

Bilbao, 17 April 2018

To the National Securities Market Commission

Subject: Agreement for the acquisition of all or part of the share capital of “Eletropaulo Metropolitana Electricidade de São Paulo, S.A.” by “Neoenergia, 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, we hereby inform you that yesterday, 16 April, “Neoenergia, S.A.” (“**Neoenergia**”), in which “Iberdrola, S.A.” (“**Iberdrola**” or the “**Company**”) indirectly holds a 52,45 % stake, has entered into an investment agreement with “Eletropaulo Metropolitana Electricidade de São Paulo, S.A.” (“**Eletropaulo**”) whereby Neoenergia, subject, among other conditions, to the approval of its Board of Directors, undertakes to subscribe 100 % of the 67,735,000 shares of Eletropaulo which could be issued pursuant to the primary public offering of shares to be launched by this company (the “**Investment Agreement**”, the “**Shares**” and the “**Primary Offering**”, respectively).

Eletropaulo would allot at least 80 % of the Primary Offering to Neoenergia, excluding the Shares which would be acquired by the shareholders of Eletropaulo in the exercise of their pre-emptive subscription rights.

If the price offered by other investors (different from Neoenergia) for the subscription of the Shares exceeds the one offered by Neoenergia, which amounts to 25.51 Brazilian reais per share (the “**Maximum Price**”), approximately 6.02 euros¹, the latter may decide not to subscribe any Shares.

Likewise, pursuant to the Investment Agreement, Neoenergia commits to launch a takeover bid for the acquisition of 51 % to 100 % of the share capital of Eletropaulo (the “**Takeover Bid**”). If approved by Neoenergia’s Board of Directors, the price of the Takeover Bid would initially equal the Maximum Price, and could increase up to any higher price paid for the Shares, as the case may be, in the context of the Primary Offering. The Takeover Bid would approximately amount (excluding the consideration paid by Neoenergia for the Primary Offering) from 2,134 to 4,269 million Brazilian reais (equivalent to, approximately, 504 to 1,007 million euros).

The undertakings of Neoenergia abovementioned require the prior authorization of its Board of Directors.

“Iberdrola Energía, S.A.” (Sociedad Unipersonal), Neoenergia’s majority shareholder, has confirmed that it supports the transactions above described.

This information is provided to you for the appropriate purposes.

Yours faithfully,

Secretary of the Board of Directors

¹ Considering an exchange rate equal to 4.283 Brazilian reais per euro.





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.

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