REPORT OF THE BOARD OF DIRECTORS OF EDP RENOVÁVEIS

Prepared under the terms of no. 1 of article 181 of the Portuguese Securities Code, on the opportunity and conditions of the General and Mandatory Tender Offer over the shares issued by EDP RENOVÁVEIS, S.A., announced by China Three Gorges (Europe) S.A. and whose Preliminary Announcement was published on May 11th 2018 and amended on May 16th 2018

(this document is a translation of the original document in Portuguese – in the event of any inconsistency, the Portuguese version shall prevail)

EDP RENOVÁVEIS, S.A.
Head Office - Plaza de la Gesta, 2 33007 Oviedo; Spain
Share Capital - €4,361,540,810
Registered with Registro Mercantil de Asturias, tome 3.671, book 177, sheet no. AS – 37,669
Tax Identification Number- A-74219304
www.edpr.com

renewables

June 8th 2018

Disclaimer

This Report was prepared by the Board of Directors of EDP Renováveis, S.A. ("EDP Renováveis") under the terms of no. 1 of article 181 of the Securities Code, following an analysis by the Board of Directors of EDP Renováveis of the Draft Prospectus of the Offer and the Draft Announcement of the Offer received on 1 June 2018, and referring to the General and Mandatory Tender Offer over the shares issued by EDP Renováveis launched by China Three Gorges (Europe) S.A. ("CTG") referred in the Preliminary Announcement published on May 11th 2018 and amended on May 16th 2018.

This Report was prepared on the basis of the information made available to the Board of Directors. Shareholders are advised to consider this Report when making their decision to accept or reject the Offer.

This Report contains opinions of the Board of Directors.

This Report includes projections and estimates. Projections and estimates involve risks and uncertainties as they relate to future events and depend on circumstances that may, or may not, occur. Their inclusion does not involve any guarantee as to their occurrence. This Report also includes statements that reflect the expectations of the Board of Directors that shall not, in any case, be considered as a guarantee of verification of the facts or circumstances to which they refer.

EDP Renováveis undertakes no obligation to publicly update or release any revisions to the projections or estimates included in this Report to reflect events or circumstances occurring after the date hereof, without prejudice to any changes that might be made following any review of the Offer by CTG.

This Report shall not be considered as including all the information provided to the capital markets relating to EDP Renováveis. Reference should also be made to the Announcement of the Offer and the Prospectus of the Offer, as well as previous press releases, publications and financial statements issued by EDP Renováveis and which are available on www.cmvm.pt and www.edpr.com/investors/.

Glossary

CMVM	The Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*);
Condition of Launch of the Offer	The condition for the launch of the Offer, as defined in section 2.4, Conditions below;
Condition of Success of EDP Offer	The condition for the success of the EDP Offer, as defined in section 2.4, Conditions below;
CVM	The Portuguese Securities Code (*Código dos Valores Mobiliários*), approved by the Decree-Law no. 486/99, of 13 November, as amended;
DLA Piper	The law firms ABBC - Azevedo Neves, Benjamim Mendes, Carvalho e Associados, Advogados, SP, RL (which uses the name DLA Piper ABBC), with head office at Largo São Carlos, nº 3, Lisbon, Portugal, and DLA Piper Spain, S.L.U, with head office at Paseo de la Castellana, 35, 28046 Madrid, Spain. The term "DLA Piper" also include any other office of the DLA Piper network where advice has been sought in connection with regulatory matters relevant for the Offer;
Draft Announcement of the Offer	The draft of the launch announcement regarding the Offer that the Offeror delivered to EDP Renováveis on June 1st 2018;
Draft Prospectus of the Offer	The draft of the prospectus regarding the Offer that the Offeror delivered to EDP Renováveis on June 1st 2018;
EDP	EDP – Energias de Portugal, S.A., a Portuguese public company, with its head-office in Avenida 24 de Julho, 12, Lisbon, Portugal, registered with the Commercial Registry Office of Lisbon under no. 500 697 256, with a fully paid-up share capital of €3,656,537,715;
EDP Offer	The public, general and voluntary tender offer to acquire all the ordinary, dematerialized and nominative shares, with the nominal value of €1 (one euro) each, representing the share capital of EDP, which are not attributed to the Offeror, and are admitted to trading on the Euronext Lisbon regulated market;
EDP Renováveis or Target Company	EDP Renováveis, S.A., a company incorporated and existing under the Spanish Law, with head office at Plaza de la Gesta, Nº 2, Oviedo, Spain, with the share capital of €4.361.540.810, registered in the Commercial Register (*Registo Mercantil*) of Asturias, tome 3.671, book 177, sheet N. AS –

	37.669., with the tax identification number A-74219304;
Euronext Lisbon	The regulated market of securities in Portugal, managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.;
Offer or OPA or Tender Offer	The public, general and mandatory tender offer to acquire the Shares Subject to the Offer, preliminarily announced by CTG on May 11th 2018 as amended on May 16th 2018;
Offeror or CTG	China Three Gorges (Europe) S.A.; with registered office at 10B, Rue des Mérovingiens, L – 8070 Bertrange Luxembourg;
Preliminary Announcement	The preliminary announcement of the Offer prepared by CTG and published on May 11th 2018 and amended on May 16th 2018;
Report	The present report of the Board of Directors regarding the opportunity and the conditions of the Offer, prepared under the terms and for the effects of article 181 of the CVM;
Rothschild	N M Rothschild & Sons Limited, with offices at New Court, St Swithin's Lane, London EC4N 8AL, United Kingdom;
Share or Shares	Respectively, each one of, or the 872,308,162 (eight hundred and seventy two million, three thousand and eight, one hundred and sixty two) ordinary, nominative and dematerialized shares, with the nominal value of €5 (five euros) each, representative of 100% of the share capital of EDP Renováveis, which are admitted to trading on Euronext Lisbon;
Shares Subject to the Offer	The Shares that are not held (i) by the Offeror, directly or through people or entities related to the Offeror pursuant to the terms of article 20, no. 1 of the CVM, at the time of launch of the Offer, nor (ii) by entities that undertake not to tender their Shares in the Offer by accepting to block such Shares until the end of the Offer period (according to the Offer documents);
VWAP	Volume weighted average price.

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1. Executive summary

1.1. This Report has been prepared by the Board of Directors of EDP Renováveis, under the terms of no. 1 of article 181 of the CVM, on the Draft Announcement of the Offer and Draft Prospectus of the Offer with regard to the General and Mandatory Tender Offer over the Shares issued by EDP Renováveis, to be launched by CTG.

1.2. As indicated in the draft Offer documents, the Offer is subject to a set of conditions, which includes the launch and successful completion of the EDP Offer over the shares representing the share capital of EDP, which holds 720,191,372 shares of EDP Renováveis, equivalent to 82.6% of EDP Renováveis share capital and voting rights, and further to all the conditions of that public tender offer being met. Such conditions include the acquisition by the Offeror of a number of shares of EDP that added to those held by the Offeror or by companies under a control or group relation *(relação de domínio ou de grupo)* represent, at least, 50% (fifty per cent) of the voting rights in EDP plus 1 (one) voting right.

1.3. The Offer is a mandatory offer as a result of the Offeror's holding of shares in EDP following a successful completion of the EDP Offer pursuant to no. 1 of article 187, of the CVM.

1.4. The consideration of the Offer is €7.33 per share, representing the VWAP of EDP Renováveis share, traded on Euronext Lisbon in the six months preceding the Preliminary Announcement, being the minimum requirement set out in no. 1 of article 188 of the CVM.

1.5. The consideration of the Offer (€7.33 per share) represents a discount of 6.6%, rather than a premium, versus the closing share price prior to the Preliminary Announcement (€7.85); a discount of 6.5% to equity research analysts' price targets; a discount to comparable trading multiples of listed companies; and a discount to comparable renewable takeover offers in Europe for minority stakes.

Therefore, the EDP Renováveis Board of Directors considers that the consideration of the Offer does not adequately reflect the value of EDP Renováveis.

In addition, the Board of Directors considers that the Offer does not reflect the improved market environment and better prospects in EDP Renováveis' main markets, over the last twelve months, namely the clarification of the tax reform impacts in the United States. During this period, EDP Renováveis continued to make strong progress on the execution of its Business Plan 2016-20, already securing more than 90% of its capacity targets for 2020, surpassing its efficiency goals, and demonstrating strong cash generation capability, having at the same time already secured additional projects for post-2020.

1.6. As the Offer is a mandatory offer, EDP Renováveis Board of Directors acknowledges that the proposed consideration corresponds to the minimum consideration admissible under the terms of article 188 of the CVM.

1.7. **The Offer and the EDP Offer are related, and considering that EDP Renováveis, in 2017, accounted for 39% of EDP Group recurring EBITDA, the successful outcome of both the Offer and EDP Offer would involve the acquisition of EDP Renováveis without incorporating a premium to the minority shareholders of EDP Renováveis.**

1.8. The articulation of the Offer with the EDP Offer, as proposed by the Offeror, entails the periods of the Offer and of the EDP Offer being sequential, and not simultaneous, meaning that the Offer period would only start after the successful closing of the EDP Offer.

The Board of Directors considers that it is of utmost importance to clarify the Offer timeline so that there is a clear understanding of the process, ensuring that shareholders are protected and able to maximize value.

1.9. The Board of Directors notes that it is an intention of the Offeror to continue the business of EDP Renováveis and its subsidiaries as a going concern, and the Offeror mentions, in the Draft Prospectus that "*In relation to the Target Company, the Offeror intends to maintain its autonomous status, as well as the current strategic line in respect of its activities. No substantial changes are expected regarding the business and activity of the Target Company*".

However, given EDP Renováveis portfolio's global nature, the Offer is subject to several regulatory conditions and authorizations. EDP Renováveis' Board of Directors recognises that the time required to obtain such regulatory and market clearance may be considerable, and since the relevant authorities have powers to impose remedies and mitigations measures, such proceedings may have implications in the Offer.

This may be most relevant in the United States, where remedies and/or mitigation measures may be imposed by CFIUS and/or FERC. Taking into consideration the significance of the United States platform to EDP Renováveis, these eventual remedies and/or mitigation measures may potentially impact EDP Renováveis' strategy and growth prospects.

It is not clear from the Draft Prospectus of the Offer what are the Offeror's intentions in case such measures are imposed, which will be critical to understand the potential impact to the value of EDP Renováveis shareholders.

1.10. In the event that, as a result of the Offer, the Shares held by the Offeror and any person or entity related to the Offeror as set out in no. 1 of article 20 of the CVM exceeds 90% (ninety per cent) of the voting rights corresponding to the share capital of the Target Company, the Offeror does not intend to request to the CMVM the loss of public company status (*perda de qualidade de sociedade* *aberta*) in accordance with no. 1 a) and no. 2 of article 27 of the CVM, nor the withdrawal of the Shares of the Target Company from trading on Euronext Lisbon.

It is also stated in the Draft Prospectus that regardless of the number of Shares purchased, i.e., even in the event of the Shares held by the Offeror exceeding 90% of the voting rights corresponding to the share capital of EDP Renováveis, the Offeror does not intend to use the legal entitlement to squeeze-out the remaining minority shareholders.

1.11. In the preparation of this Report the Board of Directors sought the advice of Rothschild regarding financial aspects of the Offer, and DLA Piper regarding legal matters, while adopting a position of neutrality towards the Offer, that it deems to be in line with its fiduciary duties towards the shareholders, the employees and other stakeholders of EDP Renováveis.

1.12. Recommendation

Given all the above, EDP Renováveis Board of Directors recommends not to accept the Offer price. At the same time the potential regulatory implications and outcomes, in particular those that may affect the United States business, are not clear and may impact EDP Renováveis strategy and growth prospects. Furthermore the Board of Directors considers that the proposed Offer timeline may not be in the best interest of EDP Renováveis shareholders and should be clarified.

2. The Offer

The share capital of EDP Renováveis is of € 4,361,540,810, represented by 872,308,162 (eight hundred and seventy two million, three hundred and eight thousand, one hundred and sixty-two) Shares, with the nominal value of € 5 (five euros) each, which are admitted to trading on Euronext Lisbon.

On the basis of the Preliminary Announcement, the Shares Subject to the Offer should not exceed 152,116,790 (one hundred and fifty-two million, one hundred and sixteen thousand, seven hundred and ninety) Shares representing 17.44% of EDP Renováveis' share capital and voting rights, as detailed below.

2.1. Offeror

The Offeror is China Three Gorges (Europe) S.A., a *société anonyme* with its head office at 10B, Rue des Mérovingiens, L – 8070 Bertrange, Luxembourg, registered with the Commercial Registry Office of Luxembourg under no. B164928, with a fully paid-up share capital of € 641,000,000.

The Offeror is ultimately held by China Three Gorges Corporation through its wholly-owned subsidiaries China Three Gorges International Corporation and China Three Gorges (Hong Kong) Company Limited. China Three Gorges Corporation is a state-owned enterprise of People's Republic of China. According to CMVM, for the purposes of attribution of voting rights and obligation to launch a tender offer (articles 16 and 187 of the CVM) the voting rights of the Offeror in EDP Renováveis will be attributed to the Offeror and also to the People's Republic of China.

In the Preliminary Announcement, the Offeror states that, as at the date thereof, it did not hold any Shares in EDP Renováveis and that, as far as the Offeror is aware, no voting rights were attributed to it either directly or through people or entities related to the Offeror pursuant to the terms of no. 1 of article 20 of the CVM. Assuming the verification of the Condition of Launch of the Offer, and that there will be no increase or decrease in the shareholding of EDP in EDP Renováveis, upon the launch of this Offer, the voting rights inherent to 720,191,372 Shares, representing 82.56% of EDP Renováveis' share capital and voting rights, held by EDP, shall be attributed to the Offeror.

The Draft Prospectus of the Offer does not seem to identify all entities that are related to the Offeror pursuant to the terms of article 20, no. 1 of the CVM, *e.g.* board members of other entities within the CTG group.

It should also be referred that, as of the present date, EDP Renováveis does not hold any own Shares.

2.2. Qualification of the Offer

The Offer is general and mandatory with the Offeror undertaking, in accordance with the Offer documents, to acquire the Shares Subject to the Offer which are the object of a valid acceptance.

2.3. Financial intermediaries

The financial intermediary acting on behalf of the Offeror and providing assistance services in relation to the Offer, in accordance with and for the purpose of no. 1, paragraph b) of article 113 of the CVM is Banco Comercial Português, S.A., with its head office in Praça D. João I, 28, 4000-295 Oporto, Portugal, registered with the Commercial Registry Office of Oporto under no. 501525882, with a share capital of € 5,600,783,053.72, acting through its investment banking division, Millennium Investment Banking.

2.4. Shares Subject to the Offer, limitations and conditions

According to the Offer documents, the Shares Subject to the Offer are the Shares that are not held (i) by the Offeror, directly or through people or entities related to the Offeror pursuant to the terms of no. 1 of article 20 of the CVM, at the time of launch of the Offer, nor (ii) by entities that undertake not to tender their Shares in the Offer by accepting to block such Shares until the end of the Offer period.

Assuming the verification of the condition provided in paragraph 13 (b) of the Preliminary Announcement and that there is no increase or decrease in the shareholding of EDP in EDP Renováveis, upon the launch of this Offer, the voting rights inherent to 720,191,372 Shares, representing 82.56% of EDP Renováveis' share capital and voting rights, held by EDP, shall be attributed to the Offeror pursuant to the terms of no. 1 of article 20 of the CVM.

As a result, the Shares Subject to the Offer should not exceed 152,116,790 (one hundred and fifty-two million, one hundred and sixteen thousand, seven hundred and ninety) Shares representing 17.44% of EDP Renováveis' share capital and voting rights.

The acceptance of the Offer is limited to the Shares that at the date of settlement of the Offer are fully paid up and free of any encumbrance or other limitation over themselves or their underlying rights, notably economic and/or political rights and their ability to be transferred, including when such limitation to the transfer arises from the blocking of the Shares in a securities account by initiative of their owner, in accordance with the terms of no. 2, a) of article 72 of the CVM.

The acceptance of the Offer by its addressees is subject to compliance with the relevant legal and regulatory requirements, including those set out in foreign law to which the Offer addressees may be subject.

Other than the Shares, EDP Renováveis has not issued securities with the nature of the securities mentioned in no. 1 of article 187 of the CVM.

According to the Offer documents, the launching of the Offer is subject to:

(a) the granting of previous registration of the Offer with the CMVM;

(b) (i) the launch of the EDP Offer, and (ii) to all the conditions of the EDP Offer being verified ("**Condition of Launch of the Offer**"), including the acquisition by the Offeror, up to the term of such offer's period and within such offer, of a number of shares of EDP that added to those held by the Offeror or by companies under a control or group relation (*relação de domínio ou de grupo*) represent, at least, 50% (fifty per cent.) of voting rights in EDP, plus 1 (one) voting right (or the waiver by the Offeror of such condition to the EDP Offer's success, provided that, in case such condition is waived and upon the successful completion of that offer, the Offeror is subject to the duty to launch a tender offer over the Shares of EDP Renováveis pursuant to article 187, no. 1, of the CVM ("**Condition of Success of the EDP Offer**");

(c) the granting of all approvals and administrative authorisations that are required in accordance with Portuguese law or an applicable foreign law, for the acquisition of the target Shares and, indirectly, of the shares held by EDP Renováveis and of the shares and/or of the assets held by the EDP Renováveis' subsidiaries, including:

    (i) applicable merger control clearances, namely (*a*) a decision from the Portuguese Competition Authority stating that the Offer does not fall within the scope of Law no. 19/2012, of 8 May (Portuguese Competition Law), or a decision from the European Commission stating that the Offer does not fall within the scope of Regulation no. 139/2004 (European Merger Control Regulation), as applicable; or (*b*) a decision from the Portuguese Competition Authority or the European Commission, declaring the transaction compatible with the Portuguese Competition Law or the European Merger Control Regulation, as applicable; or (*c*) the absence of a decision by the Portuguese Competition Authority or the European Commission within the prescribed term under the Portuguese Competition Law or the European Merger Control Regulation, as applicable;

(ii) confirmation by the Portuguese Government that it will not oppose the EDP Offer, as outlined in the respective Preliminary Announcement disclosed on 11 May 2018 (and, therefore, including a non-opposing position in relation to this Offer) under and pursuant to article 5 of Decree-Law 138/2014, of 15 September, either through an explicit decision or by absence of a decision upon the expiry of the applicable waiting period;

(iii) the granting of approval by the Committee on Foreign Investment in the United States ("CFIUS") that is not subject to mitigation measures, unless such mitigation measures are accepted by the Offeror;

(iv) the granting of a final order by the Federal Energy Regulatory Commission of the United States of America ("FERC") authorising the acquisition, as proposed herein and without modification;

(v) The granting of an authorisation by the President of the Polish Energy Regulatory Office (*Prezes Urzędu Regulacji Energetyki*) or confirmation by said President of such authorisation not being required;

(vi) the granting of a *rescrit* (written ruling) by the French Ministry of Economy and Finance confirming that the Offer is not subject to approval under French foreign investment regulations and, if it is subject to said regulations, the granting of authorisation by the French Ministry of Economy and Finance for the Offer to proceed;

(vii) the granting of authorisation for the Offer to proceed by the Romanian Supreme Council of National Defence ("SCND"), or confirmation by the SCND of such authorisation not being required;

(viii) the granting of an authorisation by the Port Authority of Gijón for the Offer *vis-à-vis* the indirect change of control in Hidroeléctrica del Cantábrico, S.A. in connection with the public domain concessions granted by said authority, or confirmation by the Port Authority of said authorisation not being required;

(ix) the granting of an authorisation by the Port Authority of Avilés for the Offer *vis-à-vis* the indirect change of control Hidroeléctrica del Cantábrico, S.A. in connection with the public domain concessions granted by said authority, or confirmation by the Port Authority of Avilés of said authorisation not being required;

(x) the granting of clearance to the Offer by the Brazilian competition authority (*Conselho Administrativo da Defesa Econômica* or "CADE"), or confirmation by CADE of said authorisation not being required;

(xi) the granting of clearance to the Offer by the Brazilian National Agency of Electric Energy (*Agência Nacional de Energia Elétrica* or "ANEEL"), or confirmation by ANEEL of said clearance not being required;

(xii) the explicit or silent (to the extent permitted by Canadian Law) non-rejection of the Offer upon completion of the relevant review by the Investment Review Division (Investment Canada) under the direction of the Minister of Innovation, Science and Economic Development;

(xiii) the granting of clearance to the Offer by the Canadian Federal Competition Bureau ("FCB") or confirmation by FCB of said authorisation not being required, or alternatively, the obtaining of an advance ruling certificate by the FBC attesting that no filing before the FCB with respect to the Offer is required;

(xiv) the granting of clearance to the Offer by the Canadian Independent System Electricity Operator ("IESO") or confirmation by IESO of said authorisation not being required;

(xv) any other authorisations or consents required to ensure the validity and enforceability of the Shares' transfer.

The Offer documents state that the Offeror reserves the right to waive any or all of the conditions set out above – the Offeror has given no indication as to what conditions could be waived and under what terms.

A more detailed assessment on the regulatory conditions to which the Offer is subject is made in sections 2.5 and 5.3 below.

Additionally, the Offer documents include several assumptions on which the Offeror claims to have based its decision to launch the Offer, which notably include the assumptions that, between the date of the Preliminary Announcement and the term of the Offer Period:

(i) no material change in the Portuguese or foreign financial markets and their financial institutions occurs that is not anticipated by the scenarios officially disclosed by the Eurozone authorities and that has a material negative impact on the Offer or in EDP Renováveis (on a consolidated basis) thus exceeding the risks inherent to it;

(ii) that the acquisition of control of EDP Renováveis by the Offeror as a result of the Offer does not trigger the obligation, under any applicable law, for the Offeror to launch a mandatory tender offer over shares or any other securities of any entity; and

(iii) that, except in relation to the information available in the accounting documentation of the Target Company prior to the date hereof and to the information that has been disclosed by the Target Company also up to this date, there is not any provision of any agreement, contract or other instrument to which the Target Company or companies, with head-offices in Portugal or abroad, in a control or group relation (the first and the latter hereinafter referred to as “members of the Group of the Target Company”) are a party to pursuant to which, as a result of the launching of the Offer or of the acquisition or proposal to acquire, all or part, of the Shares by the Offeror and with a material impact on the patrimonial, economic and financial situation of the Target Company on a consolidated basis:

(a) any loan or debt of any members of the Group of the Target Company that is not yet immediately due, becomes due or may be declared as immediately due or the ability of any of those members to contract loans or debts is withdrawn or limited;

(b) is permitted the creation of (or becomes effective) any rights or encumbrances for the benefit of third parties over all or part of the business or assets of any member of the Group of the Target Company;

(c) any agreement, right or obligation of any member of the Group of the Target Company terminates or is negatively modified or affected;

(d) the interest or the business of the Offeror, of companies (with head-offices in Portugal or abroad) in a control or group relation (*relação de domínio ou de grupo*) with the Offeror or of a member of the Group of the Target Company in or with, respectively, any person, firm, company or body terminates or is materially and negatively modified or affected;

(e) any member of the Group of the Target Company ceases to be able to carry out its business using its current name.

2.5. Condition of success of the EDP Offer as a condition of launch of the Offer

The articulation of the Offer with the EDP Offer, as proposed by the Offeror, entails the periods of the Offer and of the EDP Offer being sequential, and not simultaneous, meaning that the Offer period would only start after the successful closing of the EDP Offer.

The Board of Directors considers that it is of utmost importance to clarify the Offer timeline so that there is a clear understanding of the process, ensuring that shareholders are protected and able to maximize value.

2.6. Consideration

The offered consideration is € 7.33 (seven euros and thirty-three cents) for each Share, deducting any (gross) amount that is attributed to each Share whether as dividend, advance for account of profit or distribution of reserves; such deduction to be made from the moment when the right to the relevant amount has been detached from the Shares if the detachment occurs prior to the financial settlement of the Offer.

According to the Preliminary Announcement, the offered consideration complies with the criteria set out in article 188 of the CVM, given that:

(a) Neither the Offeror nor any of the persons who share with it any of the connections set forth in no. 1 of article 20 of the CVM, have acquired any Shares in the six months immediately prior to the date of the Preliminary Announcement; and

(b) It is equal to the VWAP of the Shares on Euronext Lisbon, during that same period, rounded upwards to the closest cent of euro.

2.7. Term

Pursuant to the Draft Announcement of the Offer and the Draft Prospectus of the Offer, it is proposed a term for the Offer of two weeks as from the launch of the Offer that will take place after the registration of the Offer by CMVM.

2.8. Delisting from Euronext Lisbon, Loss of Public Company Status and Squeeze-Out

The Draft Prospectus states that the Offeror does not intend to delist EDP Renováveis from Euronext Lisbon or request the loss of public company status. It is also stated that regardless of the number of Shares purchased, i.e., even in the event that the Shares held by the Offeror exceed 90% of the voting rights corresponding to the share capital of EDP Renováveis, the Offeror does not intend to squeeze-out the remaining minority shareholders.

In light of the Spanish nationality of EDP Renováveis, Spanish law (*Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores*) is applicable in the context of the Offer. Pursuant to this law, the Offeror may exercise its right to trigger a compulsory acquisition of the Shares held by those shareholders who initially decided not to tender their Shares within the Offer at a price equal to the Offer consideration (*squeeze-out right*), if, cumulatively:

(a) following the Offer, the Offeror ends up holding at least 90% (ninety percent) of the voting share capital of EDP Renováveis, including both the Shares already held by the Offeror before submitting the Offer and the Shares acquired within the Offer itself; and

(b) the Offer is accepted by shareholders who represent at least 90% (ninety percent) of the Shares Subject to the Offer.

Likewise, under the same conditions, those shareholders who decided not to tender their Shares within the Offer and remain at EDP Renováveis as shareholders will have the right to request from the Offeror the forced purchase of their Shares at a price equal to the Offer consideration (*sell-out right*).

The maximum period to require the squeeze-out or sell-out is three months following the expiration of the acceptance period of the Offer.

According to the above, if the Offeror becomes the holder of all EDP Renováveis Shares as a consequence of the sell-out transactions described above, the shares of EDP Renováveis will be delisted as from the settlement of the last sell-out transaction.

It should be noted that the Offeror only expresses its intentions rather than commitments in the Offer documents.

3. Board of Directors

As of the date of this Report, the management of EDP Renováveis is carried out by a Board of Directors composed of seventeen members: a Chairman (non-executive), four executive members (one of whom is the Vice-Chairman and has the position of Chief Executive Officer) and twelve non-executive members.

The current mandate for the Board of Directors extends from April 9th 2015 to April 9th 2018 except in relation to director Francisco Seixas da Costa, whose mandate began on April 14th 2016 and ends on April 14th 2019.

However, according to Article 222 of the restated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July (*texto refundido de la Ley de Sociedades de Capital, aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*, the appointment of EDP Renováveis' current directors will not expire until the date on which EDP Renováveis' Extraordinary General Shareholders' Meeting, to decide inter alia on the new composition of the Board of Directors, is held on June 27th 2018 or on July 6th 2018, should such meeting be held on second call.

The table below identifies the directors of EDP Renováveis, their title and connections to any entity that has specific interests in the Offer, significant shareholders or entities related with them in any form referred in articles 20 and 21 of the CVM.

Table 1: Directors of EDP Renováveis

Identification	Position	Term of Mandate	Independence / Relations[1]
António Mexia	Chairman of the Board of Directors Non-Executive Director	04/09/2018	With connections to EDP
João Manso Neto	Vice-Chairman and Chief Executive Officer Executive Director	04/09/2018	With connections to EDP
João Paulo Costeira	Executive Director	04/09/2018	With connections to EDP
Duarte Bello	Executive Director	04/09/2018	With connections to EDP
Miguel Ángel Prado	Executive Director	04/09/2018	With connections to EDP

[1] This independence criteria does not prejudice the assessment or the binding of EDP Renováveis and its Board of Directors to any other independence criteria that may be applicable.

Identification	Position	Term of Mandate	Independence / Relations[1]
Nuno Alves	Non-Executive Director	04/09/2018	With connections to EDP
Manuel Menéndez Menéndez	Non-Executive Director	04/09/2018	With connections to EDP
João Lopes Raimundo	Non-Executive Director	04/09/2018	Independent
João Manuel de Mello Franco	Non-Executive Director	04/09/2018	Independent
Jorge Santos	Non-Executive Director	04/09/2018	Independent
Gilles August	Non-Executive Director	04/09/2018	Independent
Acácio Piloto	Non-Executive Director	04/09/2018	Independent
António Nogueira Leite	Non-Executive Director	04/09/2018	Independent
José Ferreira Machado	Non-Executive Director	04/09/2018	Independent
Allan J. Katz	Non-Executive Director	04/09/2018	Independent
Francisca Guedes de Oliveira	Non-Executive Director	04/09/2018	Independent
Francisco Seixas da Costa	Non-Executive Director	04/14/2019	Independent

4. Board of Directors position on the Offer

The Board of Directors of EDP Renováveis has made an analysis and assessment of the Draft Announcement of the Offer and of the Draft Prospectus of the Offer and prepared this Report considering the price and the conditions of the Offer along with possible repercussions of the Offer for EDP Renováveis, namely its portfolio, business plan and stakeholders.

In preparing this Report, the Board of Directors sought the advice of Rothschild regarding financial aspects of the Offer, and DLA Piper regarding the legal matters.

4.1. Consideration of the Offer

The Board of Directors, in preparing its opinion, considered data from the capital markets, as detailed in the following sections:

- Evolution of the EDP Renováveis's share price;
- Equity research analysts' perspectives on EDP Renováveis's share price;
- Multiples of comparable listed companies; and
- Comparable transactions in Europe.

4.1.1. Evolution of the price of the Shares

The share price of EDP Renováveis has evolved positively over the last twelve months, increasing by +12%. The consideration represents a discount of 6.6% over the closing share price prior to the Preliminary Announcement (€7.85), and is equal to the previous six month VWAP on Euronext Lisbon (€7.33). The consideration (€7.33) also represents a discount when compared with the one month and three month VWAP prices of 7.8% and 4.4%, respectively.

Graph 1: EDP Renováveis Share Price Evolution[2]

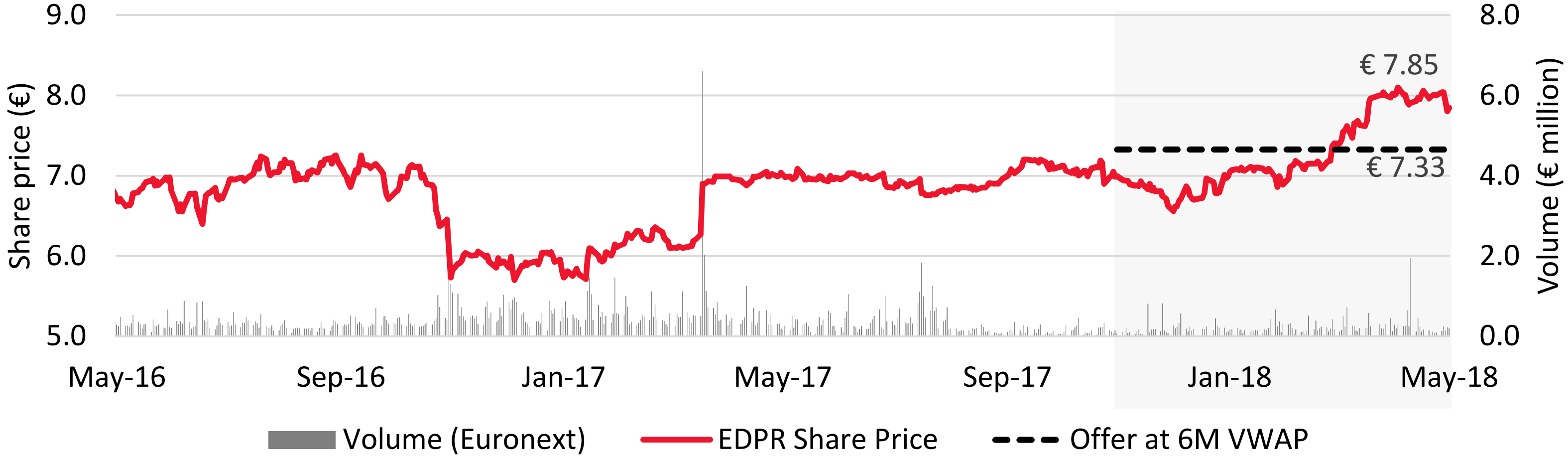


Table 2: CTG Offer[3]

	€ per Share	%Premium / (Discount)
Offer per share	7.33	
Previous close share price	7.85	(6.6)
1M VWAP (11/04/2018 - 11/05/2018)	7.95	(7.8)
3M VWAP (09/02/2018 - 11/05/2018)	7.67	(4.4)
6M VWAP (10/11/2018 - 11/05/2018)	7.33	-

In terms of Enterprise Value by MW (EV/MW), the value of the Offer corresponds to a multiple of 1.07x[4] which is below the average of the market multiple over the last twelve months, and that at the market close prior to the Preliminary Announcement, both of 1.11x[5].

[2] Source: Euronext; Bloomberg
[3] Source: Euronext
[4] EV calculated as per methodology in Annex B and MW as of March 31st 2018 (11.0 GW)
[5] EV calculated as per methodology in Annex B and MW as of March 31st 2018 (11.0 GW)

On March 27th 2017 EDP announced a Tender Offer over the shares issued by EDP Renováveis, which closed on August 8th 2017, with EDP increasing its stake from 77.54% to 82.56%. The Offer price was €6.80 per share (equivalent to €6.75 ex-dividend), representing a premium of 9.7% over the closing share price of the stock on the day prior to the day of the preliminary announcement (€6.20).

The Board of Directors recognises that since EDP's Offer over EDP Renováveis capital markets have performed positively. Over the last twelve months EDP Renováveis's Shares increased c.12%, in line with average of main market indices.

Table 3: Last 12 months capital markets performance[6]

	Performance (%)
EDP Renováveis	12.4
Indices Average	11.8
PSI 20 Index	*7.2*
EuroStoxx Utilities	*7.2*
S&P 500	*14.1*
Dow Jones	*18.8*

Over this period, EDP Renováveis made strong progress in the execution of its Business Plan in an improved market environment. As at the date hereof, EDP Renováveis has executed or secured more than 90% of its 3.5 GW cumulative target capacity additions for the period, which compares with 65% as of March 2017. The increased Business Plan execution was underpinned by EDP Renováveis growth in the United States, through secured power purchase agreements ("PPAs") and Tax Equity financing, along with the clarification of the tax reform which removed uncertainties regarding the future of the United States renewable energy market. As at May 11th 2018, EDP Renováveis had already secured additional projects for post-2020, namely 218 MW PPAs for wind onshore projects in Brazil, a contract-for-difference for an offshore project in the United Kingdom (950 MW; EDP Renováveis has a 57% equity stake), and a 200 MW PPA for a solar power plant in the United States, as announced on December 20th 2017, on September 11th 2017 and on April 6th 2018, respectively. As a result of the continued execution of its Business Plan, in 2017 EDP Renováveis reached an EBITDA of €1,366 million, an increase of 17% versus 2016, and an Adjusted Net Income of €226 million, the highest ever achieved by it and representing an increase of 36% versus 2016, as

[6] Source: Bloomberg

announced in February 27th 2018.

In addition to the stock performance a liquidity analysis was also conducted. EDP Renováveis stock registered an average daily trading volume of 1.2 million shares in 2018 (from January 1st 2018 until May 11th 2018), corresponding to an average daily turnover of €9 million. Although such daily turnover may represent a low liquidity of EDP Renováveis stock, it continues to be within the average daily turnover traded over the last five years.

Table 4: EDP Renováveis - volume and turnover evolution[7]

EDP Renováveis	Jan-May 2018	2017	2016	2015	2014	2013
Total traded volume: Listed & OTC (million)	110.3	421.9	291.1	289.2	396.8	448.2
…of which in Euronext Lisbon (million)	22.3	101.6	103.5	109.7	149.5	200.3
Average daily volume (million)	1.2	1.6	1.1	1.1	1.6	1.8
Turnover (€million)	818.9	2,827.1	1,828.3	1,824.1	1,976.4	1,759.2
Average daily turnover (€million)	9.0	11.1	7.1	7.1	7.8	6.9
Capital rotation (% of total shares)	13	48	32	33	46	51
Capital rotation (% of free-float)	73	277	141	148	205	229

4.1.2. Equity research analysts' perspectives over the price of the Shares

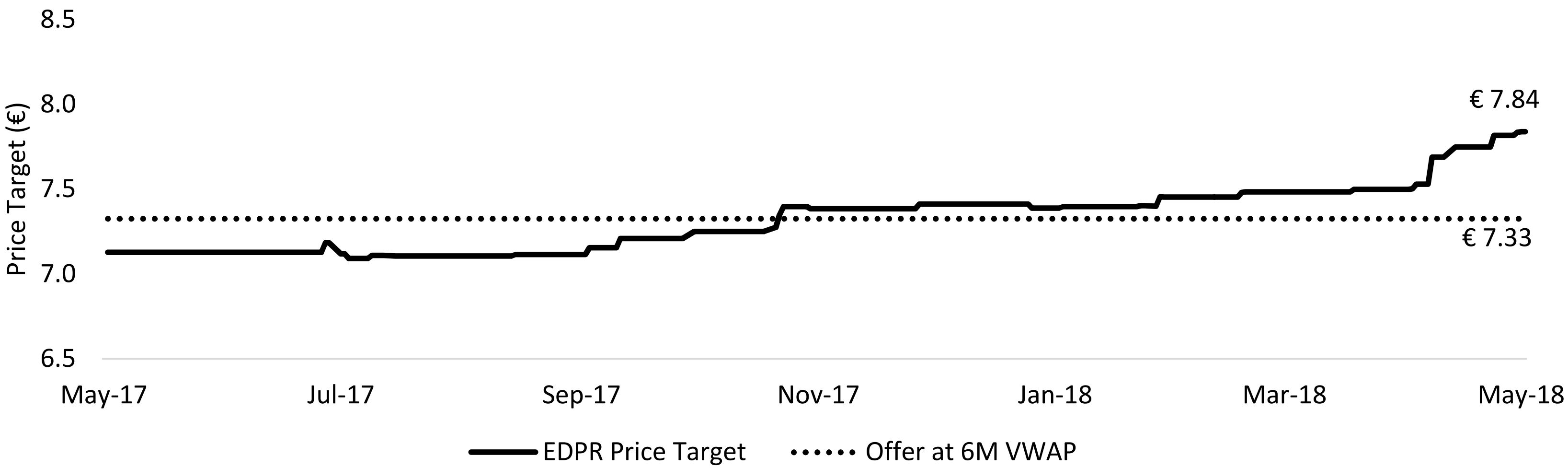
The Board of Directors also considered the evaluations of EDP Renováveis carried out by equity research analysts. Reports prepared by 23 entities with valuations based on methodologies such as Discounted Cash Flow ("DCF") and market multiples were consulted. EDP Renováveis recorded a positive price target evolution over the last twelve months reaching a positive performance of 10%, which was supported by analysts' views on its growth, balance sheet optimization and cash generation.

Prior to the Preliminary Announcement, the average of these valuations was €7.84 per Share, in a range between €6.90 and €9 per share[8]. When compared to analysts' average price targets, the Offer consideration is 6.5% lower. Out of the 23 broker reports reviewed, 19

[7] Source: Bloomberg; Jan-May 2018 comprises dates from January 2nd to May 11th
[8] Note: Valuations carried out by analysts have different time horizons, mostly referring to December 2018. A direct comparison with the Offer needs to consider time frame adjustments.

presented a higher trading target price than the Offer price.

Graph 2: EDP Renováveis Equity Analysts' price target evolution[9]



In addition, EDP Renováveis target price premium to share price over the last twelve months (4%) is lower than the average target price premium to share price of its peer group over the same period (8%), despite potential upsides from M&A speculation.[10]

Table 5: EDP Renováveis – price target per broker[11]

Broker	Rating	Date	Price Target (€)
AXIA	Neutral	08/11/2017	8.00
BBVA	Outperform	05/02/2018	7.72

[9] Source: Euronext; Bloomberg; Analysts' price target evolution as per EDP Renováveis own database
[10] Target price premium to share price calculated based on data from Factset as of May 11th 2018; See annex A
[11] Source: Data collected from research published by EDP Renováveis analysts with reference as of May 11th 2018

Berenberg	Hold	17/04/2018	8.00
BNP Paribas	Neutral	10/05/2018	8.10
BofA / Merrill Lynch	Buy	23/04/2018	9.00
BPI	Neutral	01/02/2018	8.10
Bryan Garnier	Neutral	27/02/2018	6.90
Caixa BI	Neutral	04/01/2018	7.10
Citigroup	Neutral	03/05/2018	7.90
Deutsche Bank	Buy	28/02/2018	8.20
Goldman Sachs	Neutral	12/01/2018	7.60
Grupo CIMD	Reduce	09/05/2018	7.45
Haitong	Buy	06/02/2018	8.00
JBCM	Neutral	25/10/2017	8.00
JP Morgan	Overweight	01/11/2017	7.80
Kepler Cheuvreaux	Buy	13/04/2018	8.40
Macquarie	Neutral	28/03/2018	7.05
MedioBanca	Neutral	03/05/2018	8.30
Morgan Stanley	Equalweight	09/05/2018	8.00
Natixis	Neutral	12/04/2018	7.00
Santander	Buy	27/03/2017	7.70
Société Générale	Hold	09/05/2018	8.00
UBS	Buy	09/05/2018	8.00
Mean:			**€ 7.84**
Median:			**€ 8.00**

4.1.3. Comparable multiples of listed companies

With CTG's Offer price and publicly available information, EDP Renováveis presents multiples of EV/EBITDA of 9.1x, 8.5x and 8.2x for 2018, 2019 and 2020, respectively. These are at a discount to the average EV/EBITDA multiples of a basket of 11 peer group companies operating in Europe, North America and Brazil.

Table 6: Multiples EV/EBITDA – EDP Renováveis and peers [12]

Company	Price Currency	Share Price (11 May)	Market Capitalization (€million)	Enterprise Value adj. (€million)	EV/EBITDA 2018	EV/EBITDA 2019	EV/EBITDA 2020
Acciona	EUR	67.14	3,841	9,385	7.5	7.3	7.2
Falck Renewables	EUR	2.36	683	1,308	8.6	8.2	7.2
Voltalia	EUR	9.91	485	898	12.3	8.3	5.8
Orsted	DKK	400.80	22,604	25,313	8.1	10.7	10.1
Atlantica Yield	USD	20.11	1,687	6,093	9.0	8.1	7.3
Nextera Energy Partners	USD	44.27	5,770	9,293	11.2	9.9	8.9
NRG Yield	USD	17.64	1,141	6,296	7.8	7.1	7.0
Pattern Energy	USD	18.26	1,497	3,816	11.3	10.2	9.0
TransAlta	CAD	11.82	1,935	2,600	9.5	9.3	9.1
CPFL Renovaveis	BRL	15.95	1,876	3,180	9.3	8.7	8.2
Saeta Yield	EUR	12.36	908	2,279	8.6	8.6	10.1
Mean					**9.4**	**8.8**	**8.2**
EDP Renováveis	**EUR**	**7.33**	**6,394**	**12,304**	**9.1**	**8.5**	**8.2**

[12] Source: Factset and Companies Annual Reports; Adjustments methodology in Annex B

4.1.4. Recent offers

The Offer consideration, which is equal to the six month VWAP, represents a discount of 6.6% versus the closing share price prior to the Preliminary Announcement (€7.85). This is lower than the average premium to previous closing prices of 8% and lower than the average premium to six month VWAP of 16% paid in public tender offers for minority acquisitions of companies in the European renewable sector[13].

Table 7: Comparable transactions in Europe (for minority stake)[14]

Target company	Acquiror	Announcement Day	Type	1D Premium	6M VWAP Premium
Iberdrola Renovables	Iberdrola	08-Mar-11	Shares	12%	17%
EDF Energies Nouvelles	EDF	08-Apr-11	Cash or shares	9%	23%
Enel Green Power	Enel	18-Nov-15	Shares	2%	12%
EDP Renováveis	EDP	27-Mar-17	Cash	10%	11%
Average				**8%**	**16%**

In addition, the Board of Directors noted the premiums paid in transactions that resulted in a change of control in the sector.

[13] Analysis considers data on Table 7
[14] Source: Bloomberg

Table 8: Precedent transactions (with change of control[15])

Announcement date	Target	Target country	Acquiror	Acquiror country	Consideration	Status	1D Premium	6M VWAP Premium
Apr-18	Direct Energie	France	Total	France	Cash	Pending	30%	13%
Mar-18	Innogy	Germany	E.ON	Germany	Cash/Shares/Asset	Pending	28%	15%
Feb-18	Saeta Yield	Spain	TerraForm Power	Canada	Cash	Successful	20%	25%
Sep-08	British Energy	UK	EDF	France	Cash	Successful	35%	44%
Jul-08	Union Fenosa	Spain	Gas Natural	Spain	Cash	Successful	55%	30%
Mar-07	Endesa[16]	Spain	Enel/Acciona	Italy	Cash	Successful	118%	124%
Nov-06	Scottish Power	UK	Iberdrola	Spain	Cash/Shares	Successful	16%	28%
Oct-06	Viridian Group	UK	Arcapita	UK	Cash	Successful	23%	37%
Average offer with change of control							**41%**	**39%**
Average cash offer with change of control							**47%**	**46%**

4.1.5. Appreciation outline

On this basis, **the Board of Directors is of the opinion that the Offer consideration undervalues EDP Renováveis relative to current prospects based upon Business Plan 2016-20,** as the CTG Offer represents:

(i) a discount of 6.6% rather than a premium to the closing share prior to the Preliminary Announcement (€7.85);

[15] Source: Company disclosure, Dealogic, MergerMarket, Cap IQ, CNMV, Factset, Datastream; Criteria: Includes European energy utilities public transactions since 2006 where target EV size >€1bn and acquired stake >25% (all share transactions excluded) and change of control materialised
[16] Winning bid

(ii) a discount of 6.5% to equity research analysts' price targets;

(iii) a discount to multiples of comparable listed companies; and

(iv) a discount to comparable renewable offers in Europe for the acquisition of minority stake;

(v) the minimum considerations required under the terms of the article 188 of the Portuguese Securities Code.

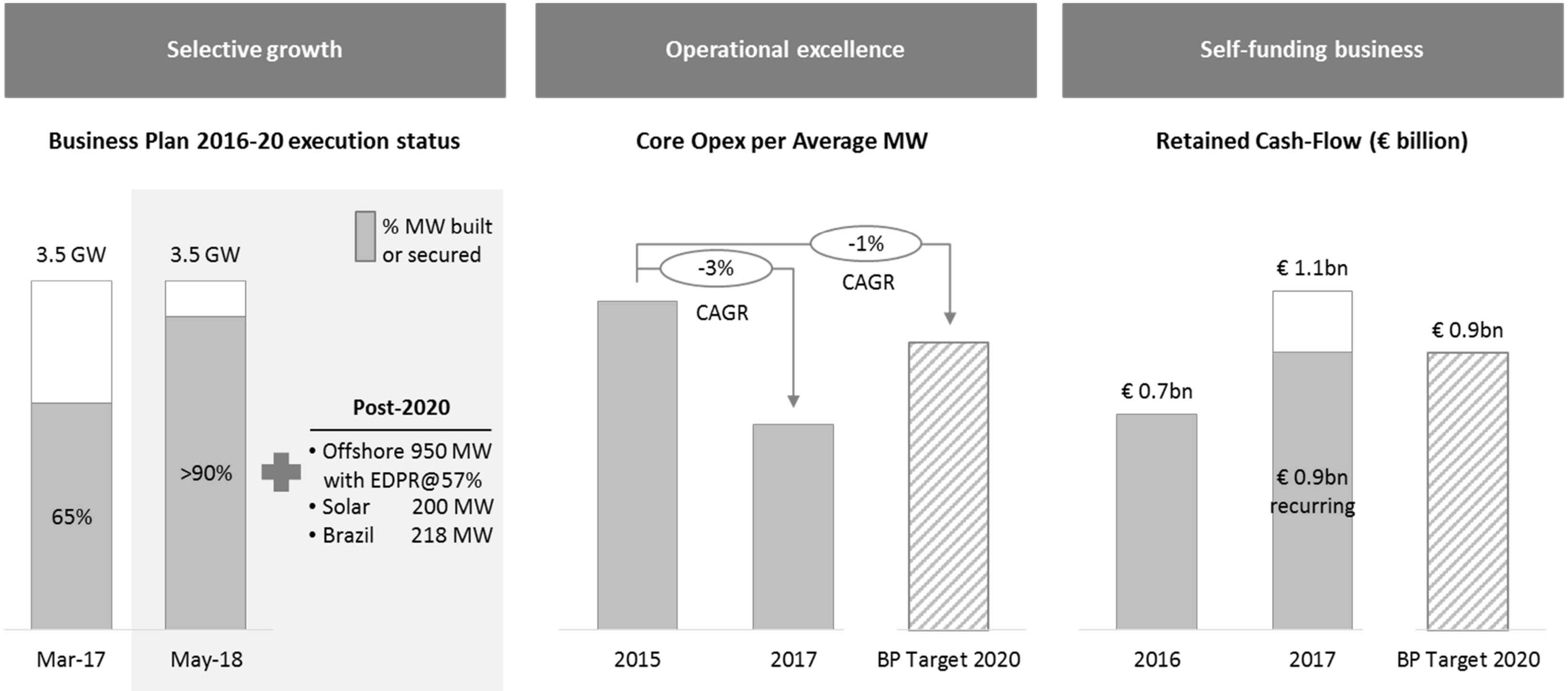
The Offer and CTG's Offer EDP are related, and taking into account that EDP Renováveis is the most considerable asset of EDP, accounting for 39% of 2017 EDP Group recurring EBITDA, the successful outcome of both the Offer and EDP Offer would involve the acquisition of EDP Renováveis without incorporating a premium to the minority shareholders of EDP Renováveis.

When comparing with the EDP Tender Offer over EDP Renováveis announced in March 2017, the Board of Directors of EDP Renováveis acknowledges that the capital markets environment and conditions have improved, namely the US tax reform clarification, and that there is today an increased visibility over Business Plan execution and prospects. In addition, as per figure 1, in terms of Selective Growth, EDP Renováveis has not only built or secured more than 90% of the 3.5 GW target cumulative capacity additions for 2016-20, but has also already secured projects for post-2020 growth, all with long-term predictable cash-flows. On the Operational Excellence pillar, EDP Renováveis achieved in 2017 better than expected 2020 metrics in terms of cost efficiency, with Core Opex per average MW in operation decreasing by 3% CAGR (2015-2017), and in terms of assets' availability EDP Renováveis was able to achieve 97.8% versus the 97.5% target, with both metrics reflecting the Company's successful Operations and Maintenance strategy. On the Self-funding business, EDP Renováveis target of €0.9 billion Retained Cash Flow[17] in 2020 was already achieved in a recurring basis in 2017, denoting assets' cash generation capabilities.

In addition to data collected from capital markets, EDP Renováveis' Board of Directors considers that the Offer does not reflect an improved market environment and the better prospects in EDP Renováveis' main markets.

[17] Retained Cash Flow is presented in Euro billions and is calculated as EBITDA adjusted by cash items and long term receivables deducting income taxes, interests, derivatives and tax equity costs along with dividends and interests to minorities

Figure 1: EDP Renováveis Business Plan execution[18]



[18] Core Opex is the sum of supplies and services (including O&M activities) and personnel costs

5. Considerations of the Offer on EDP Renováveis strategic plan

5.1. EDP Renováveis distinctive strategic agenda

EDP Renováveis Business Plan 2016-20

EDP Renováveis' Business Plan 2016-20 was presented to the financial community in May 2016, during EDP Group's Investor Day in London. This plan is an updated version of the strategic plan of 2014-17, contemplating an increase in capacity additions and a different technological mix. EDP Renováveis has developed a strategy focused on selective growth, investment in quality projects with predictable future cash flows and, based on rigorous execution supported in core competencies and integrated in a model of self-financing, aimed to accelerate value creation and generate higher profitability.

EDP Renováveis' Business Plan 2016-20 continues to be supported by a strategic agenda based on three cornerstones, namely:

a) **Selective growth:** investing in c.3.5 GW quality projects with predictable profitability and assured long-term contracts, prioritizing investment in core markets and technology diversification through the development of solar technology projects and offshore wind power;

b) **Operational excellency:** growth supported in core competencies and distinctive know-how to achieve high availability levels and load factors, maximizing the production of assets and reducing the operating costs through the implementation of operation and maintenance strategies (O&M); and

c) **Self-funding model:** the funding of EDP Renováveis's growth is largely based on the combination between the retained cash flow from operational assets, the main source of funding, and an asset rotation strategy which crystalizes the value of future cash-flows to reinvest in the development of new projects.

As shown in Figure 2, the EDP Renováveis Business Plan 2016-20 has concrete growth objectives at operational level, and EDP Renováveis is on a clear path to exceeding those goals.

Figure 2: EDP Renováveis Business Plan 2016-20 goals and achievements[19]

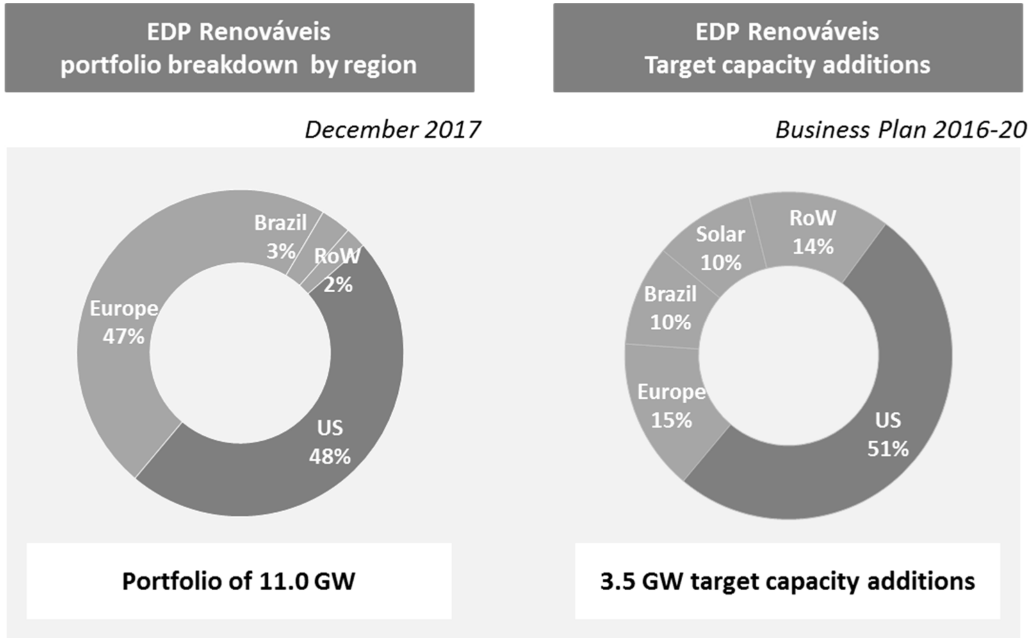
	Electricity Output CAGR	EBITDA CAGR	Retained Cash Flow	Net Profit CAGR	Dividend Pay-out
2016-20 Target Growth	10% 2015-20	8% 2015-20	€3.9 billion Cum. 2016-20	23% 2015-20	25-35% range
2016-17 Growth Achieved	**14% 2015-17**	**12% 2015-17**	**€1.8 billion Cum. 2016-17**	**45% 2015-17**	**29% Avg. 2016-17**

Asset Base and Growth Targets by Region

As of December 2017, EDP Renováveis portfolio totalled 11,007 MW, of which 10,862 MW related to onshore wind technology and the remaining 145 MW to solar PV power plants. Spread across 11 countries, EDP Renováveis portfolio has a significant concentration in the United States, where it has a portfolio of 5,055 MW including both onshore wind (4,965 MW) and solar power plants (90 MW). EDP Renováveis assets in the United States account for 48% of its total fleet and the country is the main growth driver in EDP Renováveis Business Plan 2016-20, representing 51% (1.8 GW) of the 3.5 GW target capacity additions for the period 2016-2020 (average of 700 MW per year).

[19] EBITDA and Net Profit adjusted by non-recurrent events: 2015 Adj. EBITDA: €1.0 billion; 2015 Adj. Net Profit: €108 million; 2016 Adj. EBITDA: €1.2 billion; 2016 Adj. Net Profit: €104 million; 2017 Adj. EBITDA: €1.3 billion; 2017 Adj. Net Profit: €226 million. Adj. Target Net Profit CAGR would be equivalent to 16% without asset life extension adjustment effective since January 2017.

Figure 3: EDP Renováveis' portfolio and Business Plan 2016-20 targeted growth by region[20]



5.2. Offeror intentions and strategic plans

The Offer documents state the Offeror's intention to continue the business of EDP Renováveis and subsidiaries as a going concern. The Offeror intends to maintain EDP Renováveis' autonomous status, and maintain the current strategic guidelines in respect of its activities. From the Offer documents, no substantial changes are proposed regarding the business and activity of EDP Renováveis.

The Offeror integrates CTG Group which is a world leader in the renewable energy, being the largest clean energy group in China with 70 GW of installed capacity, in 2016. The Offeror is specialized in hydropower and on the development of wind and solar power generation in

[20] RoW stands for Rest of the World and accounts for Canada and México

China and around the globe, including an important power generation platform in Brazil.

Within EDP's privatization and acquisition by CTG of a 21.35% stake in 2012, EDP and CTG signed a framework agreement for a Strategic Partnership which, at EDP Renováveis level, resulted in the successful execution of minority investments by CTG in EDP Renováveis onshore wind portfolios in Portugal, Italy, Poland, alongside with other co-investments in Brazil. In addition, EDP Renováveis and CTG signed, in October 2015, a memorandum of understanding ("MoU") for co-investments in an offshore wind project in the United Kingdom.

The Board of Directors has not received any information about the Offeror's plans in order to allow it to assess any strategic advantages of the Offer or to analyse potential implications for the EDP Renováveis investment case.

5.3. Regulatory considerations

As disclosed in the Offer documents, given global exposure of EDP Renováveis' portfolio, the EDP Offer and the Offer are subject to several regulatory conditions and authorizations. EDP Renováveis' Board of Directors recognises that the time required to obtain such regulatory and market clearance may be considerable, and that the relevant authorities have powers to impose remedies and mitigations measures. Any remedies and mitigation measures should be known upfront, if the Offeror requests and obtains the authorizations prior to the launch of the Offer, but will only be known after the Offer process, should the Offeror waive the conditions to launch the Offer.

This may be most relevant in the United States business, where remedies and/or mitigation measures may be imposed by CFIUS and/or FERC.

United States of America (CFIUS and FERC)

The Offeror has identified, as conditions to launching of the Offer, amongst others, the granting of:

(i) Approval by the Committee on Foreign Investment in the United States ("CFIUS") that is not subject to mitigation measures, unless such mitigation measures are accepted by the Offeror; and

(ii) A final order by the Federal Energy Regulatory Commission of the United States of America ("FERC") authorising the acquisition, as included in the Draft Prospectus and Draft Launch Announcement and without modification.

CFIUS is a committee comprised by the heads of major federal departments and agencies in the United States of America and is chaired by the US Secretary of the Treasury. CFIUS has authority to clear transactions that have resulted or could result in a foreign person gaining control of a United States business. Transactions not cleared by CFIUS may be susceptible to adverse government action.

In respect of the request for clearance of the transaction (the indirect acquisition of control in EDPR North America by CTG Europe pursuant to the Offer) by CFIUS, the Board of Directors is aware that the indirect transfer of ownership of EDPR North America assets to the Offeror may be subject to considerations around US national security for the electricity generation sector. In this context, there is the possibility that CFIUS may subject the Offer to heightened scrutiny, leading to a lengthy review process and potentially resulting in remedies or mitigation measures being required. There is also the possibility that the transaction is not cleared by CFIUS.

FERC is an independent agency that regulates the interstate transmission of electricity, natural gas, and oil. FERC also reviews proposals to build liquefied natural gas (LNG) terminals and interstate natural gas pipelines as well as licensing hydropower projects and reviews certain mergers and acquisitions and corporate transactions by electricity companies. FERC has powers under US federal law to authorize changes in upstream control of public utilities by assessing whether such transaction is consistent with the public interest (in relation to the transaction’s impact on competition, electricity rates and regulation).

The nature of the Offeror may determine a more thorough review of the transaction by FERC and, under certain circumstances and in conjunction with CFIUS analysis, may result in the imposition of remedies or mitigation measures.

Given the significance of the United States platform to EDP Renováveis, any remedy or mitigation measure may adversely impact EDP Renováveis’ strategy and growth prospects. It is not clear from the Draft Prospectus what the Offeror’s intentions are in case such measures are imposed, especially the potential impacts to the value of EDP Renováveis.

EDP Renováveis’ Board of Directors considers that the Offer should clarify any potential regulatory restrictions that may be imposed and what would the Offeror’s intentions be in such event(s), so that EDP Renováveis’ shareholders can make a fully informed decision regarding the Offer.

6. Considerations of the Offer over EDP Renováveis stakeholders

6.1. Considerations on the interests of EDP Renováveis' workers

In the Draft Prospectus of the Offer, the Offeror refers that *"The Offeror does not anticipate significant changes to the size of the number of employees of the Target Company. The Target Company's human resources policy will foster optimisation of resources and development of its employees, considering the need for an effective management of the Target Company, creation of value to its shareholders and stakeholders and the fulfilment of the social responsibility policy adopted by the Target Company. No material need for changes to the working conditions nor the relocation of a significant number of employees is currently anticipated."*.

In this context, although at this stage no significant changes are expected in terms of size, working condition and reallocation, in case remedies and/or mitigations measures materialise, the Board of Directors considers that any changes that would be potentially implemented (if any) should be clarified and detailed.

The Board of Directors informs that as soon as it became aware of the Preliminary Announcement it has disclosed its content to all the employees of EDP Renováveis, and did not receive from the same any opinion on the effects of the Offer on the employment.

6.2. Considerations of the Offer over the interests of the clients, creditors and other stakeholders of EDP Renováveis

The Draft Prospectus of the Offer states that the Offeror acknowledges that the Target Company has adopted best-in-class practices driven by arm's length arrangements with third party providers and that (i) the Offeror will ensure that existing relationships and obligations with third party providers are maintained and (ii) the Target Company will continue developing relationships with third party providers under market-oriented standards and best sector practices. In addition, it states that the Offeror's intention is to continue the Target Company's policy in relation to its third party providers in the context of the Target Company's international expansion.

The Draft Prospectus of the Offer further states that the financial strategy to be adopted after the Offer will be aligned with the policy followed by the Target Company by seeking financial cost reduction, maintaining an adequate working capital level and ensuring the compliance with all legal requirements. The Offeror further argues that it intends to follow a dividend policy in line with prudent financial management, such policy to be implemented taking into account and ensuring compliance with existing financial agreements, applicable laws and regulations and to provide for adequate allowance of working capital requirements and capital expenditures as well as for liabilities whether actual or contingent.

According to the Draft Prospectus of the Offer, given that the Offer will only be registered upon the successful completion of the EDP Offer and that EDP already financially consolidates EDP Renováveis, the impact of the Offer over the financial situation of the Offeror will not be significant. As the Offer will be financed with external debt, the Offeror's indebtedness will increase. The degree of such increase will depend on the acceptance level of the Offer.

The Draft Prospectus of the Offer does not include specific information on the Offeror intentions regarding clients.

7. Intention of the members of the Board of Directors who are simultaneously shareholders of EDP Renováveis, in respect of the acceptance of the Offer

No members of the Board of Directors are simultaneously shareholders of EDP Renováveis.

8. Other information

There is no additional information.

9. Information regarding the voting of this Report by the Board of Directors of EDP Renováveis

The present Report was approved in a Board of Directors of EDP Renováveis meeting held on June 8th 2018, by unanimity of the members of the Board of Directors present or duly represented.

10. Annex

A) EDP Renováveis and peers - target price premiums[21]

Company	Average Target Price Premium / (Discount) to share price		
	11 May 2018	6 Months	12 Months
Acciona	22%	22%	19%
Falck Renewables	(8%)	(0%)	5%
Voltalia	26%	25%	22%
Orsted	(4%)	(1%)	(2%)
Atlantica Yield	21%	18%	12%
Nextera Energy Partners	2%	9%	6%
NRG Yield	7%	8%	8%
Pattern Energy	18%	22%	15%
TransAlta Renewables	14%	17%	10%
CPFL Renovaveis	(24%)	(18%)	(9%)
Saeta Yield	(6%)	1%	6%
Mean	6%	9%	8%
EDP Renováveis	**(0%)**	**5%**	**4%**

[21] Source: Factset (analysis is limited by the number of broker notes made available for each company)

B) Multiples EV/EBITDA - methodology and sources

Methodology: Enterprise Value not adjusted for provisions and derivatives, in line with historical EDP Renováveis methodology

Sources: Latest company information (Q1 2018 or Q4 2017) complemented, in case Q1 2018 not granular enough to compute the adjustments, with latest available information (Q4 2017).

EV adjustments methodology	
Financial debt	
Plus	Constructed as LT and ST interest bearing liabilities
Minus	Cash, cash equivalent and other liquid financial assets
Plus	Restricted cash
Investments in associates	
Minus	Investments in affiliates and associates
Minorities	
Plus	Minority interests
Other	
Minus	Assets held for sale

EV adjustments sources		
Company	**Factset ticker**	**Report date**
Acciona	ANA-ES	31/12/2017
Falck Renewables	FKR-IT	31/12/2017
Voltalia	VLTSA-FR	31/12/2017
Orsted	ORSTED-DK	31/03/2018
Atlantica Yield	AY-US	31/03/2018
Nextera Energy Partners	NEP-US	31/03/2018
NRG Yield	NYLD.A-US	31/03/2018
Pattern Energy	PEGI-US	31/03/2018
TransAlta Renewables	RNW-CA	31/03/2018
CPFL Renovaveis	CPRE3-BR	31/03/2018
Saeta Yield	SAY-ES	31/03/2018
EDPR	EDPR-PT	31/03/2018

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