



NEOENERGIA

Institutional March, 2018





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Neoenergia highlights



Favorable sector dynamics

Brazilian electricity sector will continue to offer plenty of growth opportunities at attractive returns

Well developed regulatory framework



Sound business model

Well diversified portfolio of assets with highly regulated business of networks and long term contracted renewable and thermal generation assets



#1 private player in the Brazilian Electricity Sector(1)

Largest distribution company in Brazil with efficient and high-quality operation



Strong and tangible avenues of growth

Growth based on organic initiatives, supported by a solid track record of project development



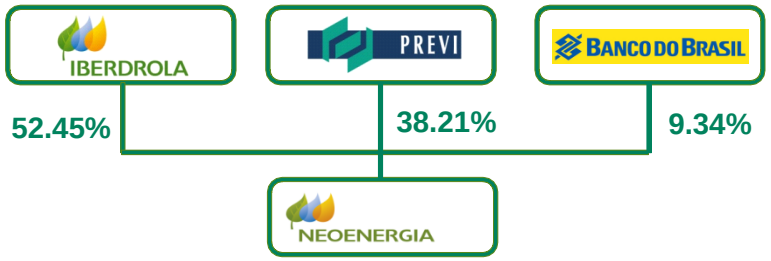
High corporate governance standards and strong sponsorship

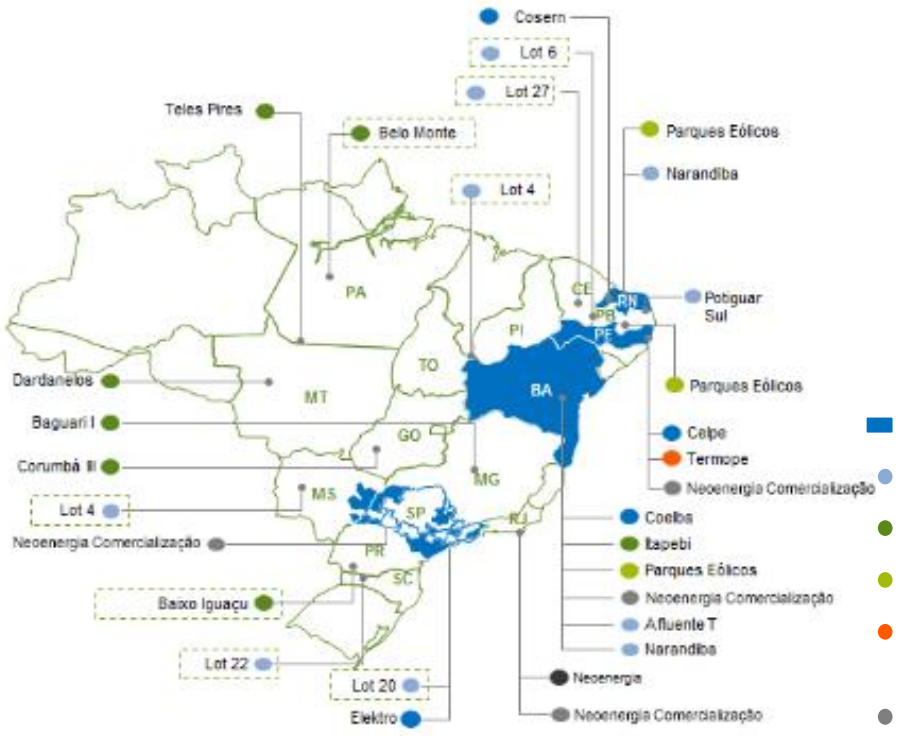
High corporate governance standards, supported by topnotch shareholder and seasoned management

Source: Financial statements and company fillings.
Note: (1) In terms of clients and Net RAB.

Neoenergia's highlights

Leading utility company in Brazil, controlled by Iberdrola and its only investment platform in Brazil.





NETWORK

Four DisCos	**Concession area:** 836,000 kms² **Distributed Energy:** 44,575 GWh(1) **Population:** 34 MM
Increasing transmission capacity	**Operating:** 679 kms **Under Construction:** 1,685 kms(2)

RENEWABLE

Renewable generation with long term PPAs	**Wind farms capacity** **Operating:** 0.5 GW **Under Construction:** 0.3 GW **Hydro capacity** **Operating:** 2.1 GW **Under Construction:** 0.9 GW

LIBERALIZED

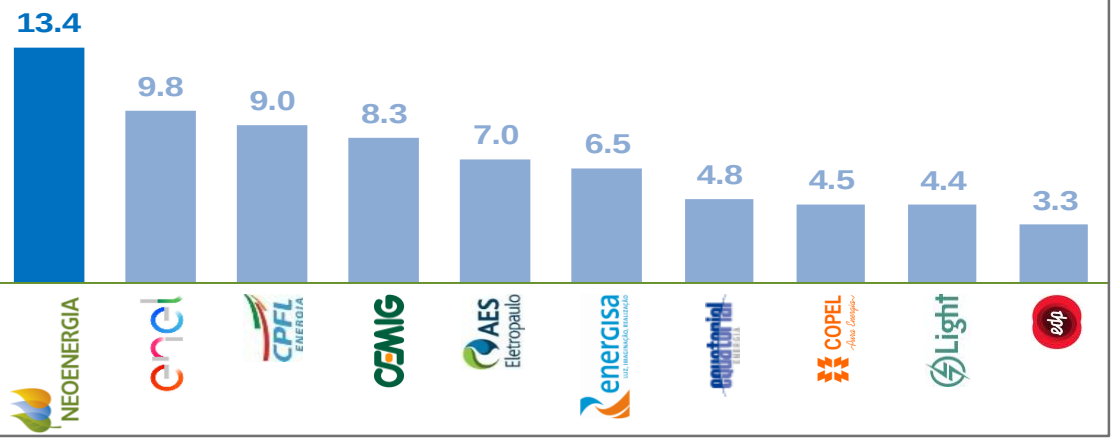
Generation with long term PPAs + Energy trading	**Thermal generation capacity** **Operating:** 0.5 GW **Energy traded:** 1.5 GW average

Notes: (1) Considers Captive and Free markets; (2) Obtained within 2017 auction: 611 Kms + 1,074Kms

Neoenergia's highlights

Largest energy distribution company in Brazil with efficient and high-quality operation

2016 Number of Clients(1)



2016 Net RAB (R$ bn)(2)



Source: Abradee, companies, newsrun, Aneel and financial statements.

Efficiency and quality highlights

Efficient management processes ensuring the convergence to regulatory limits in all indicators in the medium term - Losses, delinquency and Opex; SAID (DEC) and SAIF (FEC)

Positive evolution of operational indicators SAID (Duration of Outages – hours) and SAIFI (Frequency of Outages)

Efficient assets management process: almost 100% of capex being recognized in the RAB since 2015 for all DisCos

Notes:(1) The number of CPFL and Enel's clients considers AES Sul and CELG-D, that were acquired in 2016.; (2) Net RAB proforma for adjustments made in tariff review years (considering capex and inflation until 2016). For other companies it was considered the net RAB of the last tariff review adjusted by inflation.

Growth Strategy

Largest energy distribution company in Brazil with efficient and high-quality operation

Inorganic and organic growth

- Coelba and Cosern (1997)
- Itapebi (1999)
- Celpe, Termope and NC Energia (2000)
- Dardanelos (2004)
- Baguari (2005)
- Corumbá III (2006)

Expansion of Generation Assets
BRL14bn invested from 2000 to 2017

- Baixo Iguaçu (2008)
- Narandiba (2009)
- Teles Pires, Belo Monte +10 wind farms (2010)
- Brumado (2012) and Potiguar Sul (2013)
- 10 wind farms (2010)
- 6 wind farms (2014)

Universalization of DisCos
BRL24bn invested from 2000 to 2017

Continued growth + efficiency gains

- Incremental capex in DisCos to foster growth
- Incorporation of Elektro Holding assets
- New Auctions 2017
  - ✓ Transmission:
    - 611 kms of transmission lines and RAP of MM BRL 104
    - 1,074 kms of transmission lines and RAP[1] of MM BRL 183
  - ✓ Renewables
    - 9 wind farms totaling 281 MW – 30 years PPA

Increasing CapEx in networks operations

Business consolidation with focus on profitability

Coelba and Cosern tariffs revisions in Apr/2018

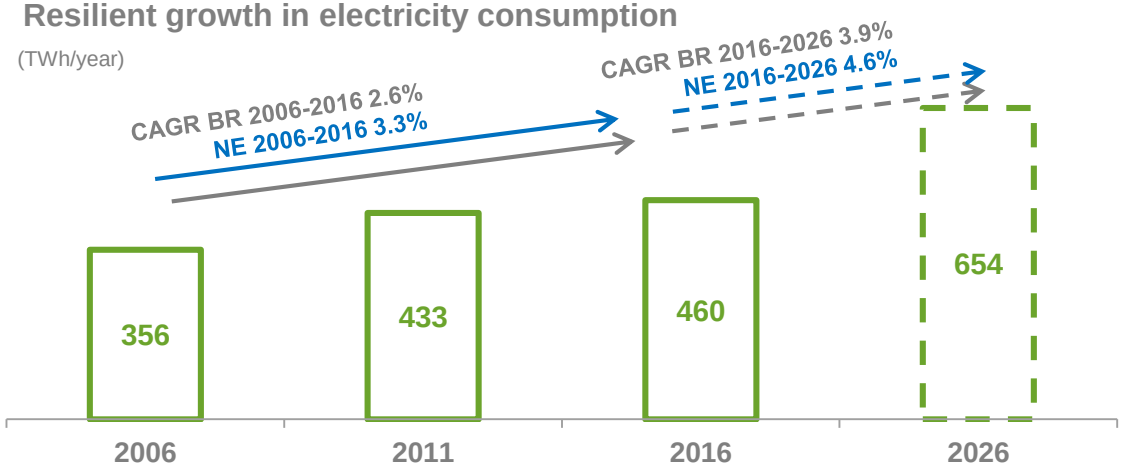
1997 — 2006 — 2017 — 2020

(1) Lowest Annual Revenue Required, named RAP *(Receita Anual Permitida)*

Brazil's Growth Prospects

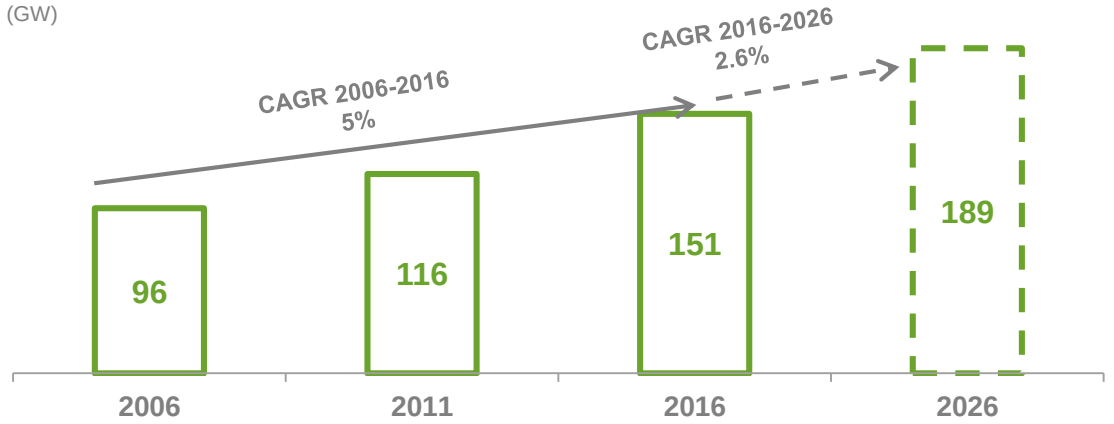
Demand[1]

Resilient growth in electricity consumption



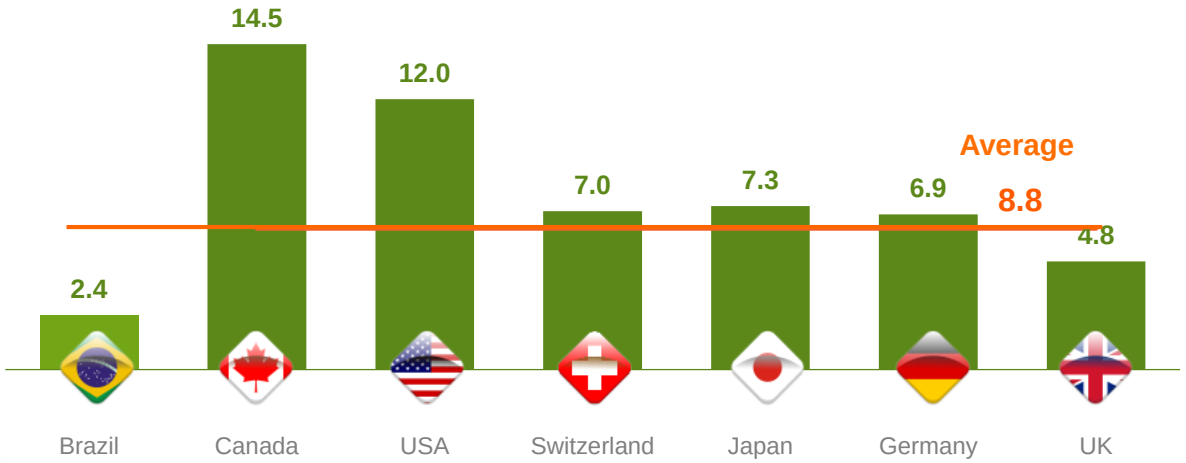
Supply[2]

Installed capacity



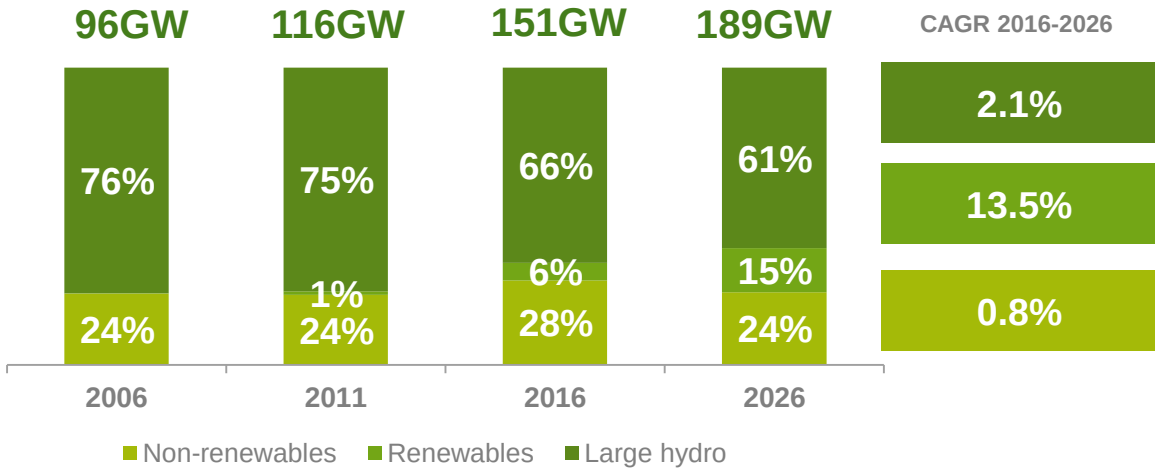
Brazil's significantly lower average consumption

(Electricity consumption per capita in MWh / year – December 2016)



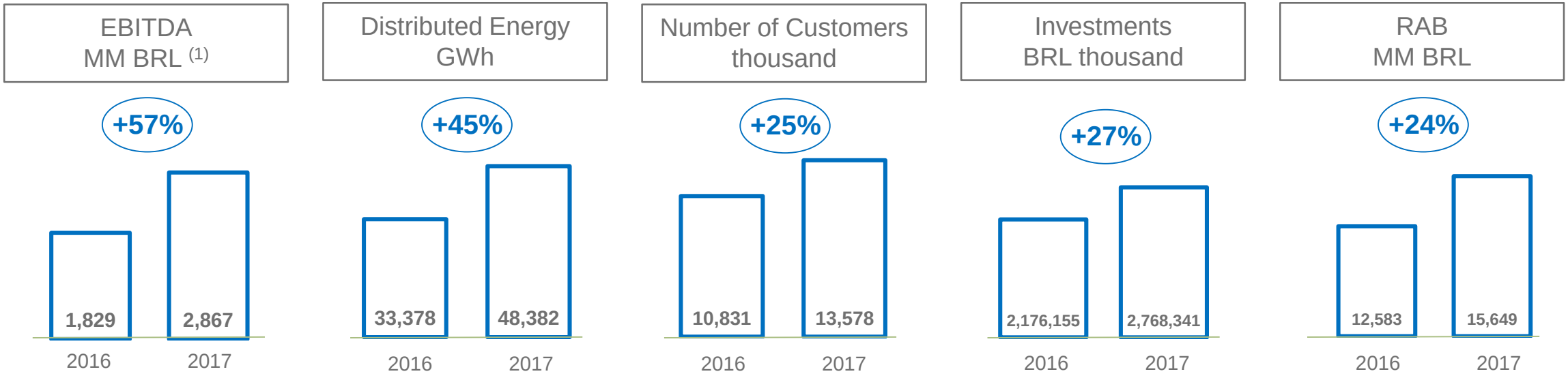
Renewable sources gain significant share in the matrix[3]

(MW installed capacity % breakdown by source)



Source 1: PDE 2017 - 2026 Projection of electricity demand
Source 2: Decennial Energy Expansion Plan 2026
Source 3: Decennial Energy Expansion Plan 2026

Distribution



2017 figures		Coelba	Celpe	Cosern	Elektro Redes (1)
					
Neoenergia stake	%	96.34	89.65	91.48%	99.68%
Net Rab	BRL bn	7,115	3,790	1,678	3,066
Distributed energy	GWh	16,264	10,772	4,650	16,696
Area	Thous Kms^2	563	99	53	121
Clients	Thous.	5,901	3,652	1,420	2,605
EBITDA	BRL MM	1,077	550	367	873

✓ **Ebitda growth is still to improve from 2018 on due to market growth and the 4th tariff review for Coelba and Cosern**

(1) Considers Elektro Redes 2017 proforma

Transmission



Afluente T

- Assets[(1)]: 7 Substations e 9 lines (489.1 kms)
- Localization: Bahia
- Stake: 88%

Narandiba

- Assets[(1)]: 3 Substations
- Localization: Rio Grande do Norte e Bahia
- Stake: 100%

Potiguar Sul

- Assets: 2 Substations e 1 line (190.1 kms)
- Localization: Rio Grande do Norte e Paraíba
- Stake: 100%

Under Construction

Auction 05/2016

- Nº of Lots: 4 (611 kms)
- Localization: MS, SP, SC and CE
- stake: 100%

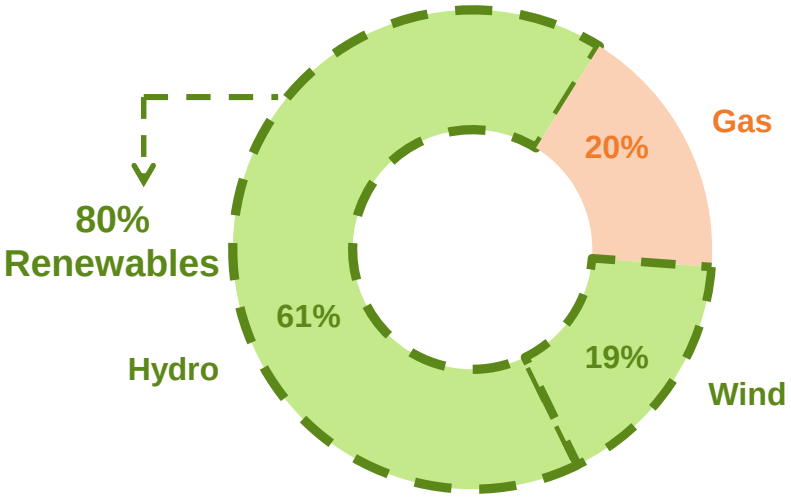
Auction 02/2017

- Nº of Lots: 2
- Line extension: 1,074 kms
- Localization: PI, TO, BA, PB and CE
- stake: 100%

Notes: (1) SE Brumado II is counted two times , because it has Assets in Afluente T and in Narandiba ;

Generation

All generation assets are contracted with long term PPAs



Wind Farms (2)

- Inst.Capacity : 516 MW
- State: Rio Grande do Norte, Paraíba e Bahia
- Stake: 100%

Termopernambuco

- Capacity : 533 MW
- State: Pernambuco
- Stake: 100%

Under Construction

Belo Monte

- Capacity(1): 11,233 MW
- State: Pará
- Stake: 10%

Baixo Iguaçu

- Capacity : 350 MW
- State: Paraná
- Stake: 70%

9 Wind Farms

- Capacity: 281 MW
- State: Paraíba
- Stake: 100%

UHE Teles Pires

- Capacity: 1,820 MW
- State: Pará e Mato Grosso
- Stake: 51%

UHE Itapebi

- Capacity: 462 MW
- State: Bahia e Minas Gerais
- Stake: 100%

UHE Baguari

- Capacity: 140 MW
- State: Minas Gerais
- Stake: 51%

UHE Corumbá CIII

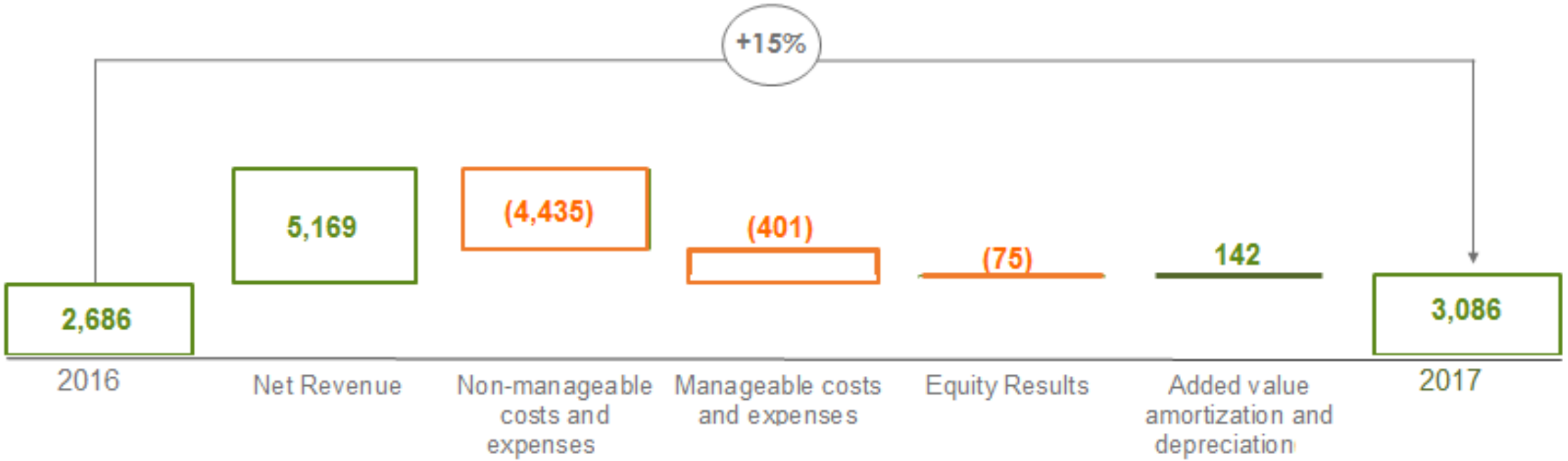
- Capacity: 96 MW
- State: Goiás
- Stake: 70%

Águas da Pedra

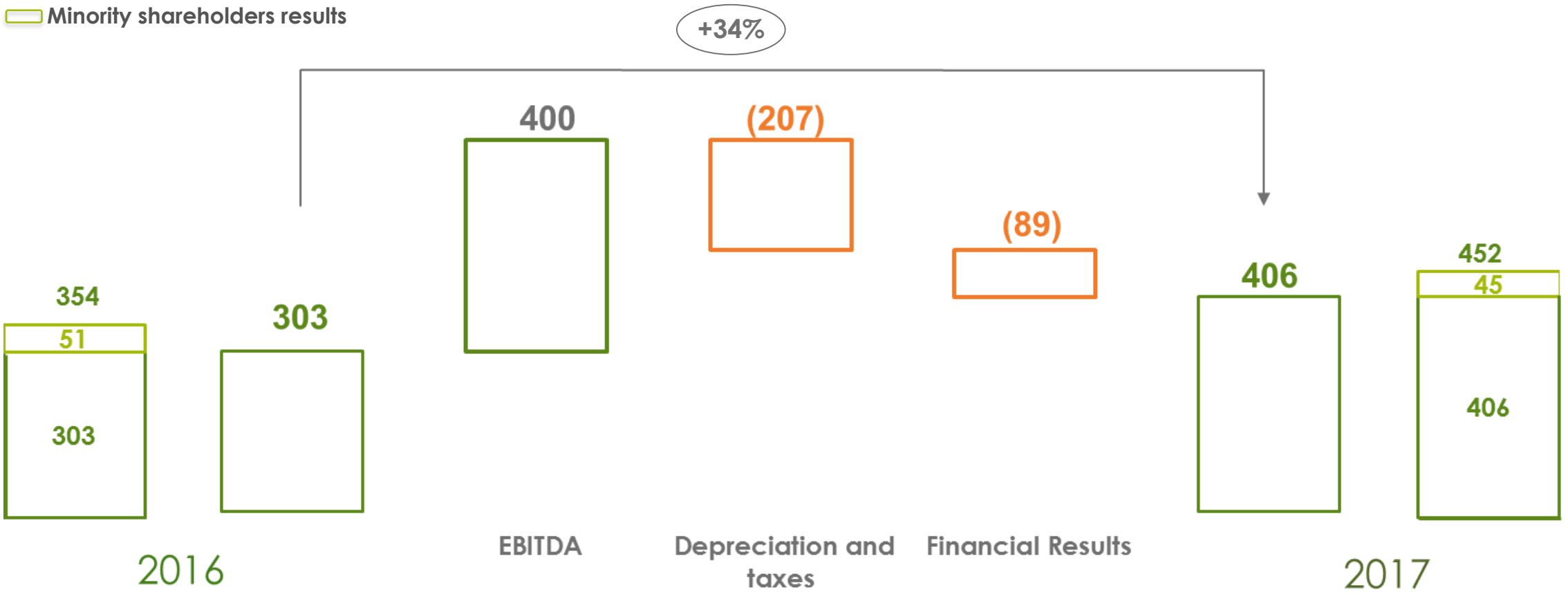
- Capacity: 261 MW
- State: Mato Grosso
- Stake: 51%

Notes:(1) Under construction. Operating partially since Apr/2016 and fully operational in Jan/2020. Installed capacity operating: 4,510MW; (2) consolidated values include Elektro Holding participation since 08/24/2017 when it was incorporated

EBITDA (MM BRL)



Net Profit (MM BRL)

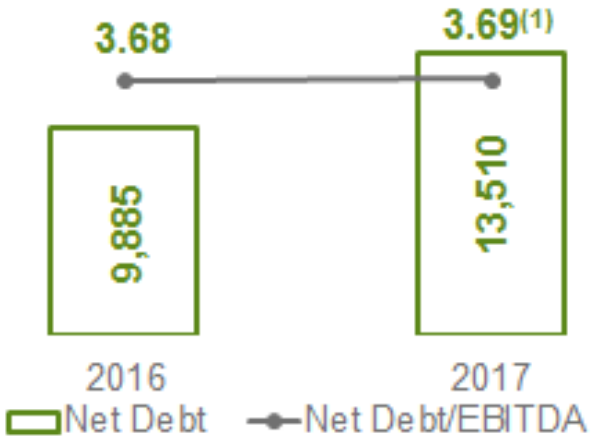


Mainly driven by EBITDA growth

Indebtedness position

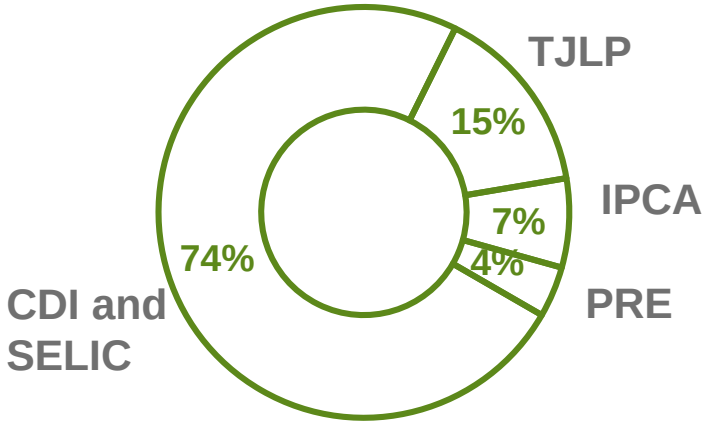
Net Debt and Net Debt/EBITDA

MM BRL



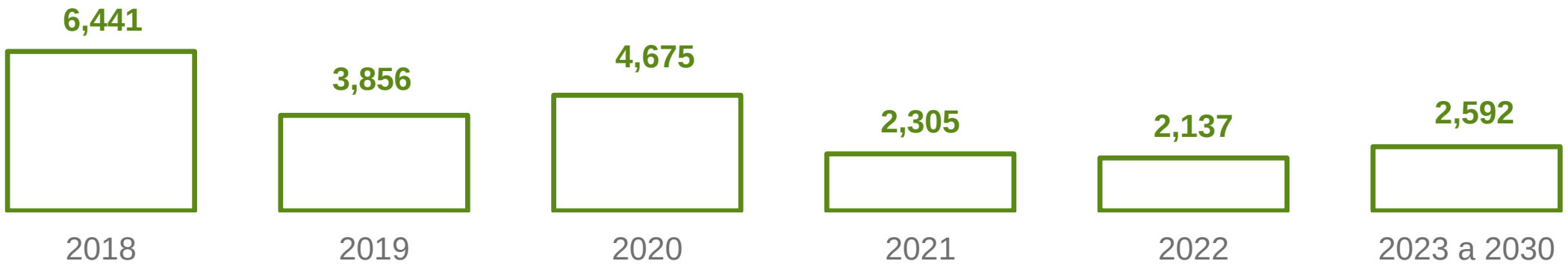
Debt breakdown by indexers

%



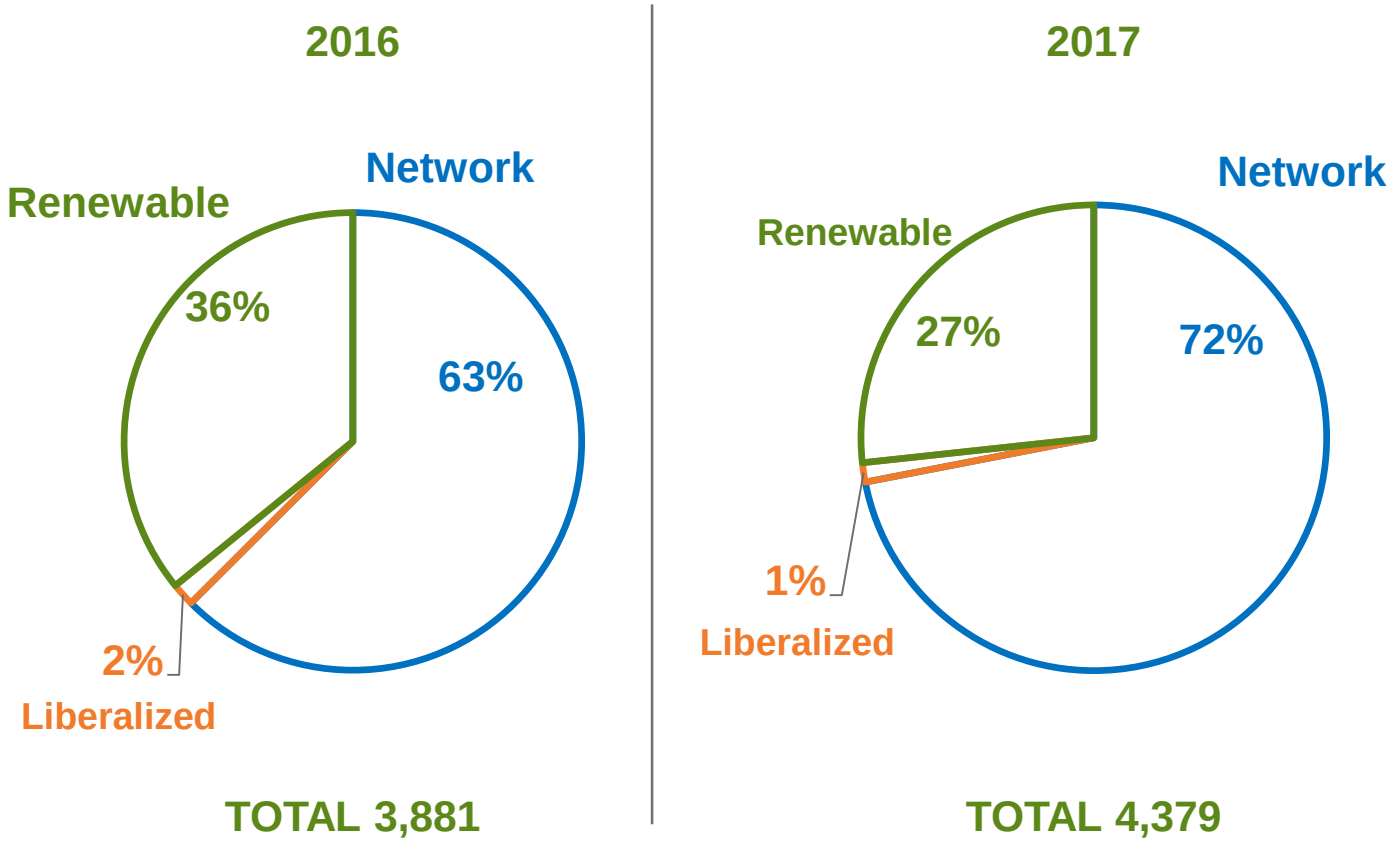
Average cost 96% of CDI

Debt



(1) Considers pro-forma EBITDA

CAPEX (MM BRL)



INVESTMENTS IN 2017(1) (2)

The **BRL 4.4 billion** CAPEX were distributed as follow:

- **72%** to Networks;
- **27%** to Renewable Business and;
- **1%** to Liberalized Business.

It includes BRL 0.4 billion invested in Non Consolidated Renewable Companies

Notes: (1) Considering Non Consolidated Assets; (2)The business segments are composed by Networks (Distribution and Transmission), Liberalized (Gas, Commercialization , Services and Holding), Renewables (Hydro and Wind)

Rating

Corporative Rating S&P– Global Scale

	2015	2016	2017	2018
NEOENERGIA	BB+	BB	BB	BB-
	BB+	BB	BB	BB-

Limited by sovereign rating

Corporative Rating S&P– National Scale

	2015	2016	2017	2018
NEOENERGIA	AA+	AA-	AA-	AA-

Corporative Rating Benchmark – National Scale

Corporative National Rating – Short Term

STANDARD &POOR'S		FitchRatings		MOODY'S	
AAA	-	AAA	CPFL ENERGIA	Aaa	CPFL ENERGIA
AA+	-	AA+		Aa1	-
AA	-	AA	energisa	Aa2	energisa
AA-	ELEKTRO, NEOENERGIA, CPFL ENERGIA, Eletrobras, COELBA, energisa	AA-	COPEL, Lagoa 1, ELEKTRO, Eletrobras	Aa3	
A+	-	A+	Calango 6	A1	-
A	Light	A	-	A2	-
	-	A-	Light	A3	-
BBB-		BBB	CEMIG	Baa1	CEMIG, Light
BB+	CEMIG	BB+		Ba1	-
BB		BB		Ba2	
BB-		BB-		Ba3	
B		B		B1	

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Q&A Session

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