



Julián Martínez-Simancas
Secretary of the Board of Directors

Bilbao, 25 August 2017

To the National Securities Market Commission

Subject: Consumption of the incorporation by Neoenergia, S.A. of the activity and businesses of Elektro Holding, S.A.

Dear Sirs,

Pursuant to article 17 of Regulation (EU) No. 596/2014 on market abuse and article 228 of the restated text of the Securities Market Law approved by the Royal Legislative Decree 4/2015, of 23 October (texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre) and related provisions, and further to the notices of significant event dated 8 June 2017 (with official registry numbers 253,046 and 253,048, respectively), we hereby inform you that yesterday, following completion of the conditions precedent to which the transaction was subject, the incorporation of the activity and businesses of Elektro Holding, S.A. in Neoenergia, S.A. ("**Neoenergia**") has been consummated.

After giving effect to the transaction, BB Banco de Investimento, S.A. and Caixa de Previdência dos Funcionários do Banco do Brasil hold approximately 9.35 % and 38.21 %, respectively, of the share capital of Neoenergia, being Iberdrola Energía, S.A. (Sociedad Unipersonal) the owner of the remainder 52.45 % of the share capital.

It is estimated that the transaction will have a positive one-off accounting impact for Iberdrola of around EUR 480 million in fiscal year 2017.

This information is provided to you for the appropriate purposes.

Yours faithfully,

Secretary of the Board of Directors

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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*.

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