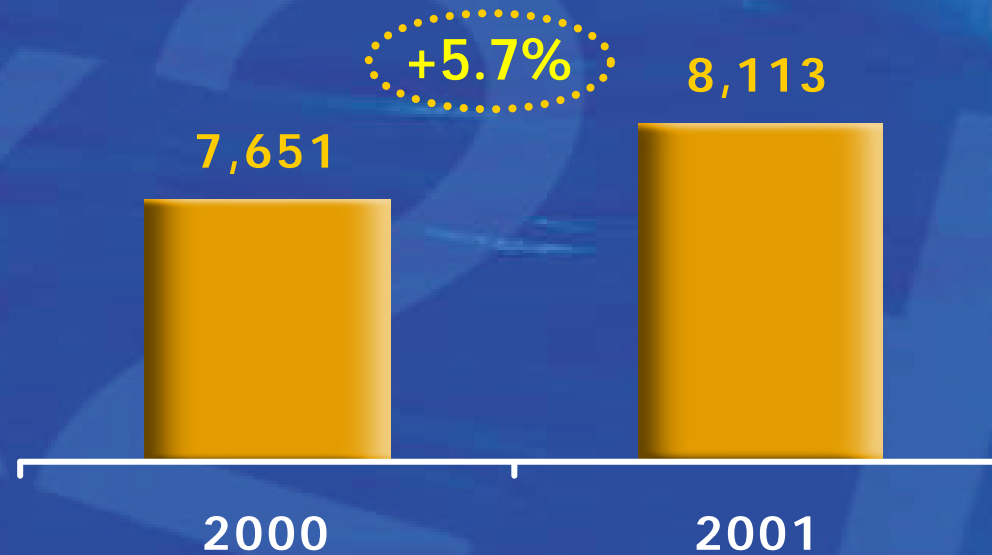
III. Conclusions

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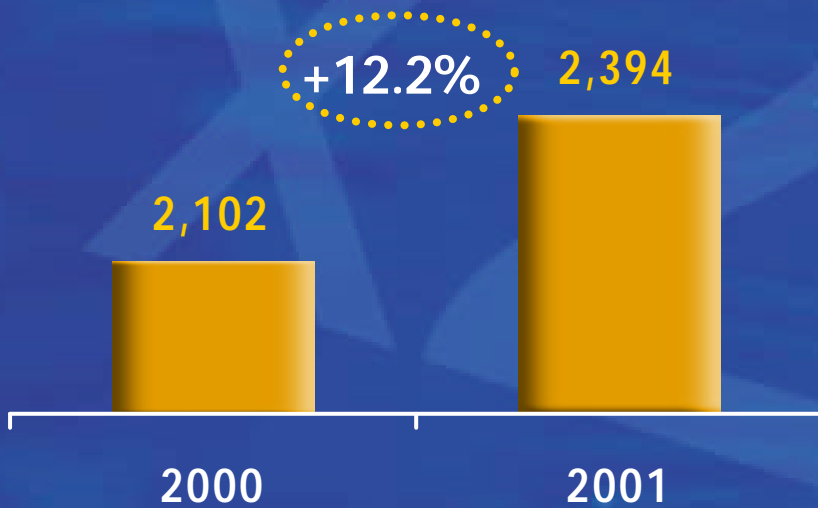
Net Sales



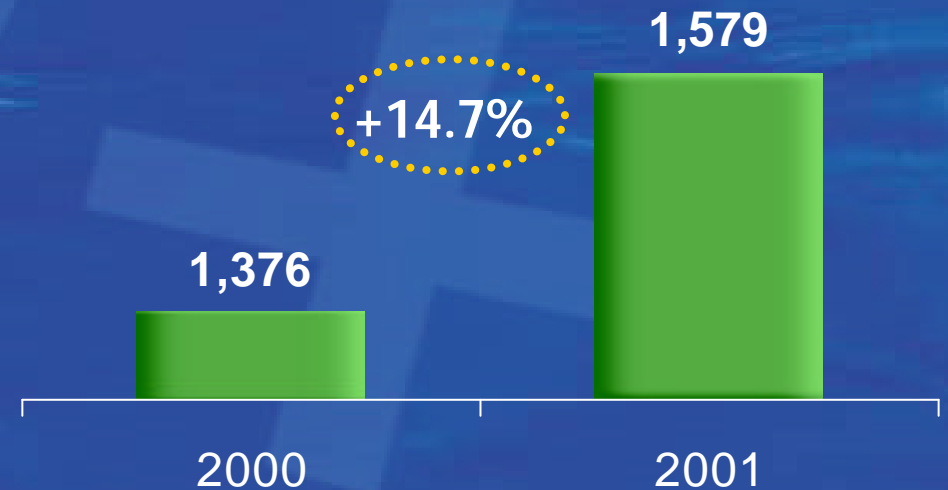
Higher Market Shares:

- ~ Generation: 31.3%
- ~ Supply: 40.4%

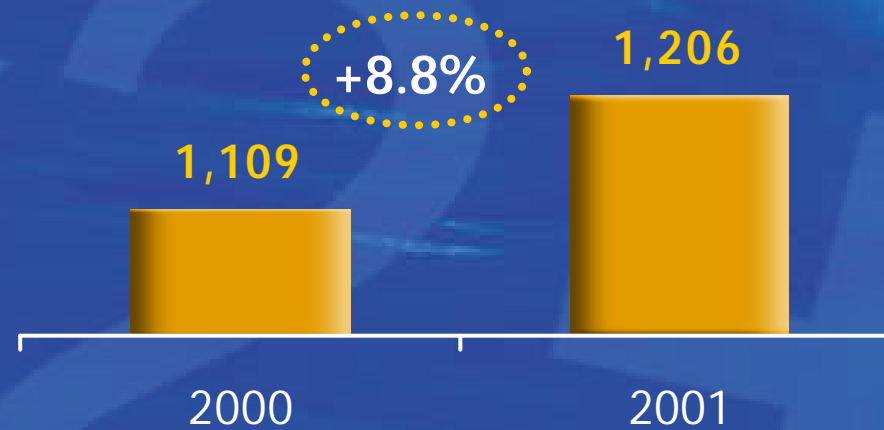
EBITDA



EBIT



Ordinary Profit

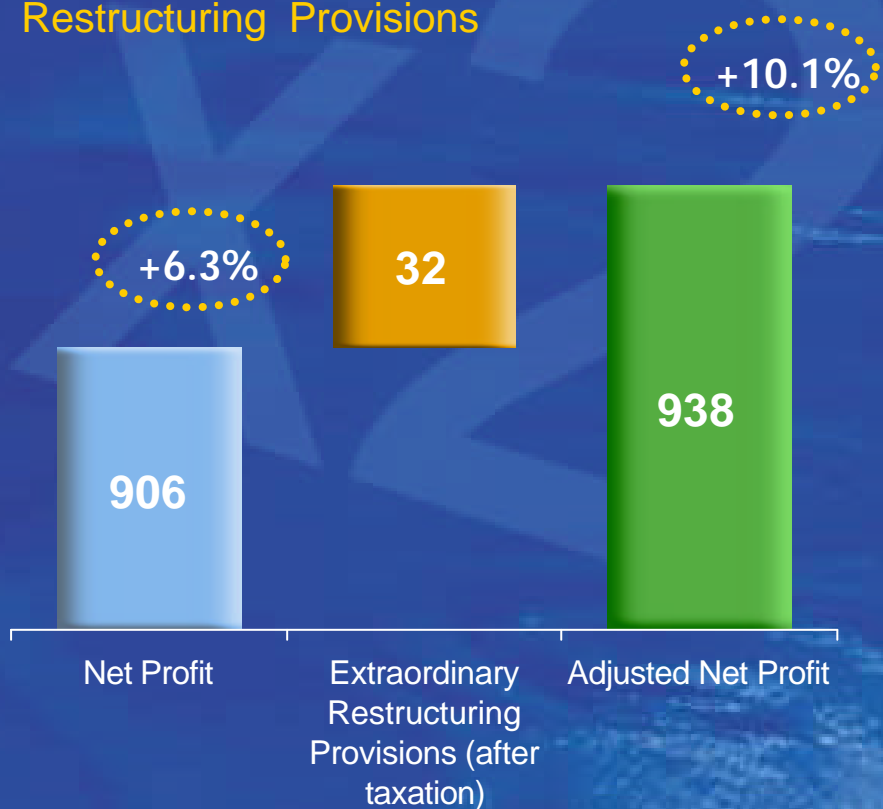


Including Non recurrent Provisions

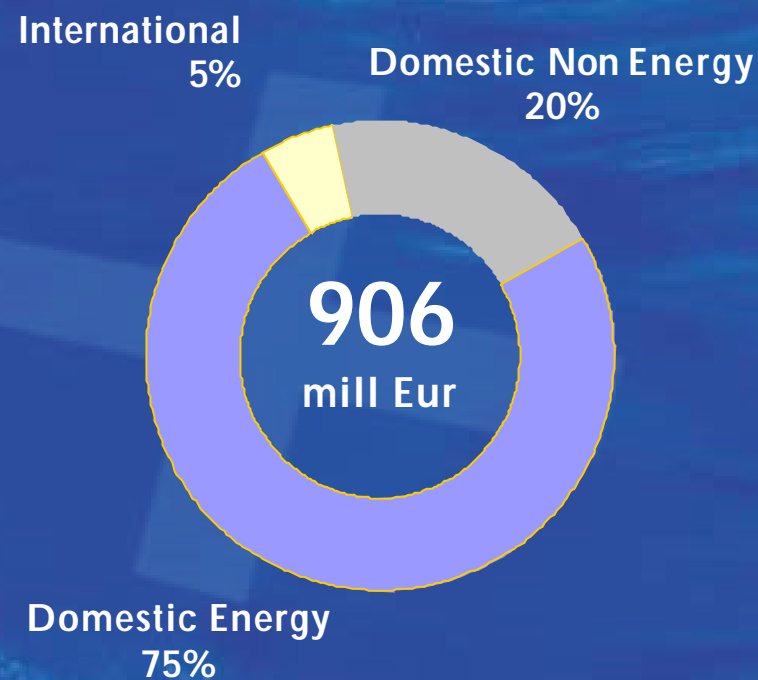
- ~ Brazilian and Guatemalan currencies:
+72 million euros
- ~ Depreciation of Telefonica
+60 million euros

Net Profit: 906 million euros => +6.3%

Effect of Extraordinary Restructuring Provisions



Contribution to Net Profit

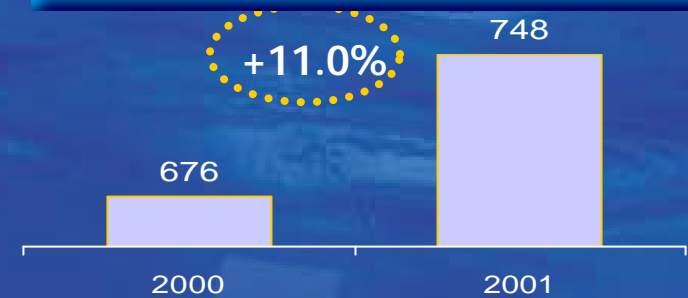


Cash Flow: 1,501 million euros → +13.7%

Relevant Issues

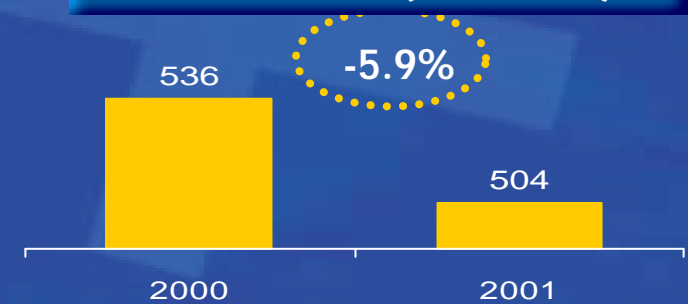
- ~ Higher generation and supply market shares
- ~ Operating Efficiency
- ~ Provisions
 - ~ 318 Mn euros (87 Mn in 2000)

Net sales / employee (euro)



Lower average workforce: -3.7%

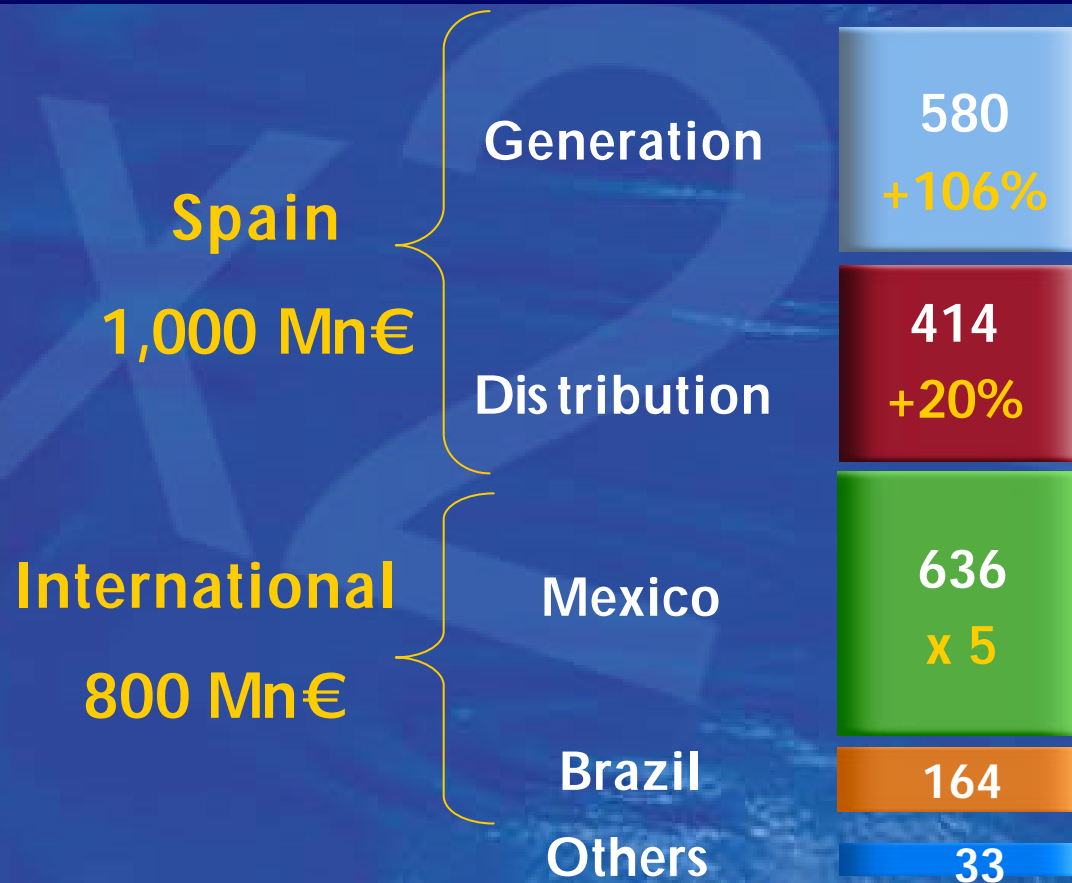
Ext. Services (Mn euro)



Improved results in 2nd half of the year:

(-15.9% vs +6.4% in 1st half)

Investments: 1,827 million euros



Maintaining a solid leverage ratio: 57%

Key Financial Indicators

	2001	Change vs. 2000
Market Capitalization (Euro Million)	13,181	+9.5%
Dividends Paid Per share (Euro cents)	0.54	+10.0%
Total Shareholders Return (%)	13.6%	+1,290 bps
Earning per share (Euros)	1.01	+6.3%
Total Assets (Euro Million)	23,212	+12.6%
R.O.A.* (%)	9.8%	+40 bps
R.O.E. (%)	11.3%	+34 bps

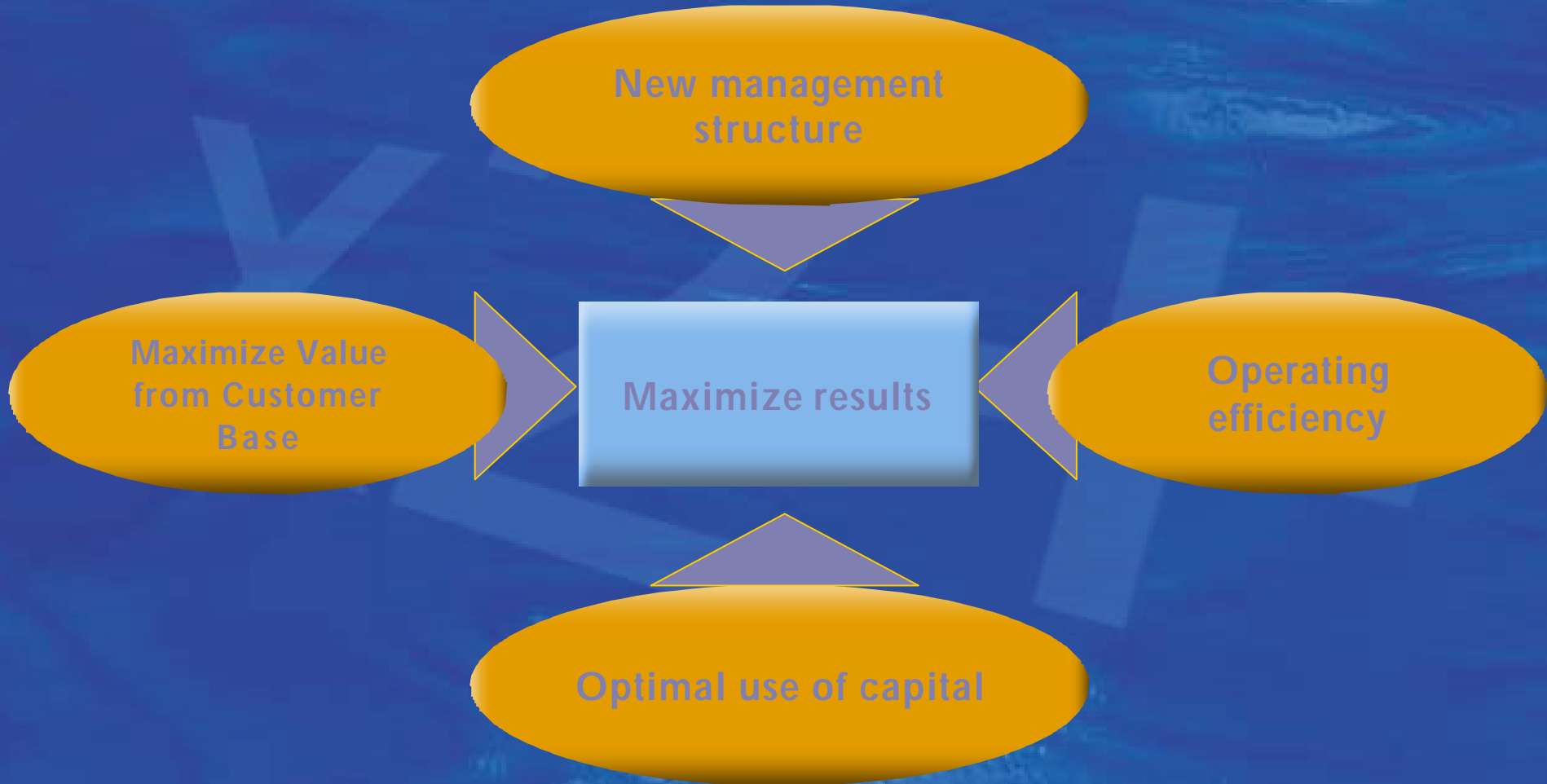
*R.O.A. = EBIT/Net Assets

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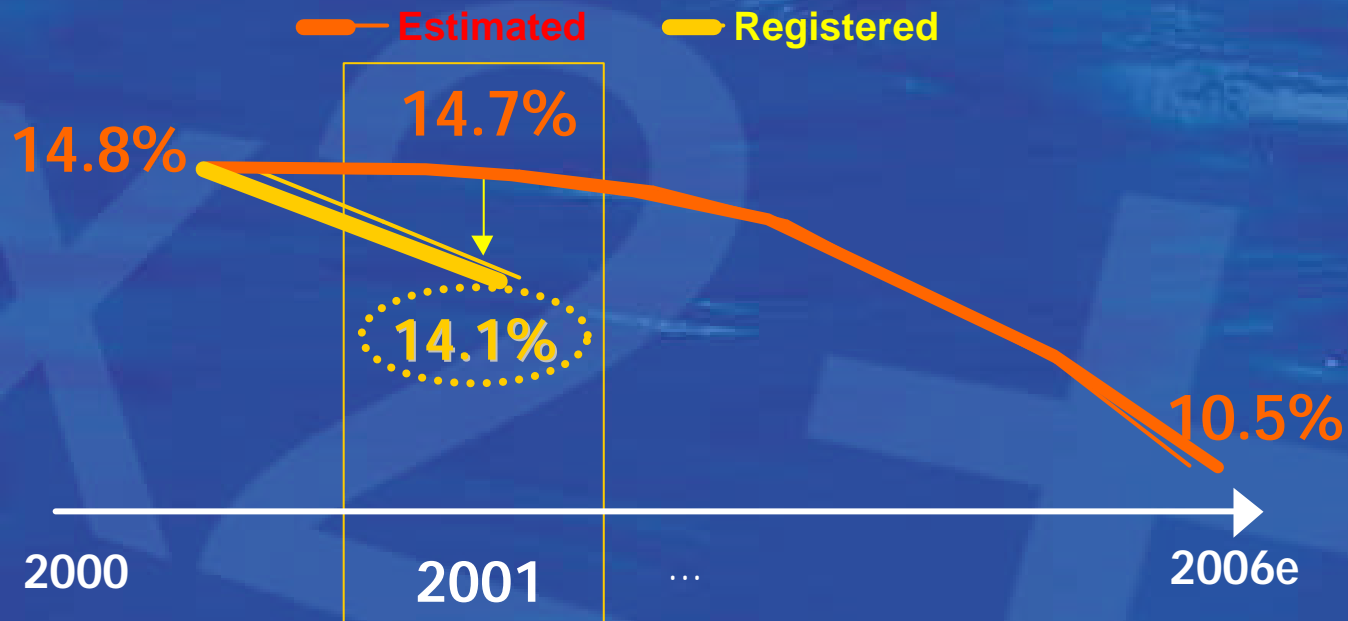
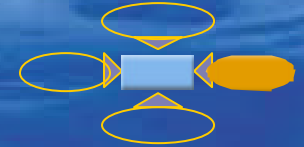
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The New Iberdrola: Strategic Plan 2002-2006



Costs* as a % of Revenues



* Costs and revenues related to generation, distribution, supply and corporate services in Spain (nominal terms)

Main Achievements:

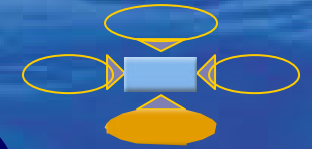
Workforce: -3.7%

=> 34% of Strategic plan

External services: - 5.9%

=> 2nd semester: -15.9%

Investment Plan



Investments (Mn €)

Generation
Spain

4,700

Distribution
Spain

2,100

Mexico
CCGTs

2,500

Brazil

1,100

Others

1,600

Total

12,000

Financing (Mn €)

Cash-Flow

6,600

Divestments

3,000

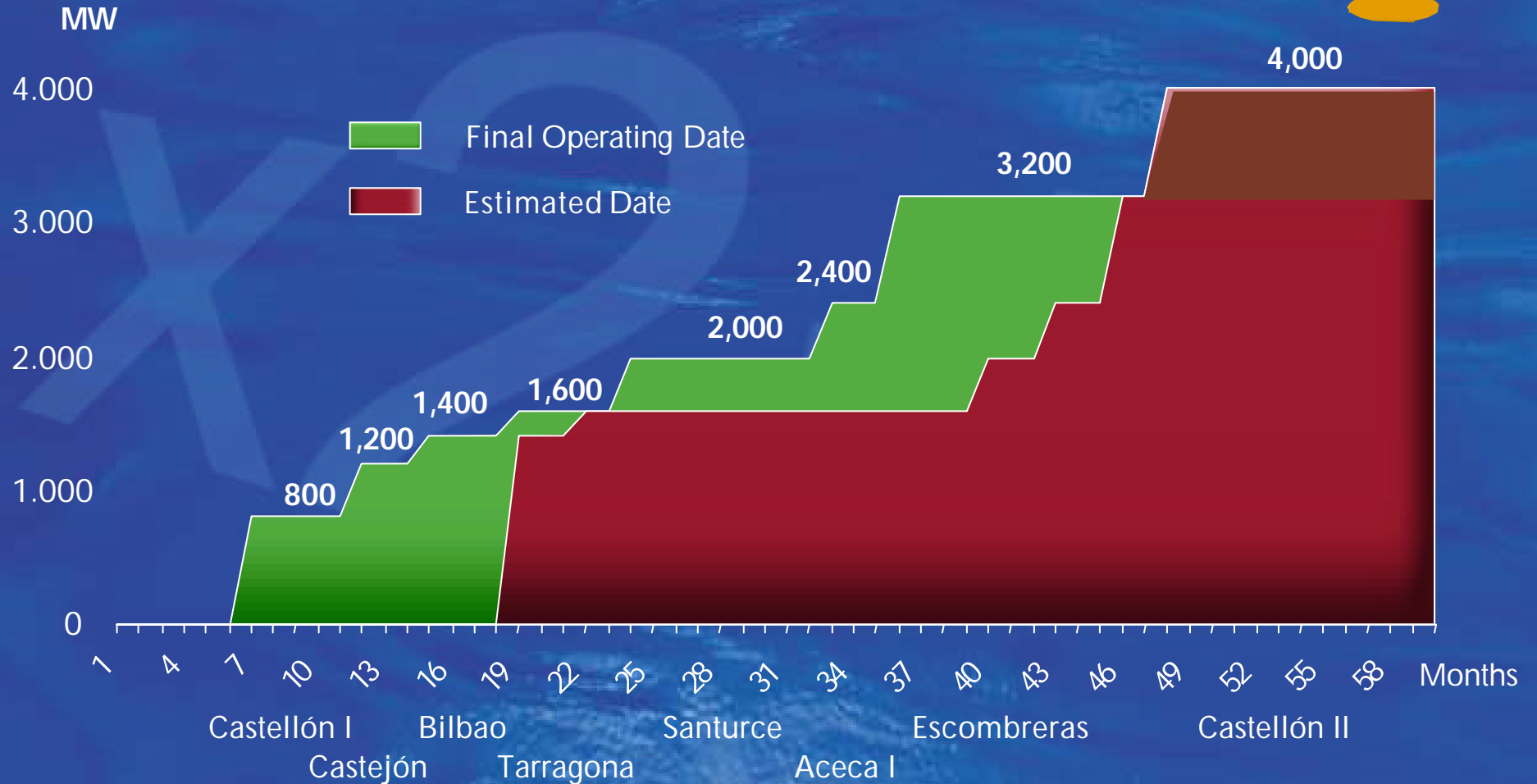
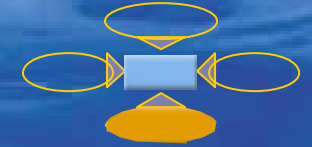
Debt
Financing

2,400

Total

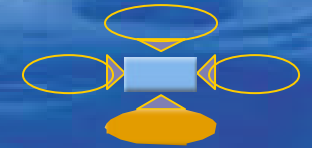
12,000

CCGT Investment Plan in Spain



~Beating Estimates: 1,294 MW operational in 2002

Optimal Use of Capital - Distribution



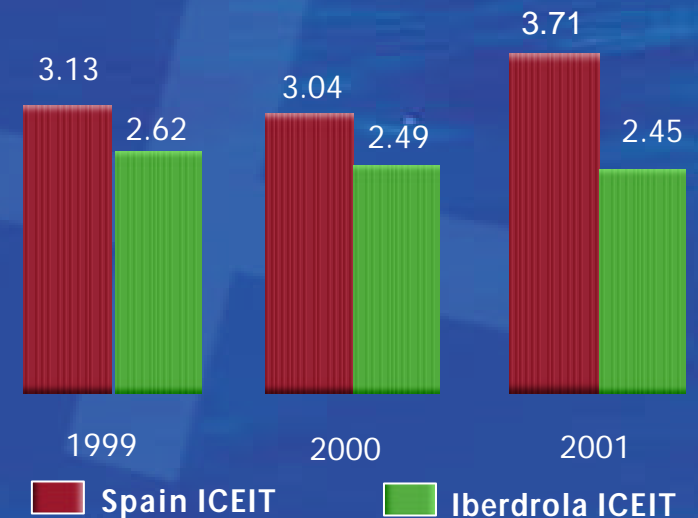
Distribution Investment Plan

2001 Investments: 414 Mn euro (+20%)

- ~ 150 substations
- ~ 10.000 transformation centers
- ~ 2.600 Km. HV & MV grids
- ~ 8.500 Km. LV grids
- ~ 255 Km. HV grids buried

Improving quality of service

ICEIT Evolution (1999-2001)

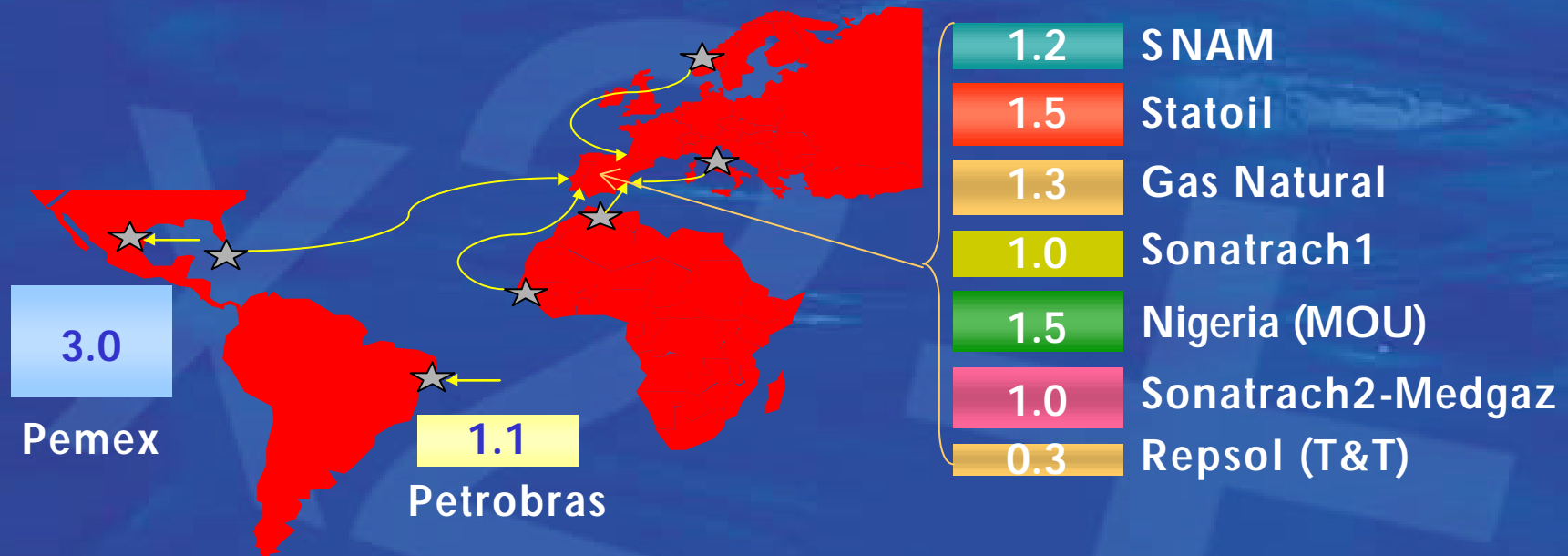


~ Lowest ICEIT in Spain: 2.45 h/yr

Adequate remuneration scheme

Optimal Use of Capital - Gas Business

Procurement of 80% of total needs fulfilled ...



...and investing in regasification plants

Operational 2003:

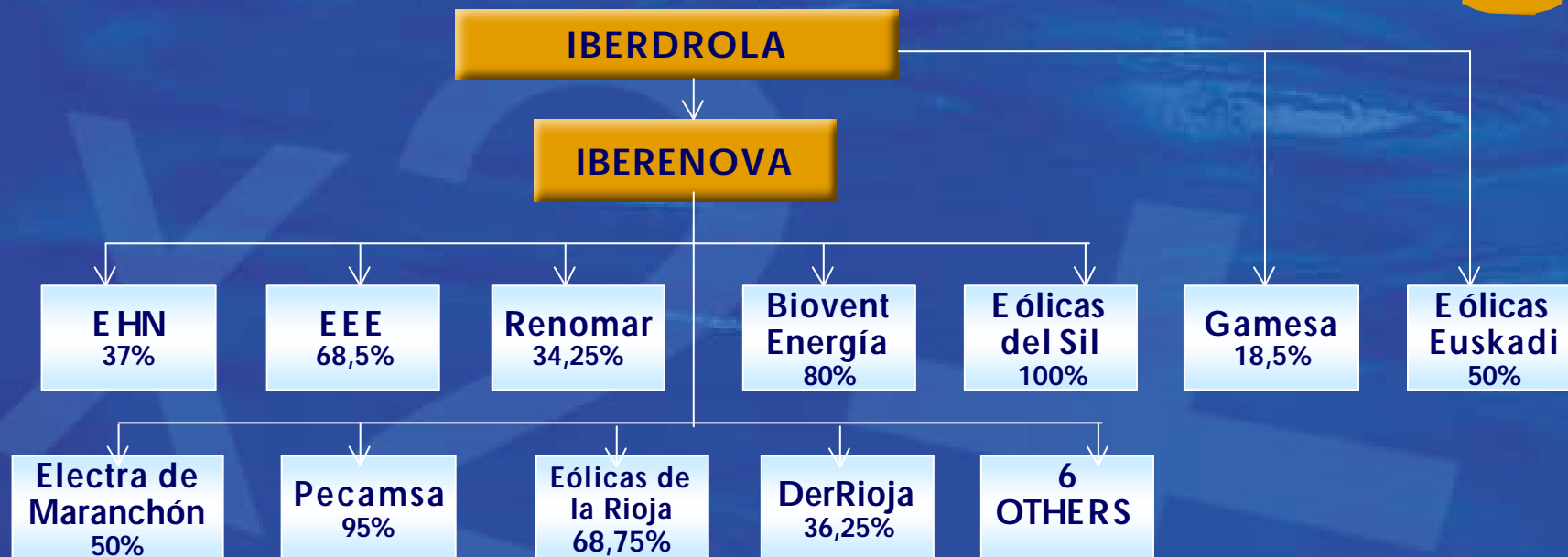
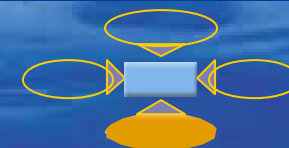
- ~ Bilbao: 3 bcm base capacity extended to 6 bcm

Operational 2005:

- ~ Sagunto: 6 bcm base Potential extension to 9 bcm

Optimal Use of Capital - Renewables

Rationalization: New Structure & New Management

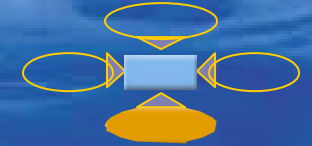


Increasing capacity in renewables: 86% of Plan fulfilled

	<u>IBD (%)</u>	<u>TOTAL</u>
MW operational	1,070	2,146
MW under construction	538	1,217
MW under concession	1,023	2,098
MW under study	1,322	2,414

Optimal Use of Capital - Mexico

CCGT in Mexico (MW)



2002

- Enertek (from 2001)
- Monterrey I, II and III (next month)
- Monterrey IV (4Q)

2003

- Altamira III and IV

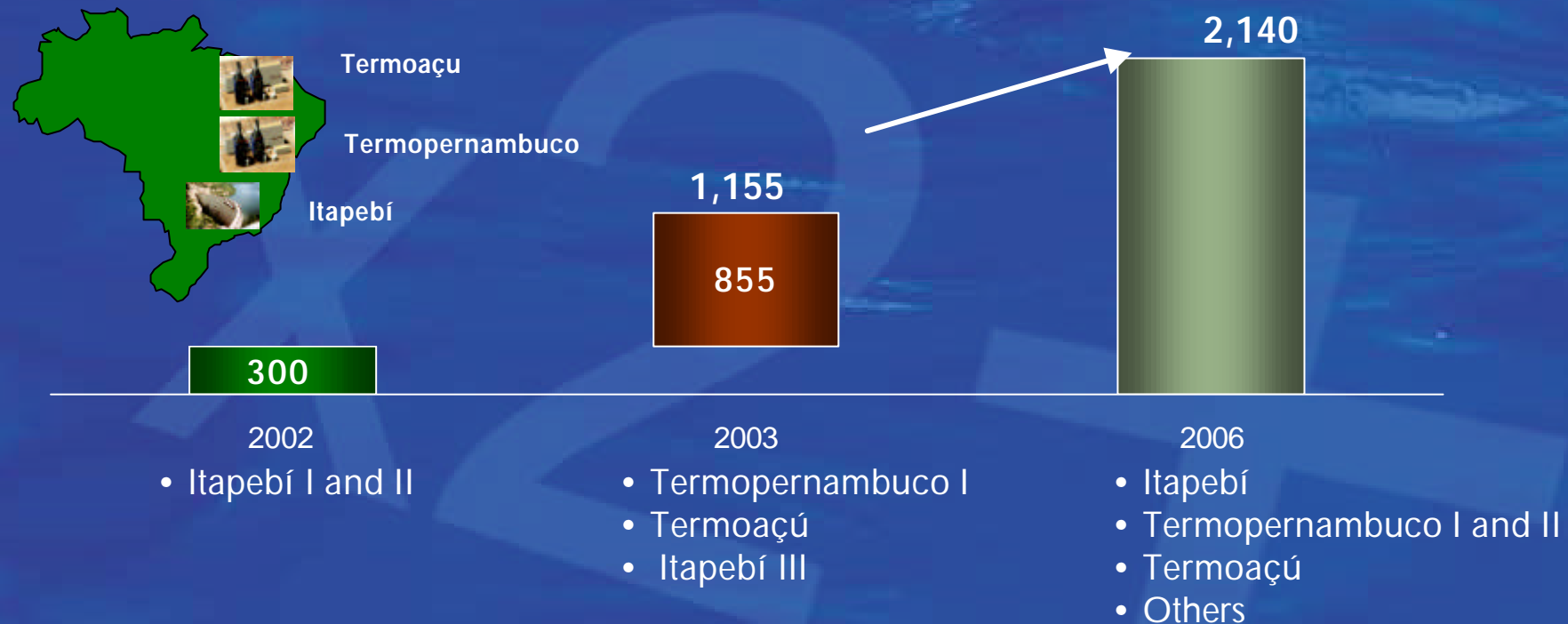
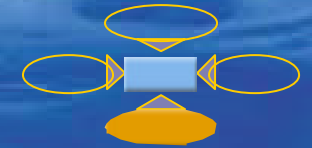
2006

- Enertek I and II
- Monterrey I, II, III and IV
- Altamira III, IV, V and VI
- Veracruz
- Nylon

More than 2,000 MW in operation by 2003

Mexico Platform 2001: 6.8% of total assets
1.2% of net profit

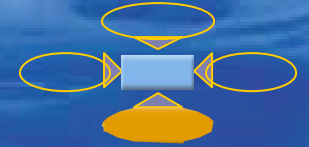
Generation Expansion (MW)



Distribution

Satisfactory agreements with Regulator

*Brazil Platform 2001: 11.3% of total assets
3.9 % of net profit*



Transmission Network

Almost ready for final decision

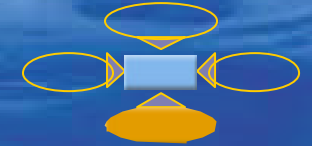
- ~ Assessed by BBVA Corporate finance

Corporate Real Estate

Sale of 2 Madrid Major Corporate buildings

- ~ Almost ready for final decision
- ~ Assessed by Richard Ellis

Optimal use of capital - Non Energy Businesses



Telecoms

- ~ Total investment : 34 Mn euros
- ~ Low risk

*Merger: Neo + SkyPoint
=> ONDA+*

- ~ Earlier returns :
 - ~ Positive EBITDA in 2003
- ~ Largest LMDS operator

Others

Corporación IBV

- ~ Restructuration process

APEX

- ~ Restructuration achievements:
 - ~ Doubled Net Profit: +54 Mn €
 - ~ ROE: 18%

Non Energy 2001: 5.9% of total assets
 19.8% of net profit

Maximize Value from Customer Base

~ Increase customer base:

- ~ Total: 9 Million customers (+210,000 in 2001)
- ~ Regulated market: 39% share
- ~ Leadership in liberalized market: 40.4% share

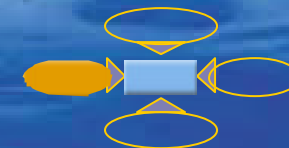
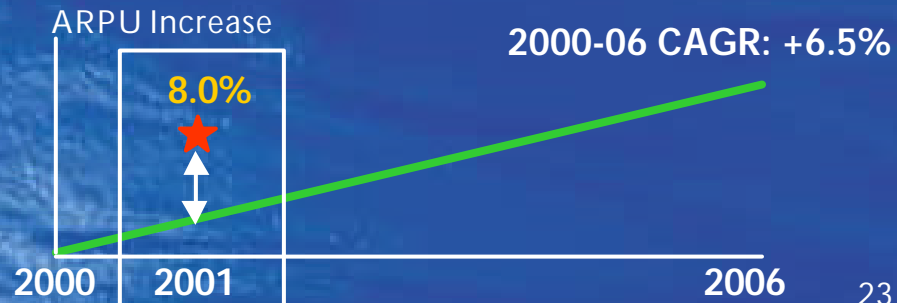
~ New products and services lines

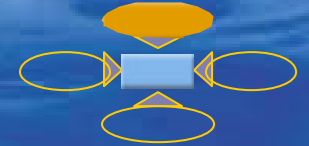
- ~ Successful entry in liberalized gas market: 2.5% in only 2 months



~ Increase revenues per customer:

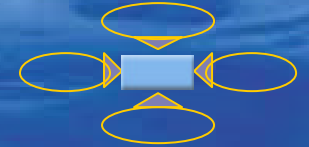
- ~ ARPU Increases faster than Strategic Plan Objective:
 - ~ 8% increase vs 6.5% CAGR





- ~ New Management Team completed
- ~ New compensation system linked to performance
 - ~ Variable Remuneration
 - ~ Strategic Bonus
 - ~ Stock Options
- ~ Improvement of Communication
- ~ New Corporate Governance system

A revision of the system is required



- ~ **General consensus** between Government, National Energy Commission (CNE) and companies:
 - ~ Generation capacity planning
 - ~ Working group created
 - ~ Capacity payments
 - ~ Gas & Electricity transmission grids planning
 - ~ Working group created
 - ~ Tariff methodology
 - ~ Distribution remuneration model
 - ~ Islands regulatory framework

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Installed Capacity (MW)

Production (GWh)

Profits (Euro)

- ~ Revenues
- ~ EBITDA
- ~ Net Profit

Financial Structure

- ~ Leverage

Dividend Policy

- ~ Minimum Annual
- ~ Dividend Growth

2000

2006

Multiply x 2 +

16,062 → 30,800

51,169 → +120,000

7,052 → 14,500

1,975 → 4,200

852 → 1,600

Maintain Financial Strength

52% → 50%

At least, maintain current trend

2002-2006

+5%

**2001 Results:
quality + growth**

- ~ Net Sales: +5.7%
- ~ EBITDA: +12.2%
- ~ EBIT: +14.7%
- ~ Net Profit: + 6.3% despite 318 Mn € in provisions
- ~ Dividend: +7%
- ~ ROE: 11.3%

**Strategic Plan
2002-2006**

- ~ **Beating objectives**
 - ~ Acceleration in CCGTs: 1,300 MW in 2002
 - ~ Gas supply ensured: 80% covered
 - ~ Solid achievements in efficiency and cost cutting:
 - ~ - 3.7% personnel & - 5.9% external services
 - ~ Renewables Reorganization and Growth
 - ~ 86% plan fulfilled
- ~ **Organic growth with profitability ongoing**
- ~ **Concentration in Spain, Mexico and Brazil**



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