

## PRESS

## RELEASE

# Neoenergia incorporates Elektro's businesses to create an electricity industry leader in Brazil and Latin America

*Neoenergia is owned by Iberdrola<sup>1</sup>, Caixa de Previdência dos Funcionários do Banco do Brasil (Previ) and BB Banco de Investimentos (Banco do Brasil) which after completion of the transaction will hold 52.45%, 38.21% and 9.35% respectively in the new company*

### Key facts

- The company will service a territory with a population of more than 43 million people and will have 13.4 million points of supply
- The company's concession area will span 836,000 square kilometres and its distribution network will be 585,000 kilometres long ( versus 190,000 km<sup>2</sup> and 268,000 km, respectively for Iberdrola in Spain)
- Its regulated asset base is worth approximately €3.65 billion
- The combined revenue of Neoenergia and Elektro for the 2016 financial year amounts to €7.93 billion, with an Ebitda of €934 million
- The Chairman of Iberdrola, Ignacio Galán, said: “The transaction aims to fulfil the goals of our 2016-2020 Strategic Prospects: committing to regulated and stable businesses while consolidating and controlling the management of our activity in Brazil”.

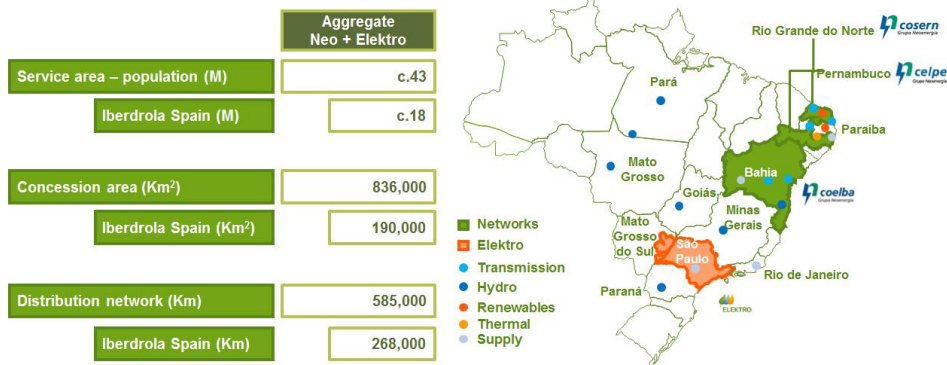
<sup>1</sup> Through Iberdrola Energía



## RELEASE

## PRESS

### A company with 13.4 millions of points of supply...



...and 3,546 MW net capacity in operation/under construction  
(wind and hydroelectric)

The shareholders of Neoenergia – Iberdrola (39%), Caixa de Previdência dos Funcionários do Banco do Brasil (Previ) (49.01%) and BB Banco de Investimentos (Banco do Brasil) (11.99%) - have reached an agreement by which the company will take on the activity and businesses of Elektro, the Brazilian affiliate of Iberdrola<sup>1</sup>.

This will create the biggest electricity utility in Brazil and the first in Latin America in terms of customer numbers, with 13.4 million users and an important role of its regulated businesses.

The Chairman of Iberdrola, Ignacio Galán, pointed out that “thanks to the agreement with our partners, Previ and Banco do Brasil, the biggest power company in Brazil and Latin America is now being created, further strengthening our commitment to the energy development of Brazil.

“The integration of Elektro into Neoenergia aims to fulfil the goals of our 2016-2020 Strategic Prospects: committing to regulated and stable businesses while consolidating and controlling the management of our activity in Brazil,” he added.

The resulting company – which will combine electricity distribution, transmission, generation and retail assets from Neoenergia and Elektro – will have, approximately, the following stake distribution: 52.45% will be controlled by Iberdrola; 38.21% will be held by Previ and 9.35% by Banco do Brasil.



## PRESS

## RELEASE

<sup>1</sup> Through Iberdrola Energia

The shareholder agreement includes Iberdrola's commitment to list part of the capital whenever Previ and Banco de Brasil deem it appropriate.

### Transaction structure

The transaction announced today will be carried out under the formula known as *incorporação*: Neoenergia will execute a capital increase that will be subscribed wholly by Iberdrola, whose increased stake in the company will be in return for Elektro's assets.

Also, the three owners of Neoenergia have signed a new shareholder agreement (replacing the previous one from 2005) which includes, amongst others, the following items: the approval of certain reserved matters by bolstered majorities; limits on the transfer of company shares; the right of Iberdrola to appoint a majority of the members of the Board of Neoenergia; and Iberdrola's obligation to channel all of its investments in Brazil through the company.

The transaction is contingent on approval from the General Shareholders' Meetings of Neoenergia and Elektro and from the relevant Brazilian authorities CADE and ANEEL, as the usual fare for this type of operations indicates.

### The leading electricity company in Brazil

The agreement approved by Neoenergia will give rise to the biggest electricity company in Brazil and Latin America's largest by customer numbers, at 13.4 million. The company will service a territory with a population of more than 43 million people, compared to 18 million people in Iberdrola's area of influence in Spain.

Its concession area will cover 836,000 square kilometres, compared to 190,000 square kilometres in Spain, while its distribution network will be 585,000 kilometres long against 268,000 kilometres in Spain.

The company, which is mainly regulated, will also be present in the wind energy and hydroelectric generation business, with a capacity 2,080 megawatts (MW) operational and 1,460 MW under development, as well as in thermoelectric power generation, with 530 MW operational.



## PRESS

## RELEASE

The new Neoenergia will have a regulated share base valued at around R\$14.1 billion – about €3.65 billion.

If full year 2016 figures for Elektro and Neoenergia were combined, the new company would have generated revenue of some €7.93 billion. Gross operating profit (Ebitda) would have been roughly €934 million.

### About Neoenergia

Neoenergia is a leading energy company involved in energy distribution, generation, transmission and retail, with a presence in 11 states. The company provides services under concession in an area of over 37 million people.

At the end of 2016, Neoenergia had 10.8 million supply points in Brazil and its total volume of electricity distributed was over 38,000 gigawatt hours (GWh).

Currently, it is owned by PREVI (49.01%), Iberdrola (39%) and Banco do Brasil (11.99%). It also owns 50% of the *joint venture* Força Eólica do Brasil (the other 50% owned by Elektro) which develops and operates wind energy projects.

### About Elektro

Elektro is an electricity distribution, generation and retail company, 99.99% owned by Iberdrola.

It operates in the states of São Paulo and Mato Grosso do Sul, in a concession area of over six million people. At the close of 2016, Elektro had 2.6 million supply points in Brazil and distributed around 16,000 GWh of electricity.

It holds a 50% stake (the other 50% owned by Neoenergia) in the *joint venture* Força Eólica do Brasil which develops and operates wind energy projects.



## PRESS

## RELEASE

### DISCLAIMER

This communication has been prepared exclusively by the Iberdrola Group for information purposes.

Neither Iberdrola, S.A nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability for this document if it is used with a purpose other than the above.

The information and any opinions or statements made in this document have not been verified by independent third parties; therefore, no express or implied warranty is made as to the impartiality, accuracy, completeness or correctness of the information or the opinions or statements expressed herein.

Neither Iberdrola S.A. nor its subsidiaries or other companies of the Iberdrola Group or its affiliates assume liability of any kind, whether for negligence or any other reason, for any damage or loss arising from any use of this document or its contents.

Neither this document nor any part of it constitutes a contract, nor may it be used for incorporation into or construction of any contract or any other type of agreement.

### IMPORTANT INFORMATION

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities. The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

This communication contains forward-looking information and statements about Iberdrola, S.A., including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions.

Although Iberdrola, S.A. believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of Iberdrola, S.A. shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, S.A., that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by Iberdrola, S.A. to the *Comisión Nacional del Mercado de Valores*.

Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. All oral or written forward-looking statements hereby made or otherwise attributable to Iberdrola, S.A. or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified on its entirety by the cautionary statement above. All the forward-looking statements included herein are based on information available to Iberdrola, S.A. on the date hereof. Except as required by applicable law, Iberdrola, S.A. does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

