



**UNIÓN FENOSA**

Madrid, 3 de noviembre de 1998

**COMISIÓN NACIONAL DEL  
MERCADO DE VALORES  
Pº de la Castellana, 19  
28046 MADRID**

Como continuación a nuestra carta de 28 de octubre del año actual y con el objeto de clarificar, a su requerimiento, las condiciones pactadas con National Power, les manifestamos lo siguiente:

- La oferta de National Power es vinculante y contempla el reciente acuerdo entre el Ministerio de Industria y Energía y las empresas eléctricas, el cual incluye la posible titulización de una parte de los costes de transición a la competencia. En el caso de que tal acuerdo no se lleve a efecto, el precio pactado se reducirá en un máximo de 5.000 millones de pesetas.

# **National Power press release**

**Corporate Communications**

**29 October 1998  
NP 20/98**

## **Further details of National Power and Unión Fenosa alliance**

Further details of the opportunities, benefits and financial arrangements of the strategic alliance between National Power and Unión Eléctrica Fenosa S.A. (UEF) were outlined in Madrid today.

Under the agreement, announced yesterday, National Power is to invest £410 million (97 billion pesetas) in a 25% stake in Unión Generación S.A. (UGS), which will own UEF's interests in around 8,200 MW of capacity in Spain, with the remaining 75% equity held by UEF. National Power and UEF are also to investigate the possibility of acquiring up to 2% of the share capital in the other company.

The briefing in Madrid was given by Sñr. José María Amusatégui, Chairman of UEF, Sir John Collins, Chairman of National Power, and Keith Henry, Chief Executive of National Power.

Sñr. José María Amusatégui said the immediate effects of the alliance would be higher operating efficiency of UGS's plants, the financial strengthening of the company, and growth of the business.

"The long-term co-operation between both partners will result in a large number of joint projects and investments in Europe and other parts of the world."

Keith Henry said that National Power and UEF were convinced that the alliance represented a great opportunity for collaboration which would provide shareholder value for both companies.



**National Power**

Spain is an attractive market for National Power for a number of reasons. The country has a stable, growing economy. Its electricity market is similar to the UK model. There are significant opportunities for new gas-fired (CCGT) projects in a market that is being liberalised well ahead of most other EU countries.

UFG is National Power's preferred route into the market because of its strong network of relationships, ideal placement to build new projects and increase market share, and its proven managerial capabilities.

In addition, the Spanish Government has agreed to make 'stranded cost payments' (CTCs) to electricity utilities to compensate them for the introduction of competition. UFG's share of the guaranteed payments will be some 13% - equivalent to its market share - worth around £570 million (133 billion pesetas).

National Power's bid price for its 25% stake in UFG is conditional on the securitisation of these payments, which is expected to take place in 1999-2000. Further CTC payments are due to be made to UFG over the next 9 years from system revenues.

UFG's opening debt, initially a combination of assigned UEF existing debt and inter-company debt with UEF, is expected to be around £1.2 billion (297 billion pesetas). The CTC payments would be used to reduce the debt. National Power and UEF's objective will be to optimise UFG's capital structure, which would involve debt reduction and returns to shareholders. UFG's interest cover ratios will be in line with other companies in the sector.

The Spanish net book value of the generation assets to be transferred to UFG is estimated to be £475 million. However, under the UK's generally accepted accounting principles (GAAP), asset values are re-assessed based on their fair value.

Although UFG has yet to be formed, on a pro forma basis Spanish GAAP, based on National Power's estimates, the assets are projected to record turnover of £640 million and profits before tax of £105 million for the 1998 year. The UK GAAP equivalent would be £115 million. Earnings are expected to grow as a result of cost reductions announced by UEF, lower fuel costs, growth in demand, increased market share, development of new projects, the development of UFG's supply business, and increased co-generation and renewable capacity.

National Power expects its investment to be earnings enhancing from acquisition, and to contribute significant, early international earnings for the Group.

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As a 25% shareholder in UFG, National Power will:

- be entitled to proportional representation of UFG's directors
  - appoint a member of UFG's executive team as well as other secondees
  - have representation on UFG's four key committees covering production, supply, marketing and investments
  - be fully involved in the development of UFG's strategic and business plans
  - have to support material decisions before they can be made
  - have to give its consent to any reductions to agreed minimum dividend payments.
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