



Tender Offer for Hidrocantábrico

4/5 April 2000



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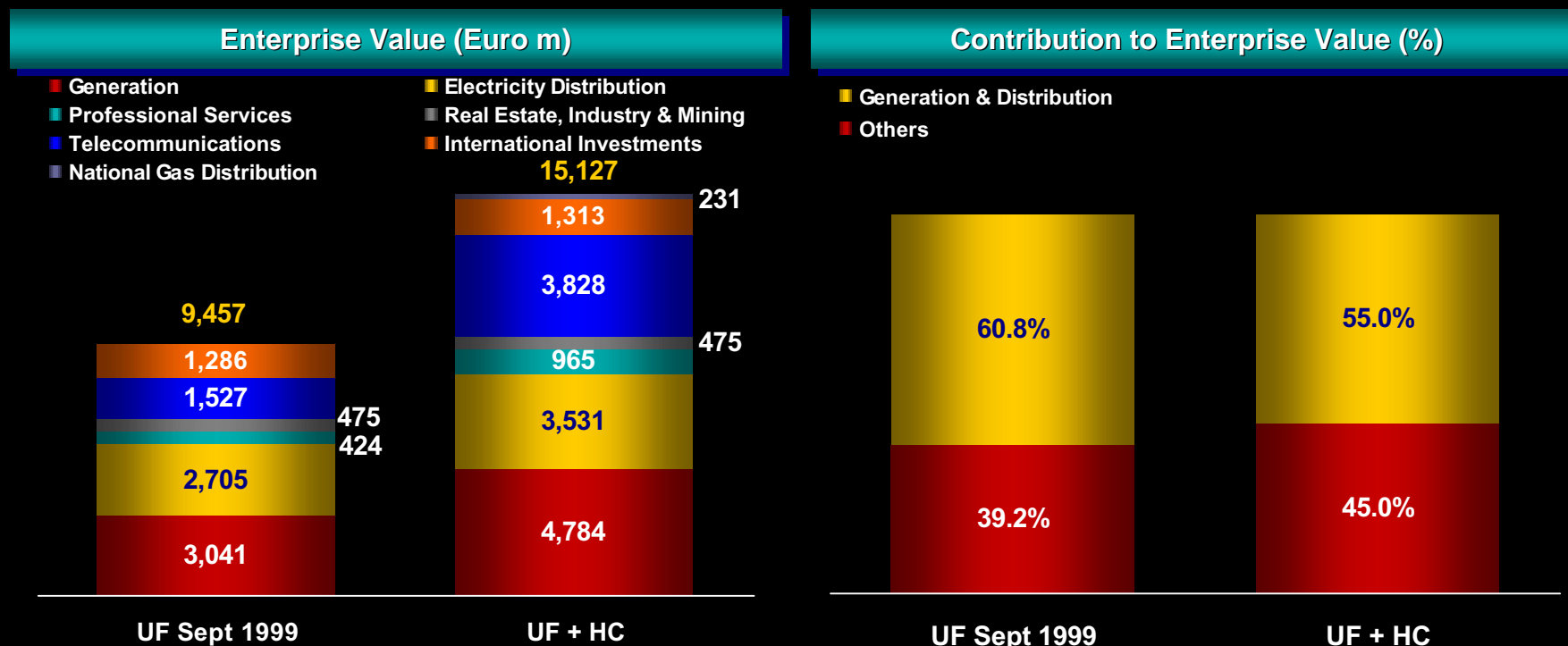
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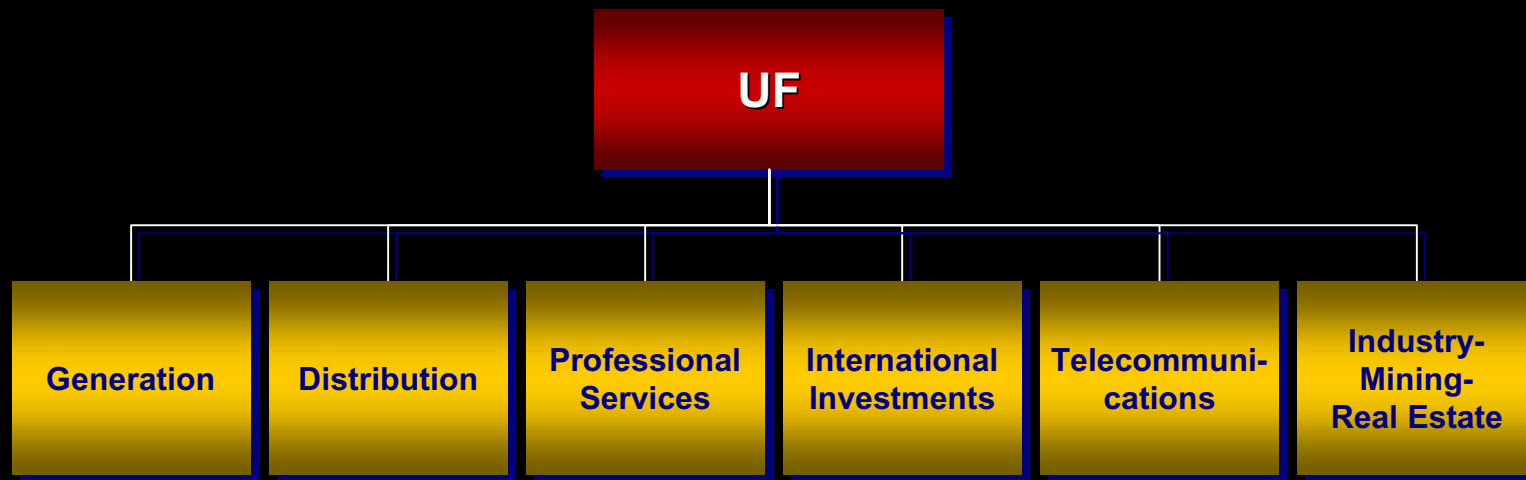
Reinforcing our Strategy

Valuation and Weight by Activity



- Addition of a new core business
- Increase in the value of all businesses
- Small change in the weight of generation and distribution in the overall valuation (close to 50%)

Reinforcing our Strategy



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Hidrocantábrico

Operating Description (I)

Electricity Generation

- 2,133MW (18% hydro, 74% thermal, 8% nuclear)
- Generation capacity close to UF's plants
- 100% of thermal power in 2 plants: Aboño (903 MW) and Soto (672 MW)
 - Plants are close to coast → imported coal
 - First positions in utilisation ranking
 - Close to national coal mines
 - Many groups in the same location

Electricity Distribution

- 519,193 customers (12% industrial, 88% domestic)
- Productivity
 - 16.6 GWh distributed^(a)/employee
 - 1,196 customers/employee
- Investments: Euro 23 million
- TIEPI: 1.54

(a) Includes sales to customers within G4 tariff



Hidrocarbúrico

Operating Description (II)

Gas Distribution

- In Spain: Gas de Asturias
 - 117,000 customers
 - 16% sales growth (thermies) and 9% customer growth (1999 vs 1998)
 - 74 employees
 - 10% of HC net profit
- International: Mexico DF (currently 15%, additional 27.35% being acquired) and Monterrey (currently 36%, additional 12% being acquired)
 - 30-year concession
 - High growth expected in sales and customers

Renewable Energies

- Total net installed capacity of 85 MW (Cogeneration, Wind Power, Mini hydro, Solid Waste)
- Recent acquisition of 60% of SINAIE (partners: Caja Madrid and Mapfre)
- High growth expected in this activity



Hidrocantábrico

Operating Description (III)

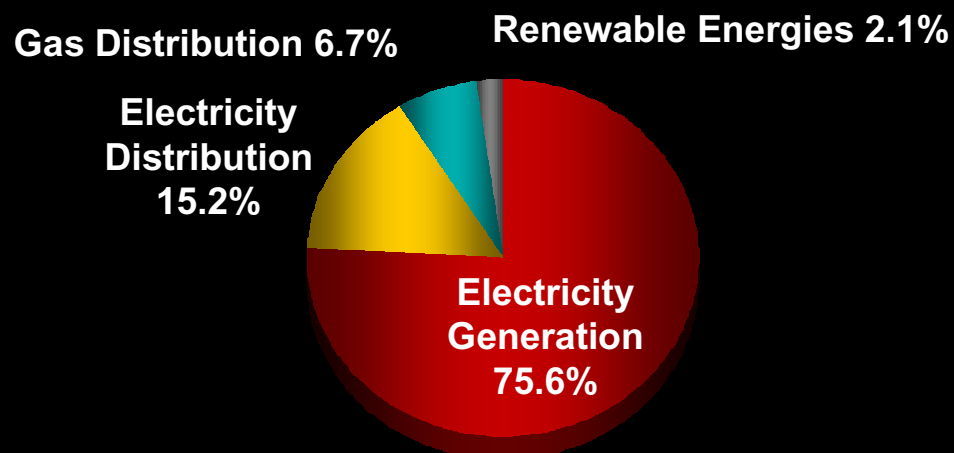
Telecommunications

- Cable TV in Asturias (TeleCable, 45%) and Castilla-León (Retecal, 29%)
- Accumulated investments to date: Euro 150 million
- Concession of Cellular Telephony via radio to ALO 2000 (20% HC, 30% UPC, 30% Aló and 20% Dragados)

Other

- 10% of REE
- Small regional companies

1999 EBITDA Breakdown by Activity





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Generation UF + HC

Combination Benefits

- Addition of highly competitive coal plants:
 - High efficiency and availability
 - High utilisation (first position in soft coal and anthracite utilisation ranking)
 - Flexibility on use of fuel
- Higher risk hedge (volatility of crude price) due to the reduction of the relative weight of fuel-oil
- 28.7% hydro market share
 - Addition of 115MW of pumping capacity (independent management)
 - Integral management of Narcea river, eliminating unavailability risk for Narcea's thermal plant
 - UF "producible" increases by 27% (4,078 GWh → 5,170 GWh)



Generation UF + HC

Our Strategic Vision

- This transaction provides a significant improvement of our competitive position:
 - Current pro-forma market share of UF+HC of 22.2% (Endesa 49.7% and Iberdrola 28.1%)
 - Increase in the hydro position
 - 32% share of domestic coal based generation
 - Balance between generation and distribution

As a result of this transaction, Unión Fenosa will have a stronger position to compete in the generation pool market



Renewable Energies UF + HC

Our Strategic Vision

- UF obtains a strong position in the renewable energies sector (27% share of electricity groups' total capacity)
- The resources of UF Energías Especiales and HC (SINAE) will be combined in a strong successful operation
 - 391 MW net combined in 1999
 - 1,167 MW estimated in 2003 (combined investment of Euro 3,492m)



**Key strategic position in the highest growing market
in the electricity sector**



Electricity Distribution UF + HC

Our Strategic Vision

- Unión Fenosa will add 520,000 new electricity customers (plus 117,000 gas customers)
- Unique opportunity to expand its customer base in Spain
- Commercialisation of new products and services
- Unión Fenosa's core strategy is based on leveraging its customer base



Expansion of the customer base
with a multi-utility approach



Gas Distribution UF + HC

Our Strategic Vision

- The acquisition of Gas de Asturias (117,000 customers; 1,173 m Thermies) completes the multi-utility offering of Unión Fenosa
- Gas distribution enjoys a higher growth (16% of Gas de Asturias) than the traditional electricity business
- Unión Fenosa has previously stated its high strategic interest in participating in gas distribution. Gas de Asturias will act as a platform to drive our growth in this sector
- Possibility to implement an international expansion plan

By acquiring Gas de Asturias, Unión Fenosa is positioning itself in a high-growth market, achieving know-how and credentials for both domestic and international expansion



Professional Services UF + HC

Our Strategic Vision

■ Access to important new markets for Professional Services activities:

- Engineering
- Quality Control
- Telecomm Engineering
- Gas Engineering
- Information Technology
- Environment
- Strategy Consulting
- Internet Services



The activity and growth of Soluziona will be fostered further



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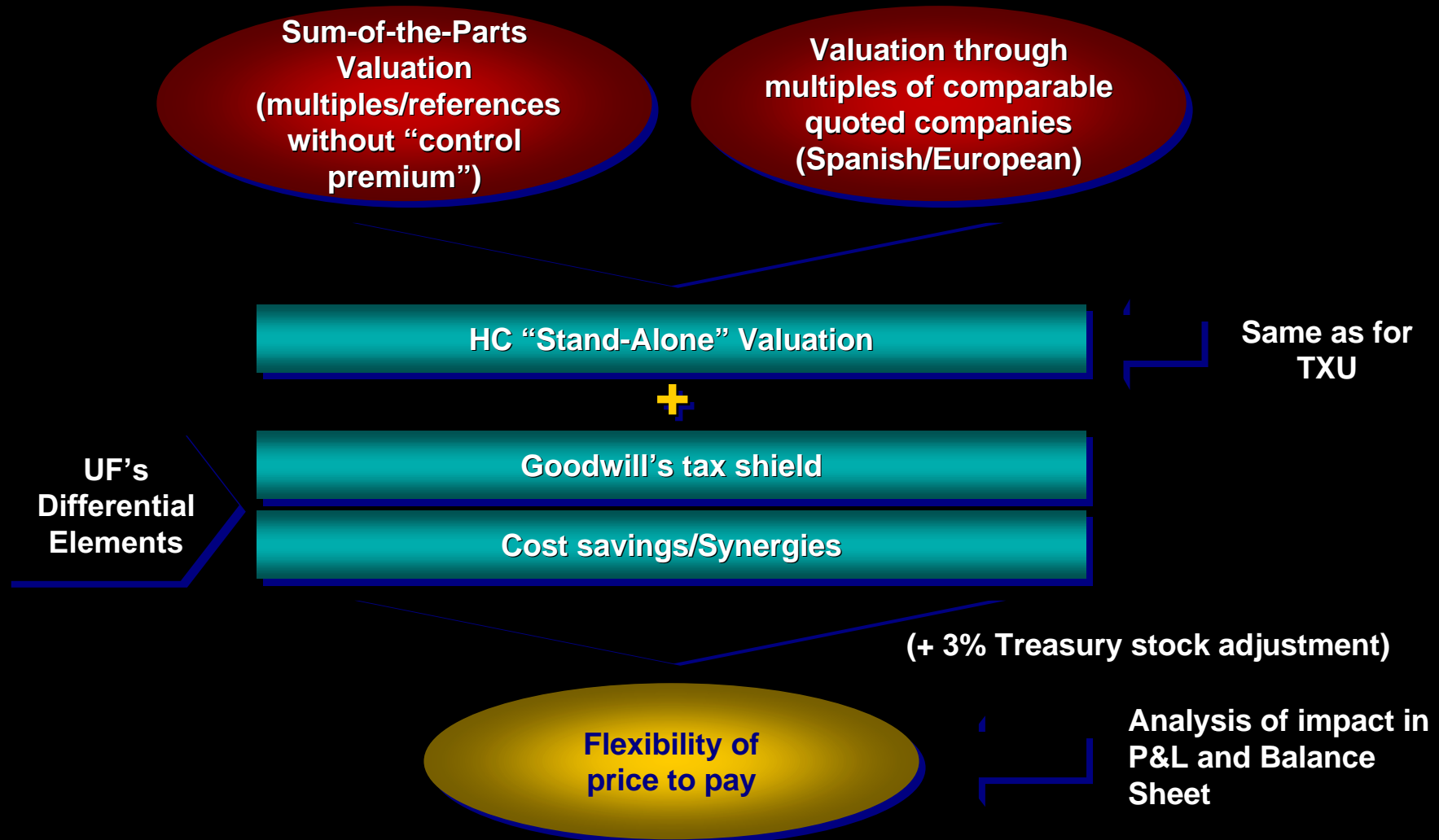
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HC Valuation Methodology





HC “Stand-Alone” Valuation

Sum of the Parts (Without Control Premium)

Business Unit	Valuation Criterion	Basic Parameter	Valuation		Assumption	
			Conservative (Euro)	Aggressive (Euro)	Conservative (Euro)	Aggressive (Euro)
Generation (including renewable energies)	Implied multiple paid by NP for 25% of UFG	2,175MW	1,660m	1,825m	NP's Multiple	10% premium (efficiency)
Distribution	Value per client according to UF + factoring of “multi-utility” value of client	520,000 customers	624m	728m	Euro 1,200 per customer	Euro 1,400 per customer
Domestic Gas Distribution (Gas de Asturias)	Gas Natural 2000E EBITDA multiple (10.3x)	2000E EBITDA of Euro 22.5 million	208m	255m	10% lower than GN multiple	10% higher than GN multiple
International Gas Distribution (Mexico DF and Monterrey)	Acquisition price	Euro 25 million for both stakes	25m	29m	Price paid	15% higher
Telecommunications (Cable TV and Alo2000)	Madritel valuation carried out for Holding with ELE and TI	Euro 51.2 million invested	228m	279m	2.5 times accumulated investment	3.5 times accumulated investment
Red Eléctrica (Grid) (10%)	Market Value and analysts' recommendations	Euro 145 million	145m	167m	Market Value	15% higher
Other Activities	Book Value (1998)	Euro 3 million	3m	3m	Book Value (1998)	15% higher



HC “Stand-Alone” Valuation

Sum of the Parts (without Control Premium)

	Conservative	Aggressive
Enterprise Value	Euro 2,892m	Euro 3,286
- Debt	Euro 855m	Euro 855m
- Minorities	Euro 9m	Euro 9m
Shareholders Equity	Euro 2,029m	Euro 2,422
Value per Share (113 million shares)	Euro 17.9	Euro 21.4
Average Value per Share	Euro 19.7	



HC “Stand-Alone” Valuation

Comparable Quoted Companies’ Multiples



(a) Endesa, Iberdrola, Unión Fenosa and EDP

(b) AEM, British Energy, Edison, EDP, Electrabel, Endesa, EVN, Iberdrola, Unión Fenosa, National Grid, National Power, Powergen, Scottish and Southern, Scottish Power, Sondel, Suez Lyonnaise, Tractebel, Berbund and Vivendi



Valuation

Price Determination

		Euro/ share
	■ HC “Stand-Alone” Valuation ^(a)	Euro 19.8
UF “Differential” Elements	■ Cost Savings	1.1
	■ Goodwill tax shield	2.4
	■ Value pre Treasury Stock Adjustment (3%)	23.3
	■ Value pre Revenue Synergies	24.0

The Euro 24 Offer includes 26% of the quantified cost savings.
Revenue synergies have not been quantified.

(a) Average of sum-of-the-parts and comparable companies' multiples valuations



Incremental Cost Savings^(a)

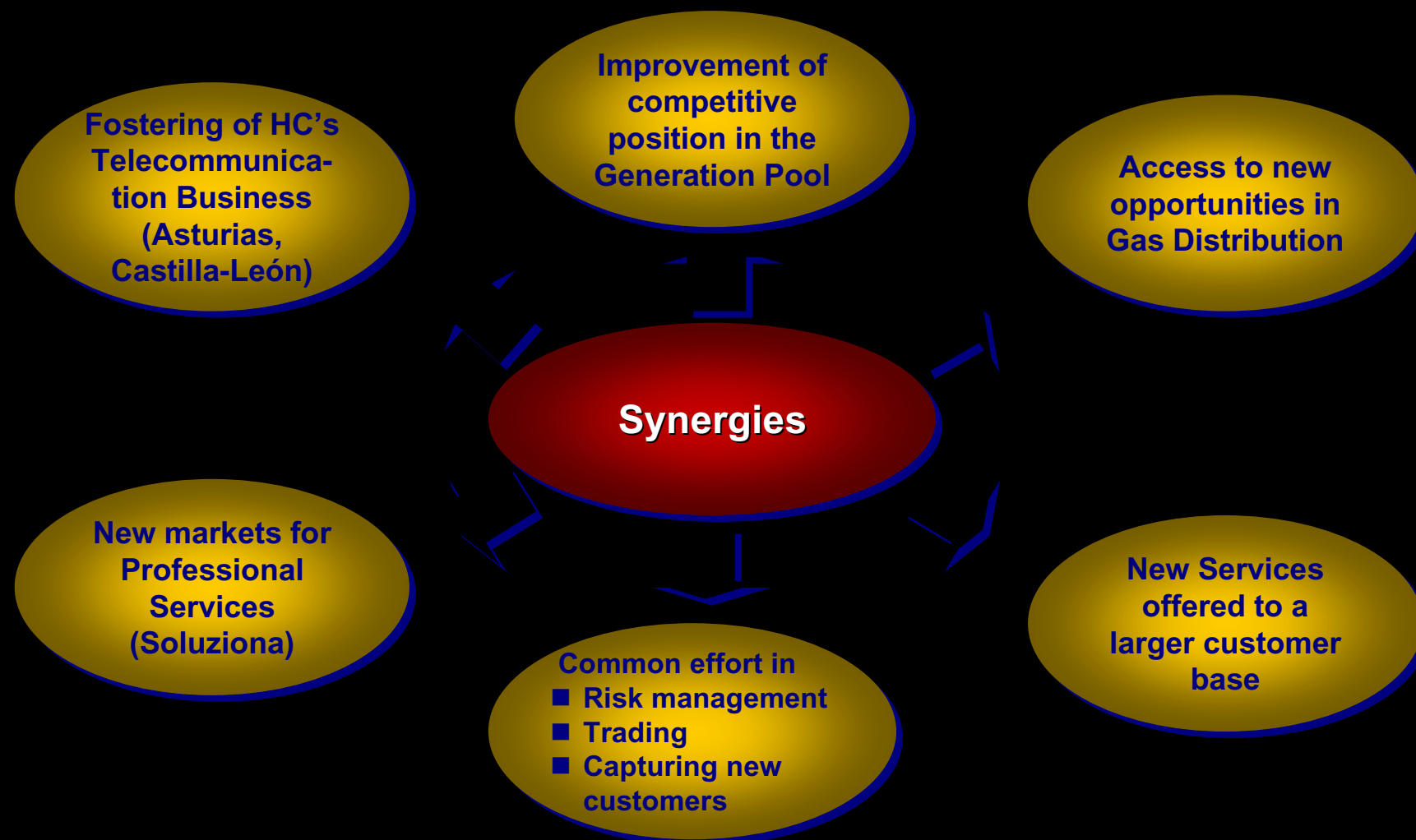
Identified Areas

Generation	Distribution	Structure
<ul style="list-style-type: none"> ■ Stronger bargaining power in purchases of imported coal, fuel and gas oil (also gas in the future) ■ Stronger purchasing power in materials and services ■ Economies of scale in plant portfolio management <ul style="list-style-type: none"> ■ Joint management of stocks and maintenance ■ Accelerating the automation of the hydro plants ■ Centralisation of Operations ■ Joint dispatching ■ Stronger competitive position in generation pool and qualified customers markets 	<ul style="list-style-type: none"> ■ Stronger purchasing power of materials and services ■ Central unified management of: <ul style="list-style-type: none"> ■ Market administration and Measurement Techniques ■ Commercial and multi-utility ■ Energy management ■ Economies of scale in marketing activities of new/traditional products and services 	<ul style="list-style-type: none"> ■ Progressive integration of the structures <ul style="list-style-type: none"> ■ Allocation to new growth areas ■ Special Labour Situation (SLE) Program ■ Corporate tasks ■ Support tasks

(a) Additional to the individual cost savings plans of each company stand-alone



Revenue Synergies



Note: not incorporated in the financial impact analysis



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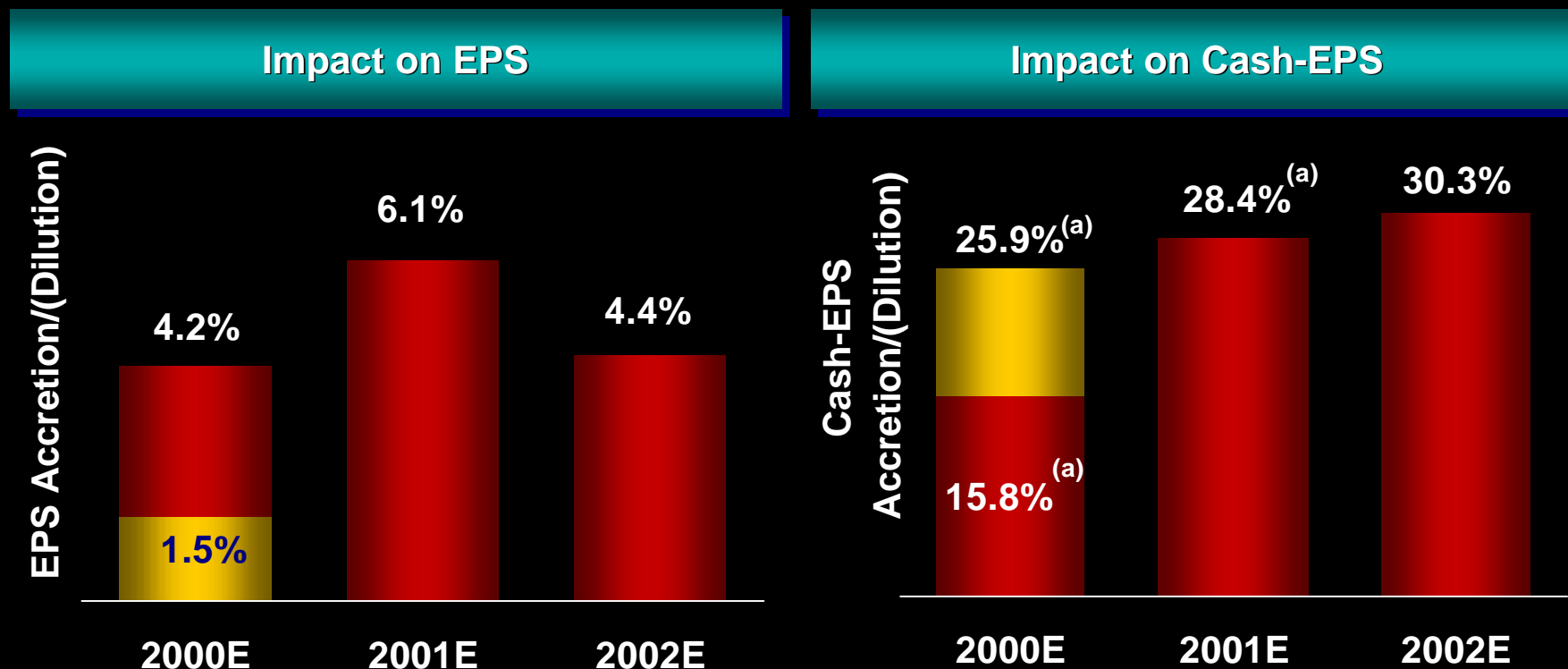
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Financial Impact on UF

Dilution Analysis (67% Debt, 33% Stock)



- Slight accounting dilution on years 2000 and 2001 will be reversed by capital gains to be obtained from the sale of a 10% stake of REE (Grid) (5% in year 2000, 5% in year 2001)
- Growth profile is not affected

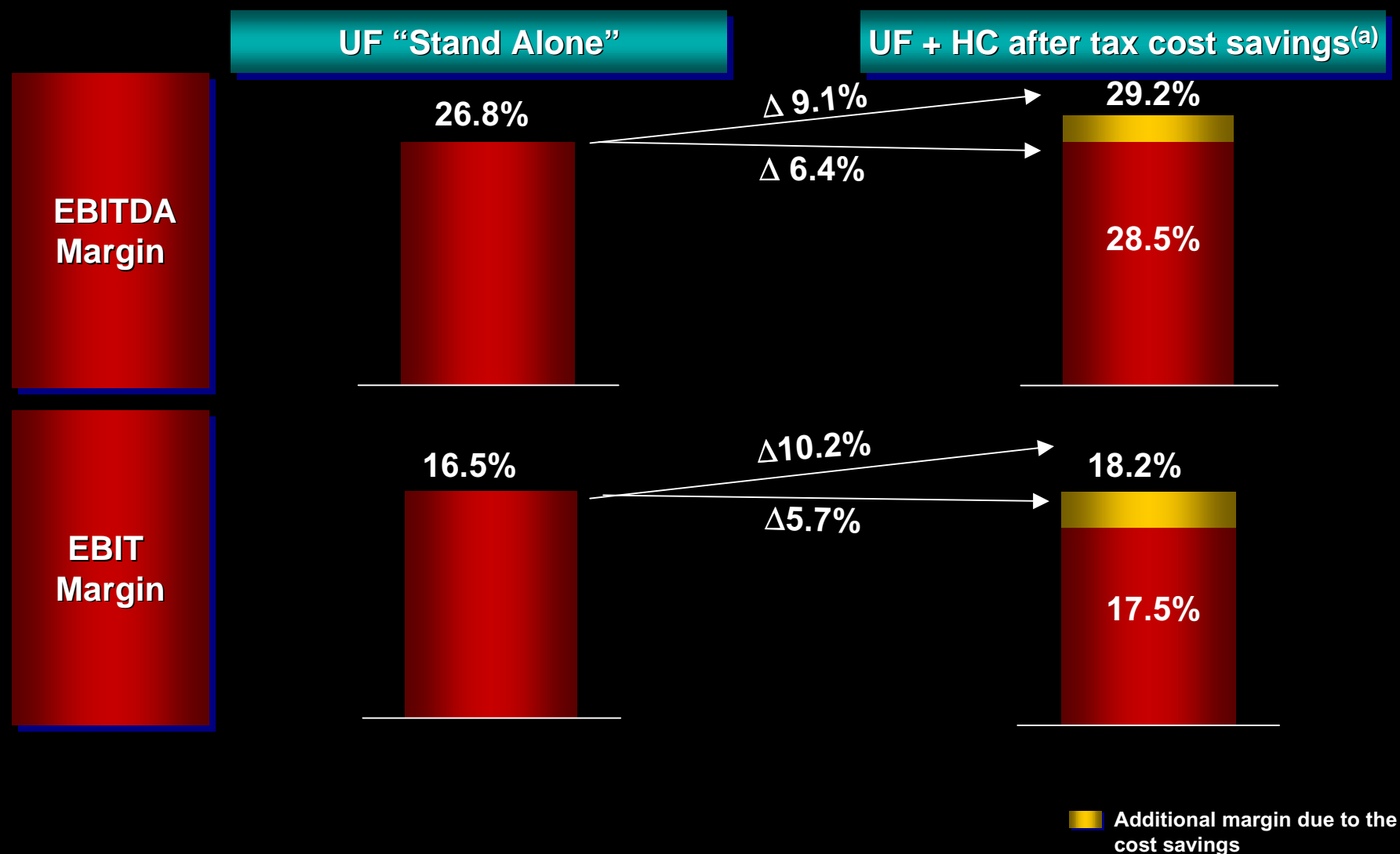
• Excludes capital gains from REE (Grid)

■ Annualised Impact
■ Year 2000 adjusted to 7 months



Financial Impact on UF

Efficiency Operating Ratios Proforma 1999





Credit Analysis

Financial Profile (1999 Proforma)

Euro million	UF	HC	UF + HC ^(a)		Endesa	Iberdrola	EDP	National Power	PowerGen
			100% Debt	67% Debt					
Sales	3,084	902	3,986	3,986	13,478	6,250	3,072	1,805	2,248
EBITDA/Net Interest (x)	9.0	9.6	4.7/4.3	5.9/5.2	3.8	6.3	14.5	8.7	3.7
EBIT/Net Interest (x)	5.4	5.7	2.5/2.4	3.1/2.9	2.2	3.9	8.1	5.8	3.1
Net Debt/EBITDA (x)	2.5	2.8	4.4/4.8	3.7/4.0	4.6	3.6	2.5	3.2	2.6
Net Debt/Total Capital ^(b) (%)	42	45	62/65	51/55	61	46	42	55	50
Rating (Moody's/S&P)	NA	A1/NA	NA	NA	Aa3/A+	A1/AA-	Aa3/AA	A2/A-	A2/A

- After the transaction UF + HC Balance Sheet will be slightly more leveraged than Iberdrola's, and similar to that of Endesa (with a lower relative weight of investments in emerging markets)
 - Comparing to its European peers, UF + HC would be closer to the UK's electric utilities than to those of more regulated markets as EDP. However, UF + HC would have a larger size and a more balanced/lower risk portfolio than National Power or PowerGen
 - Given the business profile and cash generation of the new entity, the resulting debt level is comfortably affordable. Furthermore, the new entity has the capacity to reduce financial leverage through Free Operating Cash Flow after recurrent CAPEX (Euro 451 million in year 2000) or through its investment portfolio (ex: Soluziona IPO)
 - UF expects an important cash inflow (approximately Euro 450 million) from the planned sale of a 10% stake of REE (Grid) (Euro 150 million), 25% of Soluziona (Professional Services) (Euro 240 million) and 20% of Alo 2000 (Euro 60 million)
- The figures on the left (base case) include the divestitures of REE and Aló 2000 in addition to Soluziona's IPO (25%); the figures on the right represent the pro-forma situation without any divestiture
 - Total Capital: net debt + shareholders' equity + minority interests



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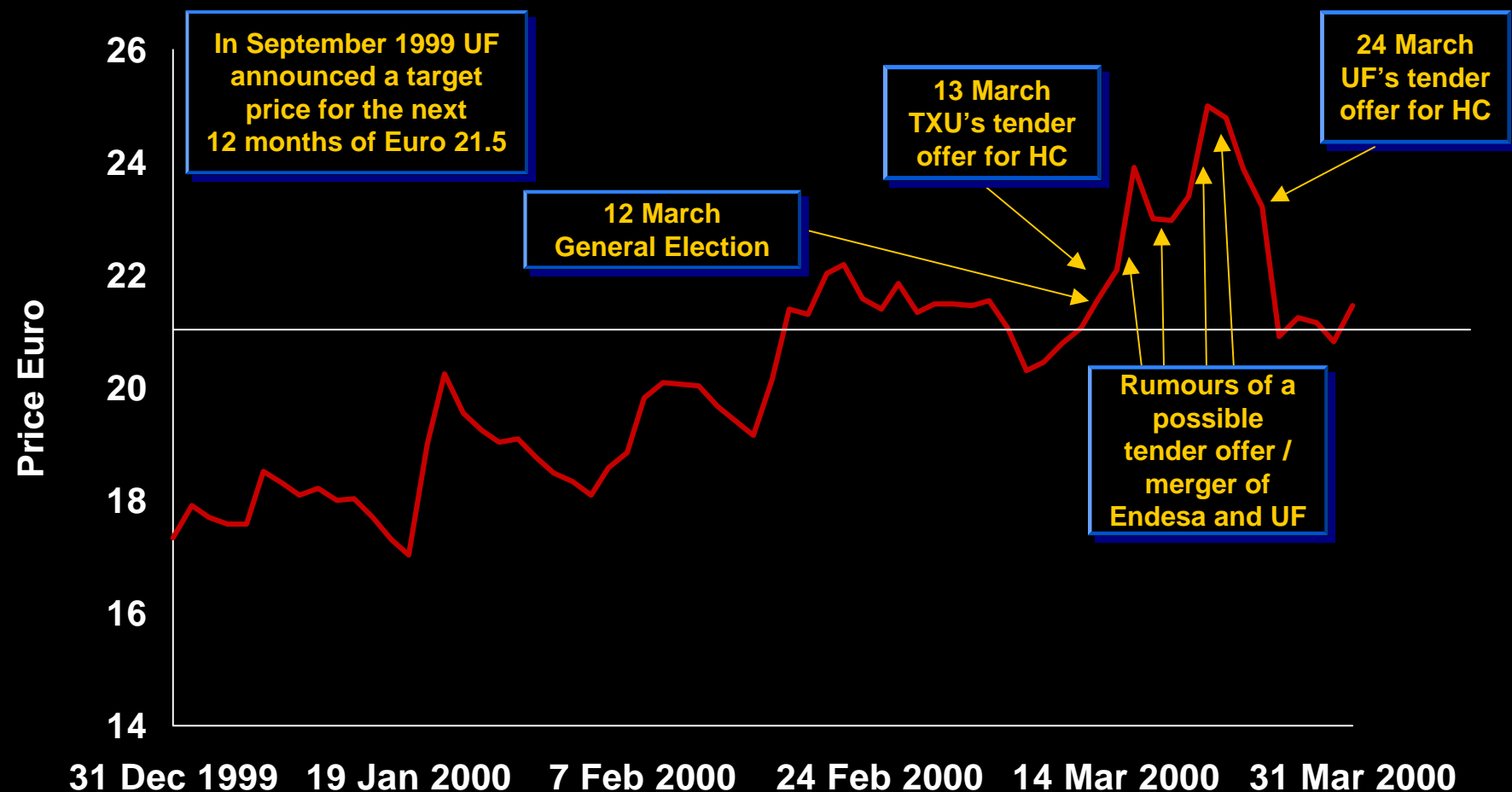
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Market Reaction

Unión Fenosa

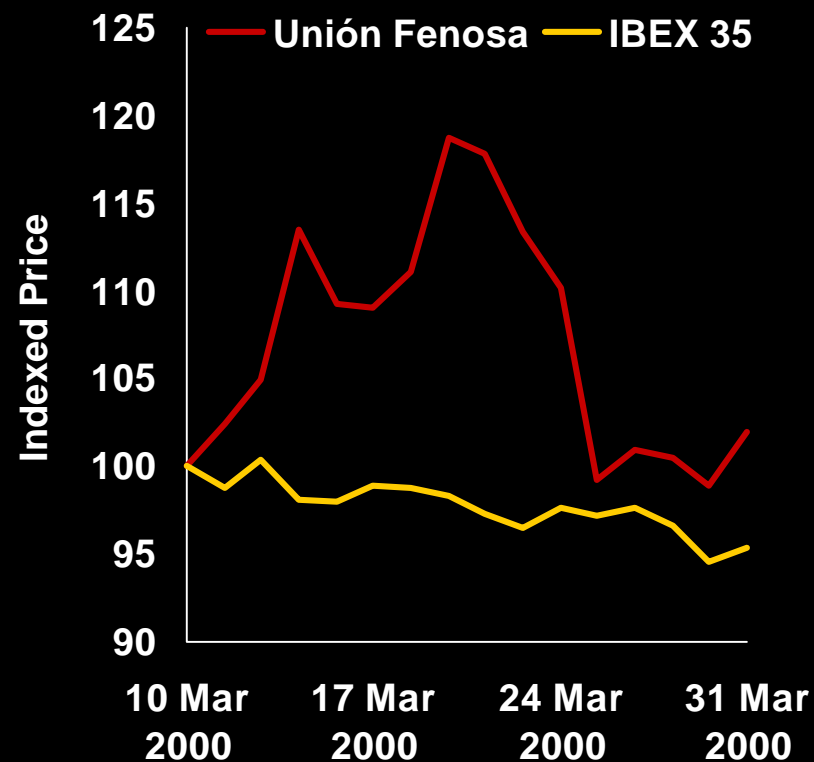




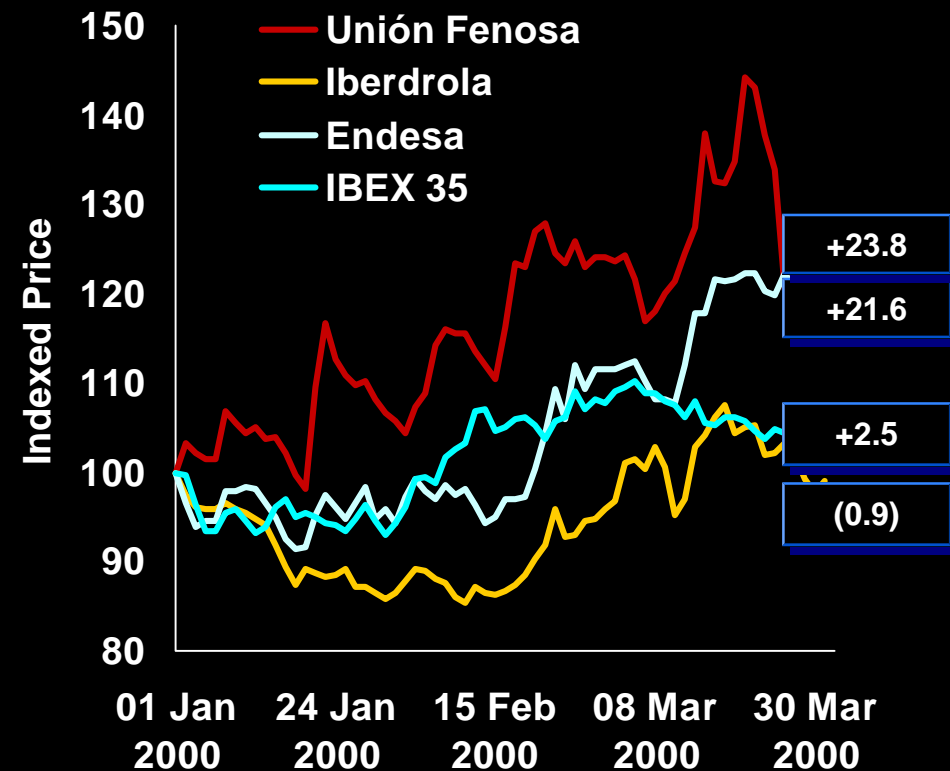
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Share Price Evolution over the Last Few Days

Unión Fenosa versus IBEX 35



Unión Fenosa versus ELE, IBE and IBEX 35





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Tender Offer Calendar

D (12/4?)

- Authorisation of the Tender offer by the CNMV

Until D+5

- The announcement of the Tender is published
- Acceptance period starts

D+6

- Call for UF's General Shareholder Meeting to approve the capital increase

D+21

- UF's General Shareholder Meeting

Until D+30

- Period to hold HC's General Shareholder Meeting

D+30

- End of acceptance period

D+33

- Cash settlement
- Potential decision to lower the limit from 80% to 51%

D+35

- Execution of the capital increase and stock settlement



This presentation contains statements that constitute forward looking statements. These statements appear throughout this presentation and include statements regarding the intent, belief, targets or current expectations of UNION FENOSA and its management. Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those described in such forward looking statements as a result of various factors.



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