

REPORT OF THE BOARD OF DIRECTORS OF EDP RENOVÁVEIS

Prepared under the terms of number 1 of article 181 of the Securities Market Code, on the opportunity and conditions of the General and Voluntary Tender Offer over the shares issued by EDP RENOVÁVEIS, S.A., announced by EDP – ENERGIAS DE PORTUGAL, S.A. and whose Preliminary Announcement was published on 27 March 2017

(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 Espanha

Share Capital - €4,361,540,810

Registered with Registo Mercantil das Astúrias, tome 3.671, book 177, sheet no. AS – 37,669

Tax Identification Number- A-74219304

www.edpr.com

24 April 2017

Disclaimer

This Report was prepared by the Board of Directors of EDP Renováveis, S.A. under the terms of number 1 of article 181 of the Securities Code, following the analysis by the Board of Directors of EDP Renováveis, S.A. of the Draft Prospectus of the Offer and the Draft Announcement of the Offer, received on 17 April 2017, referring to the General and Voluntary Tender Offer over the shares issued by EDP Renováveis, S.A., launched by EDP – Energias de Portugal, S.A., regarding which the Preliminary Announcement was published on 27 March 2017.

This Report was prepared based on the information made available to the Board of Directors. Shareholders are advised to consider this Report within their individual decision making process over the acceptance or rejection of the offer, without prejudice of the necessary evaluation and individual and pondered judgement by each one of the shareholders.

This Report contains opinions of the Board of Directors and shall be considered as such.

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

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 present date, without prejudice to the review that might occur by virtue of a possible review of the Offer.

This document shall not be considered as including all the information provided to the market relating EDP Renováveis, S.A.. Please also refer to the prospectus of the Offer and the announcement of the Offer, as well as the previous press releases, publications and financial statements made by EDP Renováveis, S.A. which are available on www.cmvm.pt and www.edpr.com/investors/.

This document is subject to Portuguese Law.

Glossary

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 € 5.00 (five euros) each, representative of 100% of the share capital of EDP Renováveis;
Shares Subject to the Offer:	the 196,024,306 (one hundred and ninety six million, twenty for thousand and three hundred and six) ordinary, dematerialized and nominative shares, with the nominal value of € 5.00 (five euros) each, representative of approximately 22.47% (twenty two point forty seven percent) of the share capital of EDP Renováveis, which are not held by the Offeror, and are admitted to trading on the Euronext Lisbon regulated market and represent the securities subject to the Offer;
Preliminary Announcement:	the preliminary announcement of the Offer prepared by EDP and published on 27 March 2017;
CMVM:	the Portuguese Securities Market Commission (<i>Comissão do Mercado de Valores Mobiliários</i>);
CVM:	the Portuguese Securities Code (<i>Código dos Valores Mobiliários</i>), approved by the Decree-Law no. 486/99, of 13 November, as amended;
Deutsche Bank	Deutsche Bank AG, London Branch, with registered address at Winchester House, One Great Winchester Street, London EC2N 2DB, United Kingdom;
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, in Lisbon, Portugal, and DLA Piper Spain S.L.U, with head office at Paseo de la Castellana, 35 -2º 28046 Madrid, Spain.

EDP Renováveis:	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 € 4.361.540.810,00, registered in the Commercial Register (<i>Registro Mercantil</i>) 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
Mediobanca:	Mediobanca - Banca di Credito Finanziario S.p.A., with registered address at Plazetta Enrico Cuccia, 1, 20121, Milan, Italy;
Offeror or EDP:	EDP – Energias de Portugal, S.A., a public company (<i>“sociedade aberta”</i>), with head office at Avenida 24 de Julho, n.º 12, 1249-300 in Lisbon, with the legal person identification number 500697256 and the share capital of €3,656,537,715.00;
Offer or OPA:	the public, general and voluntary tender offer to acquire the Shares Subject to the Offer, preliminarily announced by EDP on 27 March 2017;
Draft Announcement of the Offer:	the draft of the launch announcement regarding the Offer that EDP delivered to EDP Renováveis on 17 April 2017;
Draft Prospectus of the Offer:	the draft of the prospectus regarding the Offer that EDP delivered to EDP Renováveis on 17 April 2017;
Report:	The present report of the Board of Directors regarding the Offer, prepared under the terms and for the effects of article 181 of the CVM;
UBS:	UBS Limited, with registered address at 5, Broadgate, EC2M 2QS, London, United Kingdom.

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1. Executive Summary

- 1.1. This Report has been prepared by the Board of Directors of EDP Renováveis, S.A., under the terms of paragraph 1 of article 181 of the CVM, on the Draft Prospectus of the Offer and Draft Announcement of the Offer with regard to the General and Voluntary Tender Offer over the Shares issued by EDP Renováveis, launched by EDP – Energias de Portugal, S.A..
- 1.2. In the preparation of this Report the Board of Directors has adopted a position of neutrality towards the Offer, that it deems in line with its fiduciary duties towards the shareholders, the employees and other “stakeholders” of EDP Renováveis.
- 1.3. In preparation of this Report, the Board of Directors sought the advice of Deutsche Bank, regarding financial aspects of the Offer, and DLA Piper regarding the legal matters. The Board of Directors also received “fairness opinions” from Deutsche Bank, Mediobanca and UBS regarding the conditions of the Offer.
- 1.4. The Board of Directors considers that the Offer, although unsolicited, is friendly, as it is made by the founding shareholder of EDP Renováveis, that has always been the holder of a position of majority control in its share capital and, in the quality of leading shareholder, has provided permanent support with an unquestionable relevance to the growth and affirmation strategy of EDP Renováveis.
- 1.5. The Board of Directors notes that it is an objective of the Offeror to ensure the continuity of EDP Renováveis’ strategic plans, and the Offeror mentions, in the Draft Prospectus of the Offer that *“the bet on the sector of the production of electric energy through renewable energy sources is one of the fundamental cornerstones of the corporate and growth strategy defined by the Offeror”*.
- 1.6. The Offeror expresses, in the Draft Prospectus of the Offer and in the Draft Announcement, that it is *“the intention of the Offeror to continue the business of the Target Company and its subsidiaries, maintaining the strategic guidelines defined by the Board of Directors of the Target Company as well as the trust in such board and its management team”* therefore the Board of Directors does not anticipate negative impacts on the execution of the business plan of EDP Renováveis or on its operational performance, and considers that the elements contained in the Offer reflect a position of strategic stability for EDP Renováveis.

- 1.7.** The Board of Directors does not anticipate the Offer to have any negative impact or to result in changes to the financing contracts of EDP Renováveis or its subsidiaries, or impact on other “stakeholders” of EDP Renováveis, including its employees.
- 1.8.** With regard to the consideration of the Offer, it represents a premium of 9.7% over the closing share price of the stock on the day prior to the day of the Preliminary Announcement and a premium of 10.5% over the weighted average share price, of the six months prior to the day of the Preliminary Announcement, by the volume of the stocks on the Euronext Lisbon regulated market, and the consideration of the Offer does not consider a premium of control since the Offeror already holds, and has always held, the shareholding control over EDP Renováveis.

Considering the visibility on the achievement of the objectives set on the business plan, EDP Renováveis’ capacity of cash generation, as well as the potential of growth of the sector, the Board of Directors is of the opinion that, although the consideration offered by the Offeror might not fully reflect the full potential value of the company in the long term, the consideration of the Offer falls within a range of valuation of the company that is considered adequate considering:

- (i) the growing competition on the sector, which stands out as one of the main challenges and uncertainties for the future;
- (ii) the potential risks arising out of the macroeconomic, legal and tax environment in the different geographies where EDP Renováveis operates;
- (iii) the metrics obtained in the capital markets, through the analysis of the performance of EDP Renováveis, the analysts estimates and the comparable multiples;
- (iv) the consideration of the Offer, represents a premium of 9.7% over the closing share price of the stock on the day prior to the day of the Preliminary Announcement and a premium of 10.5% over the weighted average share price, of the six months prior to the day of the Preliminary Announcement, by the volume of the stocks on the Euronext Lisbon regulated market;
- (v) the consideration of the Offer does not consider a premium of control since the Offeror already holds, and has always held, the shareholding control over EDP Renováveis;

(vi) the content and conclusions of the “fairness opinions” issued by Deutsche Bank, UBS and Mediobanca, that consider that the consideration of the Offer is fair from a financial point of view.

1.9. The Shareholders shall take into consideration the possible implications for the liquidity of the Shares Subject to the Offer subsequently to the Offer, namely in virtue of the possibility, expressly admitted by the Offeror, to request the withdrawal of the Shares of EDP Renováveis from trading on the Euronext Lisbon regulated market.

Still relating to this issue, it is important to stress that the Offeror states that it might exercise its right of triggering a compulsory acquisition of the Shares Subject to the Offer that are not acquired within the Offer if (i) following the Offer, the Offeror holds at least 90% (ninety percent) of the share capital with voting rights of EDP Renováveis; (ii) if the Offer is accepted by shareholders who represent at least 90% (ninety percent) of the Shares Subject to the Offer and (iii) if such right is granted under the terms of articles 47 and following of the *Real Decreto 1066/2007, de 27 de julio*, notwithstanding the Shares of EDP Renováveis not being admitted to trading in the Spanish regulated market.

Any of the above mechanisms may have an impact in the position of the shareholders that decide not to accept the Offer.

1.10. In light of the exposed in this Report, the Board of Directors recommends that each Shareholder makes its own individual decision on the acceptance, or non-acceptance, of the Offer based on their own objectives, time horizon of investment and eventual need of liquidity realization for EDP Renováveis Shares hold by them.

2. The Offer

The share capital of EDP Renováveis is of € 4,361,540,810.00 represented by 872,308,162 (eight hundred and seventy two millions, three hundred and eight thousand and one hundred and sixty two) shares, nominative and dematerialized, with the nominal value of € 5.00 (five euros) each, which are admitted to trading in the regulated market Euronext Lisbon.

2.1. Offeror

According to the information provided in the Draft Prospectus of the Offer and in the Draft Announcement, the Offeror is EDP.

It is referred in the Draft Prospectus of the Offer and in the Draft Announcement of the Offer that, to the Offeror's knowledge, are attributable to the Offeror, on the date of the release of the referred drafts, directly or according to the terms of number 1 of article 20 of the CVM, the voting rights inherent to 676,367,131 (six hundred and seventy six millions, three hundred and sixty seven thousand and one hundred and thirty one) Shares representative of approximately 77.54% (seventy seven point fifty four percent) of the share capital of EDP Renováveis.

Also according to the Draft Prospectus of the Offer and the Draft Announcement, the number of Shares attributable to the Offeror results from the sum of the 676,283,856 (six hundred and seventy six million, two hundred and eighty three thousand, eight hundred and fifty six) Shares held by the Offeror, representative of 77.53% (seventy seven point fifty three percent) of the share capital of EDP Renováveis with the 83,275 (eighty three thousand, two hundred and seventy five) Shares, representative of 0.01% (zero point zero one percent) of the share capital of EDP Renováveis held by members of the governing bodies of the Offeror and by members of the governing bodies of companies which are in a control or group relationship with the Offeror, being these Shares considered in the calculation of the votes attributable according to the terms of article 20 of CVM.

It should also be referred that, as of 21 April 2017, EDP Renováveis did not hold any own shares.

2.2. Qualification of the Offer

The Offeror qualifies the Offer as general and voluntary.

In what concerns this matter, the Offeror considers the rules set forth in article 187 of the CVM regarding the launching of a subsequent mandatory public tender offer are not applicable to it, given that the participation of the Offeror in EDP Renováveis already surpassed the threshold of 50% (fifty percent) of the voting rights before EDP Renováveis had its shares admitted to trading in the regulated market, remaining the Offeror, at the present date, the direct holder of Shares and respective voting rights representing approximately 77.53% (seventy seven point fifty three percent) of the share capital of EDP Renováveis.

2.3. Financial Intermediaries

The financial intermediaries assisting the Offeror are Banco Comercial Português, S.A., acting through its investment banking division and Banco Santander Totta, S.A., whom are vested with the necessary powers to receive the declarations of acceptance that come to be issued by any interested shareholders.

2.4. Shares Subject to the Offer, limitations and conditions

The Offer includes all the Shares Subject to the Offer.

The Offeror undertakes to, according to the terms and conditions set forth in the Draft Prospectus of the Offer and in the Draft Announcement, acquire all the Shares Subject to the Offer, i.e. the 196,024,306 (one hundred and ninety six million, twenty four thousand and three hundred and six) ordinary, dematerialized and nominative shares, with the nominal value of € 5.00 (five euros) each, representative of approximately 22.47% (twenty two point forty seven) of the share capital of EDP Renováveis, which are not held by the Offeror, and that are admitted to trading in Euronext Lisbon.

The Offer is only addressed to the Shares Subject to the Offer that, at the date of closing of the Offer, are fully paid-up, with all the inherent rights attached and free of any encumbrances, charges or liabilities, as well as of any limitations or duties, notably regarding the respective economic and/or corporate rights or transferability, including when such limitation to the transferability results from block orders of Shares in the respective transferable securities account given by the respective holder, under the terms of paragraph a) of number 2 of article 72 of the CVM.

The Offeror informs that the effectiveness of the Offer is not subordinated to the verification of any condition.

It is, however, a prerequisite of the Offer the non-occurrence of any substantial change in the national and international financial markets or in the respective financial institutions, if such change is not anticipated in the official scenarios disclosed by the authorities of the countries in which EDP Renováveis carries out business and that has a material negative impact on the Offer, thus exceeding the risks inherent to it.

The acceptance of the Offer by its addressees is subject to the compliance with the relevant legal and regulatory requirements, including foreign law requirements, whenever the addressees of the Offer are subject to such foreign law.

The Offeror also indicates that *“does not renounce to any rights, namely the right to request to CMVM the change or revocation of the Offer, in what respects to facts or acts that are not consistent with the requirements foreseen in the Preliminary Announcement and the Launching Announcement, namely those which the effects or consequences are not fully verified or were not fully known by the Offeror at the moment of the publishing of the Preliminary Announcement.”*

2.5. Consideration

According to the Draft Prospectus of the Offer and Draft Announcement of the Offer, the consideration offered is of € 6.80 (six euros and eighty cents) per Share, payable in cash, to which will be deducted any (gross) amount which may be attributed to each Share, such as dividends, advance for account of profits or distribution of reserves, such deduction to be made from the moment in which the right to

said amount has been detached from the Shares Subject to the Offer and provided such detachment occurs prior to the financial settlement of the Offer.

Whereas EDP Renováveis shareholders have resolved, on 6 April 2017, the distribution of a dividend of € 0.05 (five cents) per share, which should be payable until 8 May 2017, the consideration to be effectively paid, in cash, by the Offeror shall be of € 6.75 (six euros and seventy five cents) per Share.

EDP indicates, on the Draft Prospectus of the Offer and Draft Announcement of the Offer that, notwithstanding the Offer is not a mandatory public tender offer, the consideration offered meets the criteria set out in paragraph 1 of article 188 of the CVM (applicable to mandatory public tender offer), if those where applicable, in so far as:

- (i) neither the Offeror nor, to the best of the Offeror's knowledge, the entities or persons which, in relation to it, fall within one of the situations provided in number 1 of article 20 of the CVM, have acquired Shares during the six months prior the Preliminary Announcement, for a price higher than the consideration set forth in the Offer and the consideration to be effectively paid to the recipients of the Offer; and
- (ii) the consideration of the Offer to be effectively paid to the recipients of the Offer represents an amount higher than the Shares weighted average price on Euronext Lisbon, in the six months immediately preceding the date of the Preliminary Announcement, which is approximately of € 6.15 (six euros and fifteen cents) per share.

2.6. Term

Pursuant to the applicable law, the term of the Offer, which is not yet defined in the Draft Prospectus of the Offer and in the Draft Announcement of the Offer, may only start after the launch of the Offer, following the disclosure of the launch announcement and the Offer prospectus, which depends, among other conditions, of the registration of the Offer by CMVM. The term of the Offer may vary between 2 and 10 weeks and shall be referred in the launch announcement and Offer prospectus.

2.7. Withdrawal from trading on Euronext Lisbon and compulsory sale

The Offeror intends to acquire, in the Offer, a number of Shares Subject to the Offer that, together with those that are already held by the latter, could be representative of up to 100 % (one hundred percent) of the share capital of EDP Renováveis.

The Offeror, following the Offer, admits to promote the withdrawal of the Shares of EDP Renováveis from trading on the Euronext Lisbon regulated market.

In accordance with the Draft Prospectus of the Offer and Draft Announcement of the Offer, the Offeror also states that it might exercise its right of triggering a compulsory acquisition of the Shares Subject to the Offer held by shareholders who have not sold their shares within the Offer, if, cumulatively:

- a) following the Offer, the Offeror holds at least 90% (ninety percent) of the share capital with voting rights of EDP Renováveis;
- b) the Offer is accepted by shareholders who represent at least 90% (ninety percent) of the Shares Subject to the Offer; and
- c) such right is granted under the terms of article 47 and following of the *Real Decreto 1066/2007, de 27 de julio*, notwithstanding the Shares of EDP Renováveis not being admitted to trading in the Spanish regulated market.

In accordance with the applicable legislation, in case of compulsory sale, the price of such sale should correspond to the consideration of the Offer.

It should also be mentioned that, under the terms and conditions set forth in the applicable legislation, notably *Real Decreto 1066/2007, de 27 de julio*, the shareholders who decided not to accept the Offer may request from the Offeror the forced purchase of their shares at price corresponding to the consideration of the Offer.

In what concerns the intention of the Offeror to request the withdrawal of the Shares of EDP Renováveis from trading on the Euronext Lisbon regulated market and the exercise of the rights relating to the compulsory sale of the Shares, the Shareholders are recommended to read Section 2.8.2 of the Draft Prospectus of the Offer.

3. Board of Directors

The management of EDP Renováveis is carried out by a Board of Directors composed by 17 (seventeen) members: a President (non-executive), four executive members (one of whom is the Vice-President and has the position of Chief Executive Officer) and other twelve non-executive members. The Board of Directors comprises an Executive Committee and an Audit Committee, a Nominations and Remunerations Committee and a Related-Party Transactions Committee. The current mandate for the board of directors refers to the period between 9 April 2015 and 9 April 2018 except in what regards director Francisco Seixas da Costa, whose mandate began in 14 April 2016 and shall end in 14 April 2019.

The status of each of the directors of EDP Renováveis is assigned by the Company on the grounds of the definitions provided for in the provisions 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*). In essence, those directors who perform management duties within EDP Renováveis or its group, whatever the legal relationship they maintain, shall be deemed executive directors, whilst those directors who, having been appointed because of their personal and professional qualities and that may carry out their duties without being constrained by relationships with EDP Renováveis or its group, its significant shareholders and respective officers or directors are considered independent.

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

For this purpose, it was adopted an independence criteria based in a self-assessment made by the Board of Directors and by each of its members on the basis of the applicable rules.

The referred table intends to give the shareholders, regarding the position of each one of the directors, information that is complete, truthful, current and transparent, enabling them to form their own judgment about this Report and the opinions contained herein.

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.

The fact that some director are considered as having relations with the Offeror does not affect the binding to legal and fiduciary duties to which each director is subject in their quality of director.

The works carried out in the preparation of the present Report were coordinated by the independent non-executive director Acácio Jaime Liberado Mota Piloto. The directors of the company with relations to the Offeror have not participated in the drafting and discussion of this Report.

Identification	Position	Term of mandate	Independence / Relations
António Luís Guerra Nunes Mexia	President of the Board of Directors Non-Executive Director	09.04.2018	With connections to the Offeror.
João Manuel Manso Neto	Vice President and Chief Executive Officer Executive Director	09.04.2018	With connections to the Offeror.
Nuno Maria Pestana de Almeida Alves	Non-Executive Director	09.04.2018	With connections to the Offeror.
Miguel Dias Amaro	Executive Director	09.04.2018	With connections to the Offeror.
Gabriel Alonso Imaz	Executive Director	09.04.2018	With connections to the Offeror.
João Paulo Nogueira Costeira	Executive Director	09.04.2018	With connections to the Offeror.
Manuel Menéndez Menéndez	Non-Executive Director	09.04.2018	With connections to the Offeror.
João José Belard da Fonseca Lopes Raimundo	Non-Executive Director	09.04.2018	Independent

Identification	Position	Term of mandate	Independence / Relations
João Manuel de Mello Franco	Non-Executive Director	09.04.2018	Independent
Jorge Manuel Azevedo Henriques dos Santos	Non-Executive Director	09.04.2018	Independent
Gilles August	Non-Executive Director	09.04.2018	Independent
Acácio Jaime Liberado Mota Piloto	Non-Executive Director	09.04.2018	Independent
António do Pranto Nogueira Leite	Non-Executive Director	09.04.2018	Independent
José António Ferreira Machado	Non-Executive Director	09.04.2018	Independent
Allan J. Katz	Non-Executive Director	09.04.2018	Independent
Francisca Guedes de Oliveira	Non-Executive Director	09.04.2018	Independent
Francisco Seixas da Costa	Non-Executive Director	14.04.2019	Independent

4. Board of Directors position on the Offer

The Board of Directors of EDP Renováveis has made an analysis, evaluation and assessment of the Draft Prospectus of the Offer and of the Draft Announcement of the Offer and prepared this report on the opportunity and the conditions of the Offer, the strategic plans of the Offeror and the effects on EDP Renováveis and its “stakeholders”.

In this Report the Board of Directors of EDP Renováveis has taken into account that the public tender offer is voluntary and that the Offeror already controls, through EDP – Energias de Portugal, S.A. – Sucursal en España, 77.54% of the share capital and voting rights of EDP Renováveis, currently holding a majority control of EDP Renováveis.

In preparing this Report, the Board of Directors sought the advice of Deutsche Bank regarding financial aspects of the Offer, and DLA Piper regarding the legal matters. The Board of Directors also received “fairness opinions” regarding the conditions of the Offer from Deutsche Bank, Mediobanca and UBS.

4.1. Consideration of the Offer

The Board of Directors, in preparing its opinion, assessed the short and medium term visible conditions, as well as the long term potential, considering the framework of EDP Renováveis’ strategic plan, along with data from the capital market, as detailed in the following sections:

- Perspective over the inherent value of the company;
- Evolution and liquidity of the stock’s share price;
- Equity research analysts’ perspectives over the price of the stock;
- Multiples of comparable listed companies;
- Recent comparable offers in the European sector of renewable energies;

4.1.1. Perspective over the inherent value of the company

The Board of Directors assessed the general framework of the renewable energies' sector, which has shown a continuous improvement of competitiveness over the last years. The sector, namely the main markets where EDP Renováveis carries out business, evidences solid fundamentals, over which a growing demand of energy is noted along with the need of implementing a low-carbon economy, boosted, in some of the geographies, by governmental objectives.

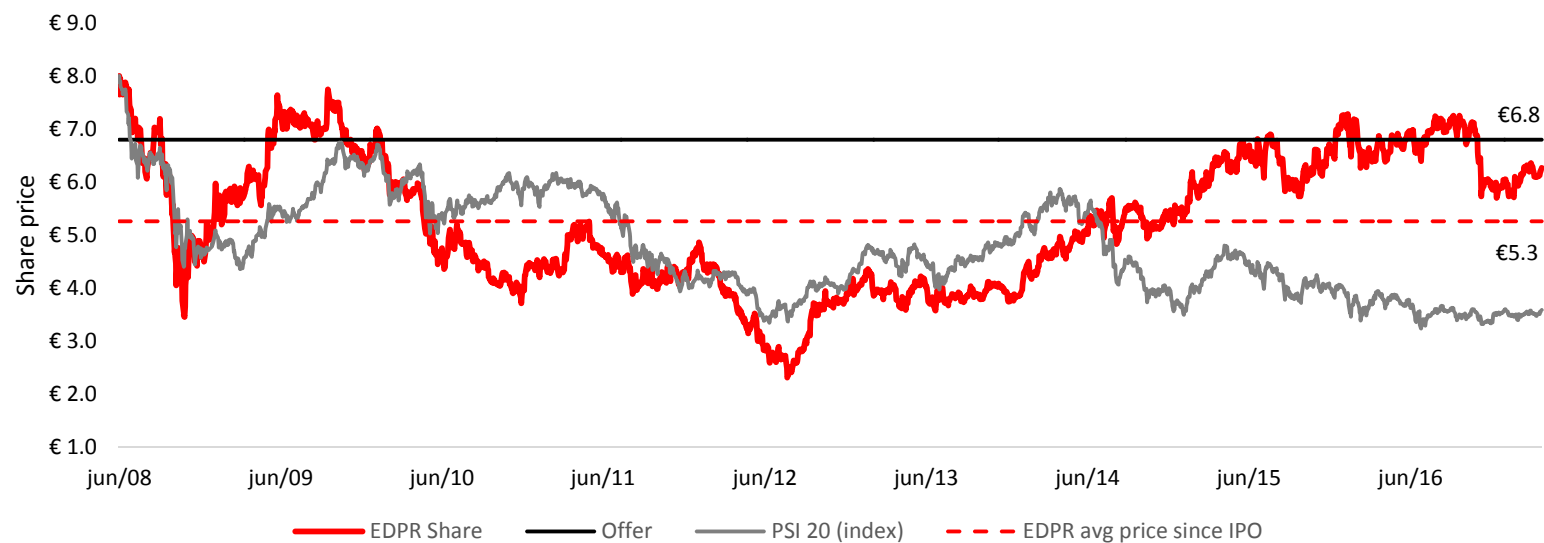
Within this scope, the Board of Directors recognizes the capacity of EDP Renováveis in continuing to be leader in the renewable energies sector, given the quality of its assets and the successful execution of its business plan. EDP Renováveis' strategic plan was outlined for the time period of 2016 to 2020 and it is based on three strategic cornerstones. In what regards to the strategic cornerstone of the selective growth, stands out the fact that over 65% of the goal of additions of cumulative capacity is already assured with long term contracts, out of which 820 MW were installed in 2016. In the context of operational excellency, EDP Renováveis has achieved a reduction of the unitary operational costs higher than the goal set in the business plan and at the level of self-funding model it is perceived the execution of 50% of the goal for assets rotation, jointly with the generation of a solid retained cash flow amounting to €689 million in 2016.

Notwithstanding, and recognizing the growth potential of the sector on the long term, as well as the leadership positioning of EDP Renováveis in the sector, the renewable energies sector has unequivocally witnessed a growing competitiveness of the market, a fact that the Board of Directors highlights as one of the main challenges and uncertainties for the future.

4.1.2. Evolution and liquidity of the price of the Shares

The share price of EDP Renováveis has historically developed a positive performance when compared to the PSI20, main index of Euronext Lisbon and of which EDP Renováveis is a constituent. However, in assessing the bias verified in the last 6 months, the Board of Directors has to recognize the devaluation of the share price.

Graph 1: EDP Renováveis share price evolution



The consideration represents 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) and a premium of 10.5% over the weighted average quotation, of the six months prior to the day of the Preliminary Announcement, by the volume of the stocks (“VWAP”) on the Euronext Lisbon regulated market (€6.15).

Table 1: EDP Offer

Performance (€) ¹	€ per share	Premium (%)
Offer per EDPR share	€6.08	
Share price 1 day before tender announcement	€6.20	+9.7%
6M VWAP (26/09/2016 – 24/03/2017)	€6.15	+10.5%

At the level of Enterprise Value by MW (EV/MW), the value of the Offer corresponds to a multiple of 1.1x, which is in line with the average of the multiple of the last 12 months.

The poor liquidity of the security, with an average daily volume of 1.13 million stocks in 2016, corresponds to an average daily turnover of €7.11 millions, is one of the relevant topics in the assessment process and limitative of the performance of the stock. This effect is reflected in the significant decreasing of the level of capital rotation, in the proportion of the free-float, over the last 5 years.

Table 2: EDP Renováveis – volume and turnover evolution

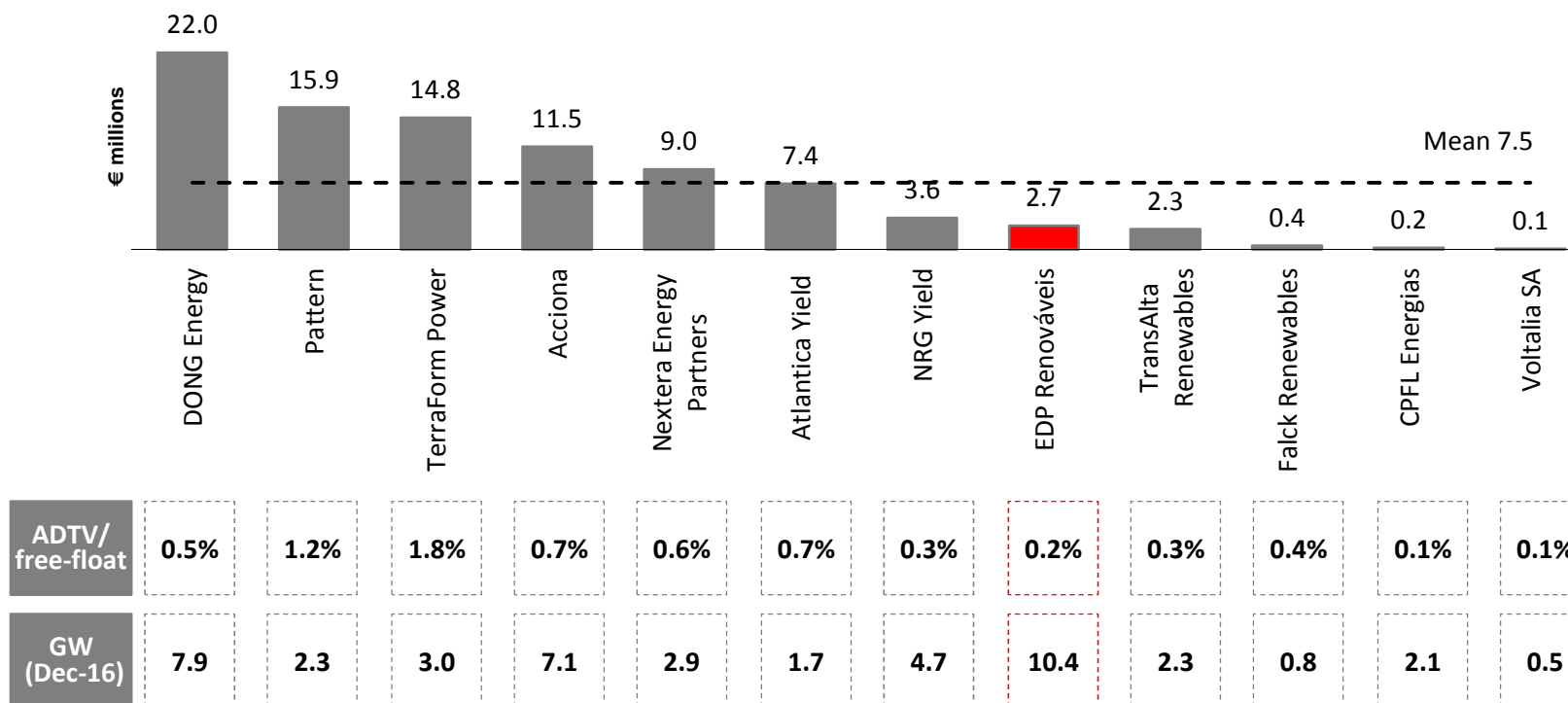
EDP Renováveis ²	2016	2015	2014	2013	2012	2011
Total traded volume: Listed & OTC (million)	291.07	289.22	396.84	448.15	446.02	463.56
...of which in Euronext Lisbon (million)	103.50	109.67	149.48	200.29	207.49	232.,29
Average daily volume (million)	1.13	1.13	1.56	1.76	1.74	1.8
Turnover (€million)	1,828.34	1,824.08	1,976.41	1,759.20	1,525.56	2,098.58
Average daily turnover (€million)	7.11	7.13	7.75	6.9	5.96	8.17
Capital rotation (% of total shares)	32%	33%	46%	51%	51%	54%
Capital rotation (% of free-float)	141%	148%	205%	229%	228%	239%

When compared with listed companies of the sector, it is denoted the reduced liquidity of the stock of EDP Renováveis, considering the dimension and position it holds in the renewable energies sector.

¹ Calculated with closing price; Source: Bloomberg, Euronext, EDP

² Source: Bloomberg

Graph 2: Average daily trading volume (ADTV) over the last 12 months in each main stock exchange ³



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

Another relevant element considered by the Board of Directors were the evaluations of EDP Renováveis carried out by the Equity Research analysts. In this sense, the reports prepared by 23 entities with evaluations based on methodologies such as Discounted Cash Flow (“DCF”) and market multiples were consulted. The average of these evaluations reaches a price of €7.07 per stock, being in a range

³ Source: Bloomberg; Factset; Companies reports; Note: DONG Energy ADTV excludes first 5 trading days after IPO

between €4.50 and €8.20 per stock. It should be stressed that the evaluation carried out by the analysts has different time horizons, mostly referring to December 2017, and as such it would be necessary to make a time frame adjustment in order to make a direct comparison with the Offer price.

In this sense, the Board of Directors understands that the price of the Offer falls in the objective target price range defined by the analysts.

Table 3: EDP Renováveis – price targets per broker

Broker	Rating	Date	Price Target (€)
BPI	Buy	27/03/17	8.00
Grupo Santander	Buy	27/03/17	7.70
BBVA	Outperform	23/03/17	7.25
BIG	Buy	21/03/17	7.40
Exane BNP Paribas	Neutral	20/03/17	6.40
Morgan Stanley	Overweight	14/03/17	8.10
Natixis	Neutral	01/03/17	6.90
Haitong	Buy	07/03/17	7.90
Kepler Cheuvreux	Buy	01/03/17	7.70
Bank of America	Buy	01/03/17	7.70
Citi	Neutral	01/03/17	6.50
Bryan Garnier & Cie	Neutral	01/03/17	6.30
Macquarie	Neutral	01/03/17	5.90
Deutsche Bank	Buy	27/02/17	7.60
Caixa Banco de Investimento (ESN)	Buy	28/02/17	7.60
UBS	Buy	28/02/17	8.00
Banco Sabadell	Buy	27/02/17	8.20

Berenberg	Sell	07/02/17	4.50
HSBC	Buy	25/01/17	7.50
Societe Generale	Hold	19/01/17	6.30
Intermoney/Grupo CIMD	Neutral	08/03/17	6.40
Goldman Sachs	Neutral	13/01/17	6.00
J.P. Morgan	Overweight	20/12/16	6.70
Mean:			€7.07
Median:			€7.40

4.1.4. Comparable multiples of listed companies

Regarding the consideration of the Offer and the publicly available information, EDP Renováveis presents multiples of EV/EBITDA of 9.1x, 8.6x and 8.0x for 2017, 2018 and 2019 respectively which are higher than the average of set of 11 companies operating in Europe, North America and Brazil.

Table 4: Multiples EV/EBITDA – EDPR and peers⁴

€ millions	Price currency	Share Price ⁵	Market Capitalization	Net Debt	Other ⁶	Enterprise Value	EV/EBITDA		
							2017E	2018E	2019E
Acciona	EUR	74.9	4,292	5,546	267	10,105	8.2x	7.8x	7.4x
Falck Renewables	EUR	1.2	349	563	34	947	7.0x	6.7x	5.9x
Volitalia	EUR	9.5	466	214	75	756	9.8x	6.3x	4.4x
DONG Energy	DKK	36.9	15,523	1,248	692	17,463	7.7x	6.5x	6.7x
Atlantica Yield	USD	19.2	1,929	3,946	119	5,994	7.9x	7.5x	7.1x

⁴ Source: for peers was used Factset data

⁵ Prices at April 10th 2017

⁶ Adjustments include environmental obligations, pension obligations (net of tax where applicable), minorities, financial assets, assets held for sale and other adjustments such as Tax Equity Liabilities

€ millions	Price	Share	Market	Net	Other ⁶	Enterprise	EV/EBITDA		
Nextera Energy Partners	USD	31.6	1,715	3,140	402	5,257	6.6x	5.6x	4.7x
NRG Yield	USD	16.3	564	5,536	491	6,591	7.9x	7.1x	6.6x
Pattern Energy	USD	19.7	1,722	1,322	841	3,886	11.2x	9.6x	9.0x
TerraForm	USD	11.6	1,086	1,970	1,598	4,654	10.3x	9.3x	n.a.
TransAlta	CAD	11.2	2,507	676	25	3,207	10.4x	9.6x	9.9x
CPFL Renovaveis	BRL	3.7	1,859	1,599	34	3,492	8.7x	8.1x	7.5x
Mean							8.7x	7.7x	6.9x
Median							8.2x	7.5x	6.9x
EDP Renováveis	EUR	6.8	5,932	2,755	2,968	11,655	9.1x	8.6x	8.0x

4.1.5. Comparable recent offers in the European sector of renewable energies

The implicit premium in the consideration of the Offer is similar to those registered in the public tender offers of acquisition of comparable companies in the renewable energies sector. Regarding the share price of the stock on the day prior to the Preliminary Announcement (€6.20) the consideration represents a premium of 9.7%, being slightly higher to the average premium of 7.6% paid in comparable public tender offers of acquisition in the European sector of renewable energies.

Table 5: Comparable transaction in the European Renewable market

Company	Offer	Announcement Day	Type	Premium vs market price ⁷
Iberdrola Renovables	Iberdrola	08/03/2011	Shares	11.8%
EDF Energies Nouvelles	EDF	08/04/2011	Cash or shares	9.2%
Enel Green Power	Enel	18/11/2015	Shares	1.9%
Mean				7.6%
EDP Renováveis	EDP	27/03/2017	Cash	9.7%

⁷ Calculated vs 1 day before public announcement

4.1.6. Appreciation Outline

Considering the visibility on the achievement of the objectives set on the business plan, the capacity of EDP Renováveis of cash generation as well as the potential of growth of the sector, the Board of Directors believes on EDP Renováveis' continued growth and generation of value on the long term:

The Board of Directors is of the opinion that the consideration of the Offer falls within a range of valuation of the company that is considered adequate considering:

- (i) the growing competition on the sector, which stands out as one of the main challenges and uncertainties for the future;
- (ii) the potential risks arising out of the macroeconomic, legal and tax environment in the different geographies where EDP Renováveis operates;
- (iii) the metrics obtained in the capital markets, through the analysis of the performance of EDP Renováveis, the analysts estimates and the comparable multiples;
- (iv) the consideration of the Offer, represents a premium of 9.7% over the closing share price of the stock on the day prior to the day of the Preliminary Announcement and a premium of 10.5% over the weighted average share price, of the six months prior to the day of the Preliminary Announcement, by the volume of the stocks on the Euronext Lisbon regulated market;
- (v) the consideration of the Offer does not consider a premium of control since the Offeror already holds, and has always held, the shareholding control over EDP Renováveis;
- (vi) the content and conclusions of the “fairness opinions” issued by Deutsche Bank, UBS and Mediobanca, that consider that the consideration of the Offer is fair from a financial point of view.

In addition, the Board of Directors notes that the decreasing liquidity of EDP Renováveis' stock over the last 3 years has been revealed as

a limiting factor to the stock performance, therefore the Offer constitutes an opportunity of liquidity available to the shareholders.

The Board of Directors recommends that each Shareholder makes its own decision on the acceptance, or non-acceptance, of the Offer based on their own objectives, time horizon of investment and eventual need of liquidity realization for EDP Renováveis Shares held by them.

4.2. Strategic Plans of the Offeror to EDP Renováveis

According to the information included on the Draft Prospectus of the Offer and Draft Announcement of the Offer, the Offeror expresses the intention to *“give continuity and priority to the activity in the sector of the production of electric energy through renewable energy sources, which has been developed until today within the group of the Offeror, mainly by the target company”* also referring that *“intends to maintain the strategic line defined by the Target Company’s Board of Directors in what regards the sector of electric energy production through renewable energy source”* expressing *“unequivocally”* its trust on the Board of Directors and on the management team of EDP Renováveis.

It should be pointed out that the Offeror admits the possibility to proceed with operations of *“consolidation and integration, through the most diverse legal and corporate forms”*, reason why it should not be excluded a future reorganization of EDP Renováveis in what concerns to the structure of affiliates’ entities of the Offeror’s group, in which, in fact, it is already included.

In May 2016, EDP Renováveis presented to the financial community its strategic plan for the period of 2016-20, during Investor Day of EDP Group 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 been developing a strategy focused on selective growth, investing in quality projects with predictable future cash flows and on a rigorous execution supported in fundamental competencies aimed to generate higher profitability, integrated in a model of self-financing designed to accelerate value creation.

EDPR’s strategic plan for the horizon of 2016-20 continues to be supported by a strategic agenda based on 3 cornerstones, namely:

- a) **Selective growth:** investing in c.3.5 GW quality projects with predictable profitability and assured long-term contracts, prioritizing investment on their core markets and betting on technological diversification through the development of projects of solar technology projects and offshore wind power;
- b) **Operational excellency:** growth supported in central competencies and distinctive know-how with the purpose of achieving high availability levels and utilization factors, maximizing the production of their assets and reducing the operating costs through the implementation of operation and maintenance strategies (O&M)
- c) **Self-funding model:** the funding of the growth of EDP Renováveis is largely built on the combination between the retained cash flow of operational assets, being this the main source of funding, and the strategy of assets rotation, which allows to crystalize the value of future cash-flows, reinvesting them on the development of new projects.

The execution of EDPR's business model aims to achieve concrete objectives of growth at the operational level, through the addition of new capacity and consequent increase of the production of 100% renewable energy, as well as on the level of financial metrics such as EBITDA, Net Profit and Retained Cash Flow.

The Board of Directors considers that the Offer guarantees the continuity of EDP Renováveis' strategic plans, considering that *"the bet on the sector of the electric energy production through renewable energy source is one of the fundamental cornerstones of the corporate and growth strategy defined by the Offeror"*.

4.3. Repercussions of the Offer over the interests of EDP Renováveis' workers

On the Draft Prospectus of the Offer and Draft Announcement of the Offer, the Offeror refers that it does not plan to modify EDP Renováveis' current policy on human resources, confirming its trust and commitment to all its employees reason why the Board of Directors does not anticipate any impact of the Offer over the interests of EDP Renováveis' employees.

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 to the best of its knowledge it did not receive from the same any position on the effects of the Offer on the employment.

4.4. Repercussions of the Offer over the interests of the clients, creditors and other stakeholders of EDP Renováveis

As mentioned before, the Draft Prospectus of the Offer and Draft Announcement of the Offer indicate that the Offeror intends to give continuity to the strategic line defined by the Board of Directors, and therefore the Board of Directors does not anticipate that the Offer has a material impact over the clients and suppliers not any impact on financing contracts or on the position of creditors regarding EDP Renováveis and subsidiaries.

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

The table below indicates the number of Shares hold in EDP Renováveis directly or indirectly, by each one of the members of the Board of Directors and their respective intention in respect of the acceptance or non-acceptance of the Offer. The intentions mentioned on the table represent the position of each one of the members of the Board of Directors therein identified, on the present date, within the current scope of circumstances and before the terms of the Offer described on this Report and which are set out on the Draft Prospectus of the Offer and Draft Announcement of the Offer, being, thus, subject to change in case of any modification to the current scope of circumstances or change to the terms of the Offer:

Name	Position	No. of Shares	Intention regarding the acceptance of the Offer
António Luís Guerra Nunes Mexia	President of the Board of Directors Non-Executive Director	4,200	Acceptance
João Manuel Manso Neto	Vice President and Chief Executive Officer Executive Director	-	
Nuno Pestana de Almeida Alves	Non-Executive Director	5,000	Acceptance
Miguel Dias Amaro	Executive Director	25	Acceptance
Gabriel Alonso Imaz	Executive Director	26,503	Acceptance
João Paulo Nogueira Costeira	Executive Director	3,000	Acceptance
Manuel Menéndez Menéndez	Non-Executive Director	-	
João Lopes Raimundo	Non-Executive Director	840	Acceptance
João Manuel de Mello Franco	Non-Executive Director	380	Acceptance
Jorge Henriques dos Santos	Non-Executive Director	200	Acceptance

Gilles August	Non-Executive Director	-	
Acácio Jaime Liberado Mota Piloto	Non-Executive Director	300	Acceptance
António do Pranto Nogueira Leite	Non-Executive Director	100	Acceptance
José António Ferreira Machado	Non-Executive Director	630	Acceptance
Allan J. Katz	Non-Executive Director	-	
Francisca Guedes de Oliveira	Non-Executive Director	-	
Francisco Seixas da Costa	Non-Executive Director	-	

6. Other information

There is no additional information.

7. 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 24 April 2017, by unanimity of the members of the Board of Directors present or duly represented.

The members of the Board of Directors, which are members of the corporate bodies of, or that have connections to the Offeror or company in a group or control relationship with the Offeror, António Luís Guerra Nunes Mexia, Nuno Maria Pestana de Almeida Alves, Miguel Dias Amaro, Gabriel Alonso Imaz, João Paulo Nogueira Costeira e Manuel Menéndez Menéndez, have not participated in the meeting of the Board of Directors in which the resolution that approved the present Report was taken. The Vice-president João Manuel Manso Neto opened the session and, subsequently, left the meeting that was then chaired by the independent non-executive director Acácio Jaime Liberado Mota Piloto until the session was closed.



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