

## PRESS RELEASE

*This transaction creates an electricity industry leader in Brazil and Latin America*

# Neoenergia incorporates Elektro Holding after shareholder approval

***An outstanding operation for the Iberdrola Group has been completed, having received as well the green light from CADE (Administrative Council for Economic Defence), Aneel (National Electricity Energy Agency) and Bndes (National Bank for Economic and Social Development), in a much shorter time frame than usual for this type of transactions***

***The new company is owned by Iberdrola<sup>1</sup>, the Bank of Brazil's Employees Pension Fund (Caixa de Previdência dos Funcionários do Banco do Brasil - Previ) and BB Banco de Investimentos (Banco do Brasil), which will hold 52.45%, 38.21% and 9.35%, respectively***

### Relevant aspects

- Iberdrola Chairman Ignacio Galán restated “the commitment of Iberdrola with Brazil, Latin America’s largest economy”, a country where the company operates for more than 20 years now, having invested a total of R\$52.5 billion
- The Company will service a territory with a population of more than 34 million people and 13.4 million points of supply
- The concession covers an area of 836,000 square kilometres and its distribution network will extend over 585,000 kilometres
- It will have a regulated asset base of approximately R\$14 billion (€3.6 billion)

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<sup>1</sup> Through Iberdrola Energia



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- The combined revenue of Neoenergia and Elektro for the financial year 2016 was R\$30 billion (€7.9 billion), with EBITDA of around R\$3.6 billion (€934 million)

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

	Neo + Elektro
Service area– population (M)	c.34
<i>Iberdrola Spain</i>	<i>c.18</i>
Concession area (Km <sup>2</sup> )	836,000
<i>Iberdrola Spain</i>	<i>190,000</i>
Distribution network (Km)	585,000
<i>Iberdrola Spain</i>	<i>268,000</i>



...and over 3,500 MW of contracted capacity in operation/construction, mainly in renewables

The Iberdrola Group has completed one of the most important corporate operations ever with the incorporation in Brazil of all Elektro Holding's businesses into Neoenergia, after the approval by shareholders of both companies.

The deal had previously obtained, in a much shorter time frame than usual, the green light to complete the operation from CADE (Administrative Council for Economic Defence), Aneel (National Electricity Energy Agency) and BNDES (National Bank for Economic and Social Development).

In June, Neoenergia's shareholders had signed an agreement by which the company would incorporate the activity and the businesses of Elektro, Iberdrola's Brazilian subsidiary<sup>2</sup>.

<sup>2</sup> Through Iberdrola Energia



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After completion of the operation, the chairman of Iberdrola, Ignacio Galán, restated “the commitment of Iberdrola with Brazil, Latin America’s largest economy”, a country where the company operates for more than 20 years, adding that “the group is very confident about the future of Brazil”. Proof of this can be seen in Iberdrola’s medium and long-term investment plans in that country.

“In all these years, Iberdrola has invested more than R\$52.5 billion (€13.6 billion),” pointed Galán, saying that “we are executing works and completing investments in networks, regulated generation and renewable energy, and we will continue to invest in Brazil. Only last year supply contracts for R\$5 billion (€1.27 billion) to over 8,000 Brazilian suppliers were awarded by Iberdrola group.”

The resulting company - which brings together Neoenergia and Elektro’s electricity distribution, transmission, generation and retail assets and services – has the following shareholder structure: 52.45% controlled by Iberdrola, 38.21% by Previ and 9.35% by Banco de Brasil. The agreement between the partners includes Iberdrola’s commitment to float the new company on the stock exchange.

### Structure of the operation

The transaction is being carried out as an *incorporação* (incorporation): Neoenergia will execute a capital increase to be fully subscribed by Iberdrola. The Bilbao-based company hands over the assets of Elektro in return for the increase in its holding in the new company.

The three owners of Neoenergia have signed a new shareholders’ agreement which includes: approval of certain reserved matters by reinforced majority; limitations on transfers of the company’s shares; the right of Iberdrola to appoint the majority of the members of the new company’s Board of Directors; and a commitment by Iberdrola to channel all its investments in Brazil through it.

### The leading electricity company in Brazil

This operation creates the largest electricity utility in Brazil and a leading operator in Latin America by number of customers with 13.4 million to



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whom it distributed 54.000 GWh in 2016. It will serve an area with a population of over 34 million people, compared to the 18 million population of Iberdrola's area of influence in Spain.

Its concession area will cover 836,000 square kilometres, compared to Iberdrola's 190,000 square kilometres in Spain, while its distribution network will stretch over 585,000 kilometres, as against 268,000 kilometres in the case of Spain.

The new company, which is mainly regulated, is also present in wind energy – through Força Eólica do Brasil – and hydroelectric generation, with attributable capacity of 2,080 megawatts (MW) and 1,460 MW in development, as well as in the thermoelectric generation sector, with an operating capacity of 530 MW.

The new Neoenergia will have a regulated asset base of approximately R\$ 14 billion (€3.65 billion).

Combining Elektro and Neoenergia's figures for 2016, the company would have generated revenue of around R\$30 billion (€7.93 billion). Gross operating profit (EBITDA) would have been around R\$3.6 billion (€934 million).



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