Report of the Executive Board of EDP - Energias de Portugal S.A.

Prepared pursuant to the provision of number 1 of article 181 of the Portuguese Securities Code regarding the timeliness and conditions of the general and voluntary tender offer over the shares of EDP - Energias de Portugal, S.A., announced by China Three Gorges (Europe), S.A.

8 june 2018

This document is a translation of the original document in Portuguese
In the event of any inconsistency the Portuguese version shall prevail

Disclaimer

This Report was prepared by the Executive Board of Directors of EDP – Energias de Portugal, S.A. ("EDP") under the terms of number 1 of article 181 of the Portuguese Securities Code, following the analysis by the Executive Board of Directors of EDP of the Draft Prospectus and the Draft Launch Announcement, received on June 1, 2018, referring to the general and voluntary tender offer over the shares issued by EDP, launched by China Three Gorges (Europe), S.A., regarding which the preliminary announcement was published on May 11, 2018 (and subsequently amended on May 16, 2018).

This Report was prepared based on the information made available to the Executive Board of Directors. Shareholders of EDP 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 of EDP.

This Report contains opinions of the Executive Board of Directors (which has received advice of Morgan Stanley and UBS regarding financial aspects of the Offer and MLGTS regarding legal matters concerning the Offer) and shall be construed 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, presentation of said projections and estimates does not involve any guarantee as to their occurrence. This Report also includes statements that reflect the expectations of the Executive 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 to.

EDP 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 issuance of a supplement or addendum to this Report that might occur by virtue of a possible review of the Offer or the update of its terms and conditions or any additional information made available in the interim.

This document shall not be considered as including all the information provided to the market relating to EDP. Please also refer to the prospectus of the Offer and the launch announcement of the Offer (to be released upon registration and launch of the Offer), as well as the previous press releases publications and financial statements made by EDP, which are or will be available at www.cmvm.pt.

Legal Framework

Article 64 of Portuguese Companies Code - Fundamental Duties

1. The company's managers or directors must observe:
    a. A duty of care, displaying willingness, technical competence and an understanding of the company's business that is appropriate to their role, and executing their duties with the diligence of a careful and organised manager; and
    b. A duty of loyalty in the interest of the company, serving the long term interests of the shareholders and taking into account the interests of other parties that are relevant to the sustainability of the company, such as employees, clients and creditors.
2. Members of the corporate bodies with supervisory powers must observe duties of care, employing high standards of professional diligence and loyalty.

Article 181 of Portuguese Securities Code - Duties of the Target Company

1. The management body of the target company shall, within eight days counted from the receipt of the draft prospectus and the draft launch announcement and within 5 days following the disclosure of an addendum to the offer documents, send to the offeror and the CMVM and disclose to the market a report, prepared pursuant to article 7, about the timeliness and the conditions of the offer.
2. The report referred to in the foregoing paragraph shall contain an autonomous and sustained opinion on, at least:
    a. The type and amount of consideration offered;
    b. The strategic plans of the offeror for the target company;
    c. The impacts of the offer on the interests of the target company in general and, in particular, on the interests of its employees and their working conditions and in the locations where the company pursues its activity;
    d. The intention of the members of the management body who are simultaneously shareholders of the target company, in relation to the acceptance of the offer.
3. The report shall contain information about any negative votes cast in the resolution of the management body that approved the report.
4. If, until the commencement of the offer, the management body receives from the employees, directly or through their representatives, an opinion on the impacts of the offer employment wise, it shall disclose such opinion as annex to the report of the management body.
5. Starting from the release of the preliminary announcement and until the assessment of the offer results, the management body of the target company shall:
    a. Inform the CMVM daily of the trades in securities issued by the target company or by the persons with which the target company is in any of the situations described in Article 20(1) of the PSC, made by its members;
    b. Supply all the information requested by the CMVM within the scope of its supervisory functions;
    c. Inform employees' representatives or, in their absence, the employees on the contents of the offer documents and the report prepared by it, as soon as these are made public;
    d. Act in good faith, particularly in what concerns the accuracy of information provided and the emphasis on loyal behaviour.

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1. Executive summary

Introduction

- This Report has been prepared by the Executive Board of Directors of EDP – Energias de Portugal, S.A. ("EDP") under the terms of paragraph 1 of article 181 of the PSC, based on the Preliminary Announcement Draft Prospectus and Draft Launch Announcement with regard to the Offer launched by China Three Georges (Europe), S.A. ("CTG Europe").

- The Executive Board of Directors has assessed the value of the Offer, the strategic rationale for the Offer and its impact on EDP and its stakeholders. In the preparation of this Report, the Executive Board of Directors sought the advice of Morgan Stanley and UBS regarding financial aspects of the Offer and MLGTS regarding legal matters.

- The Offeror identified the need to obtain authorisations and approvals from a considerable number of administrative and regulatory bodies in different markets and segments, such as the European Commission, Portuguese Government, CADE and ANEEL in Brazil, CFIUS, FERC, among others.

- In addition, the launch of the Offer is subject to the change of the bylaws of EDP to (i) remove any limit to the casting of votes issued by one single shareholder, either by itself or acting on behalf of another shareholder and (ii) exempt the Offeror and any entities which may, directly or indirectly, currently or in the future, control the Offeror, or be controlled by it, from being considered competitors of the Target Company. According to these same bylaws, these changes will need to be approved by two-thirds of the attending shareholders in a general shareholders meeting of EDP.

- The effectiveness of the Offer shall be subject to the fulfilment, up to the term of the Offer period, of the acquisition by the Offeror, within the Offer, of a number of Shares 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 the Target Company plus 1 (one) voting right (which would result in the Offeror having control of the Target Company).

Price consideration

- The Offeror is offering a cash consideration of €3.26 per share (to be reduced by any future gross amount that is attributed to each Share, whether as dividend, advance for account of profit or distribution of reserves), representing a premium of 4.8% over the closing share price of EDP on the day of the Preliminary Announcement (€3.11) and a premium of 10.8% and 7.9% over the Volume Weighted Average Price (VWAP) of the six and 12 months, respectively, prior to the day of the Preliminary Announcement (€2.94 and €3.02), on the Euronext Lisbon regulated market.

- The Executive Board of Directors considers that the price offered does not adequately reflect the value of EDP and that the implied offer premium is low considering what is customary for European utilities where the offerors have acquired control. In particular, the Offer:

  - Undervalues EDP based on precedent public cash offer transaction premia for control

    The premium implied in the price offered for EDP is significantly below what is customary for cash transactions in the European utilities sector, the Iberian market, and more broadly in the European market, where the offerors acquire control;

  - Implies a multiple which is below the average paid in relevant precedent transactions

    The EBITDA multiple implied in the Offer is below the average paid in relevant precedent transactions for control in the European Utilities sector, both for EDP as a whole and for its Sum of the Parts;

  - Is broadly in line with trading multiples of peers, which does not factor a control premium

    The valuation multiples implied by the Offer are broadly in line with trading multiples of EDP’s peers, both for EDP as a whole and for the Sum of the Parts, which implies that CTG's Offer does not factor a control premium for EDP shareholders;

  - Implies a premium that is lower than the one offered by CTG in 2011 to acquire a minority interest in EDP

    The price, premium and multiples of CTG’s Offer are below the comparable metrics for CTG´s acquisition of a minority stake in EDP during the 2011 privatization, despite control being sought and the significant improvement of the macro and market environment.

EDP's track record and equity story

- EDP has today a differentiated position in the market with a world-class asset portfolio that balances leadership in renewables, high quality long-term contracted and regulated assets, strong generation fleet, particularly in hydro, and a solid client base, supported by a consistent value creation track-record:

The right competences and execution skills…

- EDP has a long-standing and proven track record of value creation and operational delivery, having increased over the last decade its installed generation capacity from 16 GW to 27 GW, its recurrent EBITDA from €2.7bn to €3.5bn, its recurrent net income from €648m to €845m and its dividend per share from €0.13/share to €0.19/share;
- EDP´s growth has been mainly driven by EDPR and Brazil. In addition, the strategy of focusing on long-term contracted and regulated activities (84% of recurrent EBITDA in 2017) in geographies with strong fundamentals has delivered strong cash flows while maintaining a distinctive, low-risk profile;
- This ability to grow while managing risk has been coupled with a rigorous financial discipline. EDP and its subsidiaries have progressively strengthened their credit metrics and are now back to investment grade level ("BBB-"/ "Baa3") by the main credit rating agencies (S&P and Fitch, Moody's);
- Over the last decade, EDP has substantially outperformed its peers in terms of total shareholder returns through the right strategy, its capacity to adapt to new challenging environments and consistently delivering cost savings above targets (total shareholder return: 12% of EDP vs. peer´s average of (8.2%) since Dec 2007 and 85% of EDP vs. peer´s average of 58% since Dec-2011).

The right strategy…

- EDP's ability to anticipate trends, including in particular, its strong commitment towards renewables and further enhancement of its international profile, has been critical to successfully navigating the regulatory challenges faced by the business in its more mature Iberian market, allowing for continuous value delivery;
- The ongoing portfolio optimization and disciplined capital allocation, evidenced through strategic asset rotation and disposals (e.g. EDPR minority sales or the sale of *EDP Naturgas Energia* in Spain), have demonstrated EDP's ability to crystalize value and recycle capital to accelerate growth in core platforms.

The right prospects…

- Today, EDP has an exceptional platform comprised of a high-quality 27 GW generation portfolio (74% Renewables), €5.0bn RAB regulated grids under stable regulatory frameworks, and a sizeable 11.4 million client base, underpinned by a well-balanced geographic footprint and a low-risk business mix;
- In addition, EDP has excellent long-term growth prospects supported by a world leading renewables platform, significant exposure to high growth markets (i.e. USA, Brazil) and competitive access to financing, while remaining committed to delivering an attractive dividend, with a minimum floor.

Intentions of the Offeror and Implications of the Offer

Considerations on the intentions of the Offeror regarding EDP

- Pursuant to EDP's privatization process which resulted in the acquisition by CTG of a 21.35% stake in EDP, both companies signed a framework agreement for a strategic partnership, that among other benefits, enabled co-investments and minority investments in Brazil, in EDPR portfolios in several geographies, in EDPR UK offshore and in hydro in Latin America.
- The Offeror expressed the intention to increase its strategic commitment to EDP and to ensure that EDP remains a relevant player in the sector.
- The Offeror's plan for EDP, which consists of five main pillars that include intentions regarding identity, efficiency and growth, financial profile, asset contributions and optionality in Chinese wind offshore, provides relevant context to the Offer. In particular, the Executive Board of Directors notes the merit of the Offeror´s intention to:
    - Preserve EDP´s Portuguese identity and autonomous decision-making based on the highest, international corporate governance standards, while maintaining the group´s presence in the geographies in which it is currently present and is a reference player, and retaining EDP's listed status with significant liquidity and free float;
    - Focus on assets with a stable cash flow profile, with a view to maintaining a low-risk and diversified business profile, and position EDP to lead the operations and growth of CTG Group in Europe, the Americas and the PALOPs, as well as selected Asian markets;
    - Reinforce EDP's financial profile by committing to maintain the leverage reduction trend at EDP level and ensure at least an investment grade rating, while aiming to retain flexibility to pursue growth and maintain a stable dividend pay-out policy with dividend pay-out not below what has been disclosed by EDP;
    - Potentially contribute long-term contracted existing assets of CTG Group in geographies where there is market overlap with EDP, pursuant to a framework agreement with the Target Company. These include controlled hydro assets in Brazil (capacity of 8GW), jointly held stakes with EDP in three hydro assets in Brazil (gross capacity of 1.3GW), minority stakes of 49% in eleven wind farms in Brazil controlled by EDP (gross capacity of 0.3GW), a majority shareholding of 80% in a wind offshore project in Germany (gross capacity of 0.3GW) and a 49% shareholding in EDPR Portugal (gross capacity of 0.6GW);

- Create growth optionality by facilitating the entrance into China's offshore wind market, where the Offeror intends to play an active role. This asset class is consistent with the current strategic focus of EDP and could provide for a new additional development platform.

- The merits of the above described intentions depend on their implementation model, which is not clear at this stage. More specifically, at this stage, the visibility on the options, the actionability of the intentions and the potential impact in the risk-return profile of the company are still limited. Hence, the Executive Board of Directors requires more information in order to form a considered view.
- In particular, regarding the asset contribution intentions, the limited level of detail of the Offeror's proposal, namely their implementation mechanism, capital structure and timeframe, raises a number of questions which cannot be appropriately addressed by the Executive Board of Directors based on the information currently available. However, it is positive that some general principles for these transactions are outlined, including complying with the investment criteria applicable to similar type of investments currently pursued by EDP, ensuring the transactions are arms-length assessed based on standard practices for this type of transactions and approved by the competent corporate bodies of EDP.
- It should be noted that the contribution of sizeable Brazilian assets contemplated by the Offeror would lead to a significant increase in the relative contribution from Latin America to EDP's overall portfolio and therefore materially alter its business risk and return profile.
- Given the risks identified in the report, and in order to make an informed decision, shareholders need to be provided with adequate information to form a clear understanding of the Offeror´s intentions and their implementation and financial impacts. In this context, the Executive Board of Directors welcomes the Offeror´s intentions to regulate the potential asset contribution through a framework agreement, and would expect the Offeror to provide similar safeguards in relation to its other intentions, namely identity, corporate governance, financial strategy and dividend policy, and new markets such as the Chinese wind offshore.
- Moreover, there are additional items related to the Offer that should be clarified ahead of shareholders' decision milestones, namely the Offer effectiveness condition to obtain 50% plus 1 of the voting rights of EDP, corporate governance, assumption regarding the obligation to launch a mandatory tender Offer in EDP Brasil in case of control acquisition, and other Offeror's assumptions that support the Offer.

Regulatory considerations

- There are numerous regulatory conditions and authorizations which are required to be satisfied in order for the Offer to proceed. The time to obtain these authorizations, in addition to their natural uncertainty, could be significant and may affect the value realised as the Offer does not include any element to compensate for continuous incorporation of the expected dividend in the Share price.
- The regulatory authorization process may result in the Offer being subject to remedies and/or mitigation measures in different markets and segments. This may be most relevant in the United States business, where remedies and/or mitigation measures may be imposed by CFIUS/FERC.
- Given the significance of the US renewables platform to EDPR and to EDP in enabling the exposure to a leading global market and a source of long-term profitable, low-risk and sustainable growth, such an outcome could materially impact EDP’s strategy and growth prospects. However, the Executive Board of Directors notes the Offeror’s intention to seek the Target Company’s management involvement and opinion regarding any specific conditions or arrangements that may be required.

Recommendation

The Executive Board of Directors considers that the price offered does not adequately reflect the value of EDP and that the implied offer premium is low considering what is customary for European utilities where the offerors have acquired control. Therefore the Executive Board of Directors cannot recommend that shareholders tender their shares at the current Offer price.

The Executive Board of Directors notes that there are merits in the strategic intentions of the Offeror. Given the uncertainties regarding the implementation of the plan and potential impact on EDP, the Executive Board of Directors will seek more information from the Offeror in order to be in a position to form a more considered view regarding the value of the project.

Notwithstanding the merits in the plan to be formulated by the Offeror on the basis of its stated intentions, the Executive Board of Directors is of the view that shareholders that wish to tender their shares need to be appropriately compensated for giving up control of EDP, and for enabling the implementation of such plan.

2. The Offer

2.1. Offeror

According to the information provided in the Draft Prospectus and in the Draft Launch Announcement, the Offeror is CTG Europe.

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.

The Offeror holds, at this date, 850,777,024 Shares in the Target Company's share capital representing approximately 23.27% of the share capital of the Target Company holding the entirety of the voting rights inherent to such Shares.

The voting rights of the Offeror are attributable to China Three Gorges International Corporation, China Three Gorges (Hong Kong) Company Limited, China Three Gorges Corporation and, ultimately, to the People's Republic of China.

As of this date, there are also 182,081,216 Shares, corresponding to 4.98% of the share capital and voting rights of the Target Company, held by a state-owned enterprise of People's Republic of China, "CNIC Co., Ltd.". The voting rights held by CNIC Co., Ltd. are attributable to the People's Republic of China, in accordance with the provision of number 1 of article 20 of the PSC. In accordance with CMVM's interpretation of number 3 of article 21 of the Portuguese Securities Code, the aforementioned voting rights are not, however, attributable to the Offeror or to any of its controlling companies, including China Three Gorges Corporation, for the purpose of articles 16 and 187 of the Portuguese Securities Code.

The total voting rights attributable to the People's Republic of China thus amount to 1,032,858,240, corresponding to 28.25% of the voting rights in EDP.

2.2. Qualification of the Offer

The Offer is general and voluntary and the Offeror undertakes to acquire all the Shares representative of the share capital of the Target Company that are the object of the Offer and which are object of a valid acceptance.

2.3. Financial Intermediary

The Financial Intermediary acting on behalf of the Offeror and providing assistance services in relation to the Offer, in accordance with and for the purposes of paragraph b) of number 1 of article 113 of the PSC, is BCP.

2.4. Shares object of the Offer

The securities that are the object of the Offer are the ordinary, dematerialised, nominative shares, with the nominal value of €1 (one Euro) each, representing the share capital of the Target Company, and that are not held by the Offeror, nor by entities that undertake not to tender their Shares by accepting to block such Shares until the end of the Offer period.

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 itself or the underlying rights, notably economic and/or political rights and its 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 paragraph a) of number 2 of article 72 of the PSC.

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.

2.5. Consideration

According to the Draft Prospectus and Draft Launch Announcement, the offered consideration shall be an amount of €3.26 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.

2.6. Conditions to the launch of the Offer

The launching of the Offer is subject to:

- the granting of previous registration of the Offer with CMVM;
- the amendment to the Target Company's by-laws, even if conditioned to the Offer's success, in order to (i) remove any limit to the casting of votes issued by one single shareholder, either by itself or acting on behalf of another shareholder and (ii) exempt the Offeror and any entities which may, directly or indirectly, currently or in the future, control the Offeror, or be controlled by it, from being considered competitors of the Target Company;
- 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 the Target Company and the shares and assets held by the Target Company's subsidiaries, including:
    - applicable merger control clearances, namely (i) 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 (ii) 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 (iii) 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;

- confirmation by the Portuguese Government that it will not oppose to the Offer (and therefore, not opposing also to the launch of the potential mandatory tender offer over the shares representing the share capital of EDPR) 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;
- the granting of approval by the CFIUS that is not subject to mitigation measures, unless such mitigation measures are accepted by the Offeror;
- the granting of a final order by the FERC authorising the acquisition, as proposed herein and without modification;
- the granting of an authorisation by the President of the Polish Energy Regulatory Office or confirmation by said President of such authorisation not being required;
- 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;
- 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;
- 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;
- the granting of an authorisation by the Port Authority of Avilés 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 Avilés of said authorisation not being required;
- the granting of clearance to the Offer by CADE, or confirmation by CADE of said authorisation not being required;

- the granting of clearance to the Offer by ANEEL, or confirmation by ANEEL of said clearance not being required;
- 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;
- 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 FCB attesting that no filing before the FCB with respect to the Offer is required;
- 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;
- any other authorisations or consents required to ensure the validity and enforceability of the Shares' transfer;
- a declaration from the CMVM confirming that the Offeror and any entities related to the Offeror as set out in paragraph 1 of article 20 of the PSC are exempt of the duty to launch a subsequent mandatory tender offer as a result of the acquisition of the Shares within the Offer, in accordance with article 189, number 1, paragraph a) and number 2 of the PSC, even if subject to the maintenance of the respective assumptions.

▪ the approvals and administrative authorisations listed in the paragraphs above being also provided (autonomously or together with the relevant approvals and authorisations for the Offer) in respect of the launch of the potential mandatory tender offer over the shares representing the share capital of EDPR, as disclosed in the respective preliminary announcement published on May 11, 2018 (as amended on May 16, 2018).

The Offeror reserves the right to, at its absolute discretion, waive any or all of the conditions described above, insofar as those conditions do not affect the validity of the Shares' transfer pursuant to the Offer.

2.7. Conditions to effectiveness of the Offer

The effectiveness of the Offer shall be subject to the fulfilment, up to the term of the Offer period, of the acquisition by the Offeror, within the Offer, of a number of Shares 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 the Target Company plus 1 (one) voting right.

The Offeror reserves the right to, in its absolute discretion, waive this condition up until disclosure of the Offer results, to be assessed in the special session of the Regulated Market of Euronext Lisbon. Condition further discussed in chapter 3.3.2. of this report.

2.8. Assumptions in the launching of the Offer

The decision to launch the Offer was based on the assumption that, between the date of the Preliminary Announcement and the term of the Offer period, no circumstance has occurred or shall occur with a material impact on the Target Company on a consolidated basis, including, without limitation, on the patrimonial, economic or financial situation of the Target Company (also on a consolidated basis). The following are examples of such circumstances which may have such an impact:

- approval of resolutions by the competent corporate bodies of the Target Company, or of companies that are in a control or group relation (*relação de domínio ou de grupo*) with the Target Company, with head-offices in Portugal or abroad (hereinafter referred to as “companies in a control or group relation”), for the purpose of:
    - issuing shares, bonds or other securities or equivalent rights that grant the right to subscribe for or to acquire shares of the Target Company;
    - issuing shares, bonds or other securities or equivalent rights that grant the right to subscribe for or to acquire shares of companies in a control or group relation;
    - winding up, transforming, merging or making a split-off of the Target Company or of companies in a control or group relation;
    - amending the by-laws of the Target Company or of companies in a control or group relation (including share capital increases and/or

reductions), except if those amendments are addressed to ensure the fulfilment of the conditions of the Offer;

- distributing dividends, assets or reserves of the Target Company, except insofar as the amounts of such distributions are deducted from the consideration of the Offer;
- redeeming or terminating by other form shares issued by the Target Company or by companies in a control or group relation;
- acquiring, transferring or creating encumbrances, as well as promising to acquire, to transfer or to create encumbrances on the shares issued by the Target Company, except if for compliance with obligations contracted up to the date of the Preliminary Announcement and of public knowledge;
- acquiring, transferring or creating encumbrances, as well as promising to acquire, to transfer or to create encumbrances on holdings in other companies, except if for compliance with obligations contracted up to the date of the Preliminary Announcement and of public knowledge;
- transferring or creating encumbrances, as well as promising to transfer or to create encumbrances, on assets of the Target Company or of companies in a control or group relation, including undertaking debts, transferring (*trespassar ou ceder*) the ownership, the use or the exploitation of undertakings (*estabelecimentos*) of companies in a control or group relation or undertaking commitments for selling or transferring such assets or for undertaking such debts, except if for compliance with obligations contracted up to the date of the Preliminary Announcement and of public knowledge.

* filling up vacancies of members of the corporate bodies of the Target Company or of companies in a control or group relation without ensuring that the designated members may be removed without due cause (*sem justa causa*) against the payment of a compensation which amount shall not exceed the corresponding yearly remuneration;
* the removal of other members of the corporate bodies of the Target Company or of companies in a control or group relation being subject to the payment of compensations in an amount higher than that of the corresponding remuneration not yet due up to the expiry of the respective office period;

- the total remuneration of the members of each of the corporate bodies of the Target Company or of companies in a control or group relation for year 2018 and following years exceeding the total remuneration of the members of the same corporate body during 2017, except in relation to a yearly increase in line with market practice and with historical increases for each relevant corporate body;
- performance of any acts by the Target Company or by companies in a control or group relation which violate paragraph d) of number 5 of article 181 of the PSC;
- material negative patrimonial changes of the Target Company or of companies in a control or group relation that do not arise from the ordinary course of business by reference to the situation evidenced in the respective Management Reports and Accounts released in relation to 2017 or, if available, in relation to the latest half year or quarter balance sheet released following December 31, 2017;
- awareness of events that may materially influence the valuation of the Shares but that had not yet been made public up to the date of the Preliminary Announcement.

In addition, the decision to launch the Offer has been based on the assumption that, except in relation to the information available in the accounting documentation of the Target Company prior to the date of the Preliminary Announcement and to the information that has been disclosed by the Target Company also up to the date of the Preliminary Announcement, there is not any provision of any agreement, contract or other instrument to which the Target Company or companies 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:

- 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;
- 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 is permitted;
- any agreement, right or obligation of any member of the Group of the Target Company terminates or is negatively modified or affected;

- 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;
- any member of the Group of the Target Company ceases to be able to carry out its business using its current name.

The Offer is also launched on the assumption that (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 on the Target Company (on a consolidated basis) thus exceeding the risks inherent to it and (ii) the acquisition of control of the Target Company 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, including, without limitation, over the shares representing the share capital of the Brazilian company EDP – Energias do Brasil, S.A under Brazilian law (save for the launch of the potential mandatory tender offer over the shares representing the share capital of EDPR, as disclosed in the respective preliminary announcement published on May 11, 2018, as amended by the addendum released on May 16, 2018).

The decision to launch the Offer was also based in the assumption that, until the end of the Offer period, the following shall not occur:

- any event independent from the will of the Offeror that is capable of determining an increase of the proposed Offer consideration;
- an event independent from the will of the Offeror that is capable of affecting the free disposal of the funds engaged for the financial settlement of the Offer and that is not capable of being remedied in due time.

2.9. Acceptance period

The Offeror has stated in the Draft Launch Announcement and Draft Prospectus that the acceptance period of the Offer could preliminary correspond to “21 US business days”. However, this information will only be confirmed with the final registration of the Offer.

Pursuant to the applicable law, the acceptance period (i.e. the term 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 the other conditions referred to above, on the registration of the Offer by CMVM. The term of the Offer may vary between 2 and 10 weeks and shall be definitively set in the launch announcement and Offer Prospectus.

Under the terms of paragraph 2 of article 183 of the Portuguese Securities Code, the acceptance period of the Offer may be extended by a decision of the CMVM either under its initiative or following the Offeror's request, in case of a review of the consideration due to the launch of a competing offer or when the interests of the Offer addressees so require.

2.10. Withdrawal from trading on Euronext Lisbon and compulsory sale

The Offeror intends to maintain the listing status of the Company on the Regulated Market of Euronext Lisbon. In the event that, as a result of the Offer, the shares held in total by the Offeror and any of the persons or entities related to the Offeror as set out in paragraph 1 of article 20 of the PSC exceeds 90% of the voting rights corresponding to the share capital of the Target Company, the Offeror does not intend to request to CMVM the loss of public company status (*perda de qualidade de sociedade aberta*), in accordance with article 27, paragraph 1, a) and paragraph 2 of the PSC.

Regardless of the number of Shares purchased, the Offeror does not intend to initiate a squeeze-out procedure in relation to any remaining minority shareholders of the Target Company following the settlement of the Offer.

3. Executive Board of Directors position on the Offer

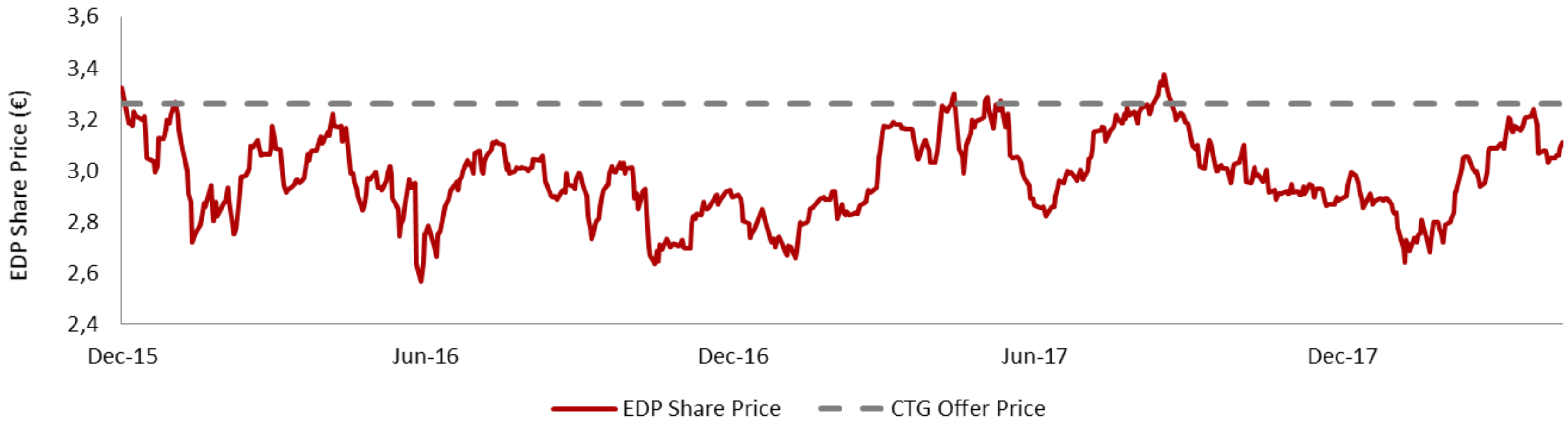
The Executive Board of Directors of EDP has made an analysis, evaluation and assessment of the Offer and prepared this Report on the value proposition of the Offer, the intentions of the Offeror, the regulatory conditions associated with the Offer and the implications of the Offer on EDP and its stakeholders.

In arriving at its position on the Offer, the Executive Board of Directors of EDP has considered the information contained in the Preliminary Announcement of the Offer, the Draft Launch Announcement, the Draft Prospectus and the advice received from its financial advisors, Morgan Stanley and UBS, and legal advisors MLGTS, in connection with the Offer, and taken into account that the public tender offer is voluntary, that the Offeror already owns 23.27% of the share capital and voting rights of EDP and that the Offeror is seeking to acquire control over EDP.

3.1. Consideration of the Offer

The Offeror is offering a cash consideration of €3.26 per share (to be reduced by any future gross amount that is attributed to each Share, whether as dividend, advance for account of profit or distribution of reserves), representing a premium of 4.8% over the closing share price of EDP on the day of the Preliminary Announcement (€3.11) and a premium of 10.8% and 7.9% over the Volume Weighted Average Price (VWAP) of the 6 and 12 months, respectively, prior to the day of the Preliminary Announcement (€2.94 and €3.02), on the Euronext Lisbon regulated market.

Figure 1 – CTG Offer price and implied premia



	€ per share	Premium (%)
CTG Offer price	3.26	
Spot price (11-May-2018)	3.11	4.8
3M VWAP	3.00	8.8
6M VWAP	2.94	10.8
12M VWAP	3.02	7.9

Source: Factset

The Executive Board of Directors has considered the most customary valuation methodologies for the purpose of this Report, including:

- Precedent public offer transaction premia analysis for successful cash offers, where control was acquired, in the European utilities sector, the Iberian market and more broadly in the European market, as well as for relevant existing shareholders launching offers for control;
- Multiples implied by relevant precedent transactions in the European utilities sector both for the whole and the sum-of-the-parts; and
- Trading multiples of companies comparable to EDP both for the whole and the sum-of-the-parts.

In addition, the Executive Board of Directors has also compared the Offer to EDP's privatisation process of 2011 (completed in 2012) where CTG acquired a 21.35% stake in EDP, given it is the most recent acquisition of a meaningful stake in EDP (although not for control).

The Executive Board of Directors considers that the price offered does not adequately reflect the value of EDP and that the implied offer premium is low considering what is customary for European utilities where the offerors have acquired control. In particular, the Offer:

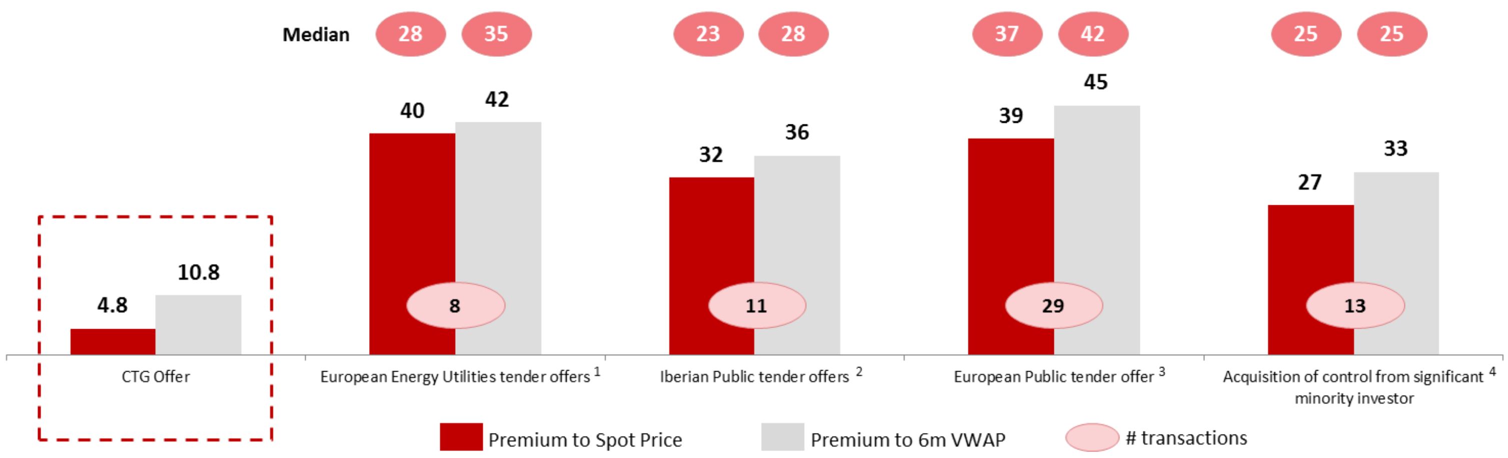
1. Undervalues EDP based on precedent public cash offer transaction premia for control;
2. Implies a multiple which is below the average paid in relevant precedent transactions;
3. Is broadly in line with trading multiples of peers, which does not factor a control premium;
4. Implies a premium lower than the one offered by CTG in 2011 to acquire a minority interest in EDP.

3.1.1. Offer undervalues EDP based on precedent public cash offer transaction premia for control

The premium implied in the price offered for EDP is significantly below what is customary for cash transactions in the European utilities sector, the Iberian market, and more broadly in the European market, where the offeror acquires control

The set of precedent public market transactions involving acquisition of control considered by the Executive Board of Directors for the purposes of this Report indicate that target company shareholders received on average a premium over the Spot Price[1] ranging between 32% and 40%, and a premium over the 6m VWAP ranging between 36% and 45%. Even when considering successful offers for control by existing shareholders with a significant minority stake, the average premia ranges between 27% and 33% over spot price and 6 months VWAP, respectively.

Figure 2 – Average premia paid in successful cash offers with acquisition of control (%)



Source: Dealogic, Mergermarket, company information, Capital IQ and FactSet; further detail available in appendix
Notes:
1) Considers successful all cash offers with acquisition of control in public tender offers for European Energy Utilities with deal size above €1bn since 2000. If equally analysed since 2006, number of deals would reduce to 4 transactions and average premia to Spot price and 6m VWAP would result in 58% and 59% respectively
2) Considers successful all cash offers with acquisition of control in public tender offers for Iberia targets with deal size above €1bn since 2006
3) Considers successful all cash offers with acquisition of control in in European public tender offers with deal size above €6bn since 2006
4) Considers successful all cash offers with acquisition of control from a minority investor in European public tender offers with deal size above €1bn since 2006

[1] Unaffected share price refers to the closing spot price at the preliminary announcement date. In case of competing offers, refers to the closing spot price at the preliminary announcement date of the initial offer. In case of leaks of discussions with the offeror, refers to the closing spot price prior to the leak of such discussions.

Given the Offer is subject to the effective acquisition of control over EDP (50% + 1 voting rights acceptance threshold), the Offer should entail a change of control premium in line with the above precedents.

When assessing the Offer premium, one must consider the adequacy of the pre-Offer share price.

The relative underperformance of EDP's share price throughout 2016 and 2017 primarily reflects the impact of regulatory and fiscal measures in relation to the company's Portuguese business, as well as the extremely low hydrology in 2017.

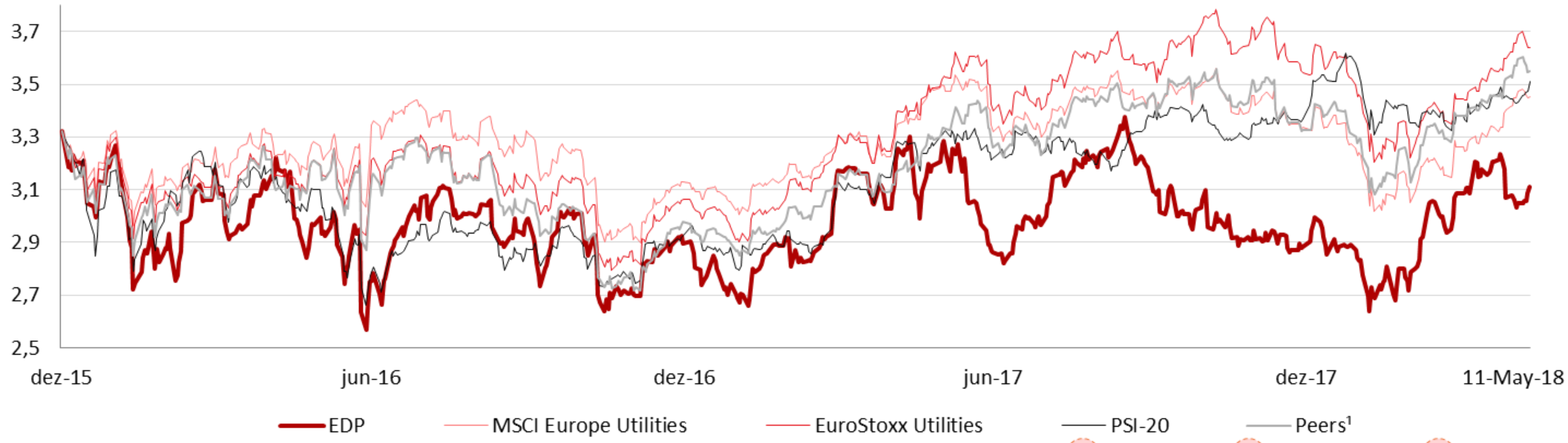
In relation to M&A speculation, EDP share price performance is aligned with peers and the sector since the M&A rumours in early July 2017 and in early April 2018 (BFM Business site), which were both promptly denied by the company.

In recent months, the share price performance of EDP is also aligned with peers and is primarily attributable to the positive market reaction to the publication of EDPR's FY2017 results disclosed on 27 February 2018, which materialised in the increase of EDPR share price from €7.15 on 26 February to over €8.00 in early May. EDP results and reaffirmation of its targets were also positively received by the market further supporting EDP share price performance.

Moreover, early February 2018 marks the 1-year low of EDP's trading level, and while one could have expected EDP's share price to outperform the sector during this period, reality is that EDP performed fairly in line with the sector and peers[2].

[2] Peers average includes Enel, Engie, E.On, Gas Natural, Iberdrola, Innogy, Orsted and SSE

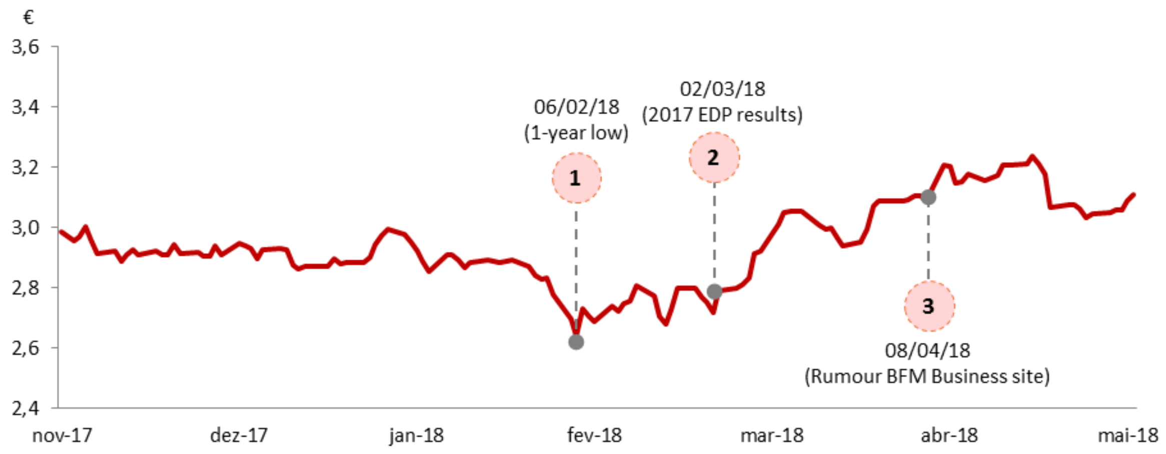
Figure 3 – EDP share price performance – Since 2015 (until 11-May-2018)



(%)	Desde Dez-15	Desde Dez-16	Desde 11-Maio-17 (1 ano atrás)	Desde Jun-17	Desde Dez-17	1 Desde 6-Fev-18 (Mínimo do último ano)	2 Desde 2-Mar-18 (Resultados 2017)	3 Desde 8-Abr-18 (Rumor BFM Business site)
EDP	**(6,4)**	**7,5**	**(4,8)**	**8,6**	**7,8**	**17,8**	**14,4**	**0,7**
Média dos peers[1]	5,3	19,7	12,2	8,9	6,8	15,4	11,4	4,2
MSCI Europe Utilities	3,9	10,3	3,0	4,0	3,5	13,6	11,2	4,9
EuroStoxx Utilities	9,6	18,8	7,8	7,1	2,7	12,1	10,6	4,6
PSI-20	5.7	20.0	7.3	8,9	4,2	5,4	4,4	3,6

Source: Factset
1) Peers average includes: Enel, Engie, E.On, Gas Natural, Iberdrola, Innogy, Orsted and SSE

Figure 4 – EDP share price performance – Last 6 months



Source: Factset

In addition, the average price target provided by independent equity research analysts pre-offer, which do not factor a control premium for EDP shareholders, is €3.02. It is worth highlighting that over the last 2 years the average brokers´ price target for EDP was c. €3.2.

Figure 5 – Independent Equity Research Target Prices ahead of the Offer (11-05-2018)

Broker	Date	Price target (€/share)
JP Morgan	10/05/2018	2.95
Morgan Stanley	10/05/2018	2.90
JB Capital	10/05/2018	3.50
Credit Suisse	10/05/2018	2.70
BBVA	10/05/2018	2.75
AlphaValue	10/05/2018	3.23
UBS	10/05/2018	2.90
Exane BNP Paribas	09/05/2018	2.70
Haitong	04/05/2018	2.85
Goldman Sachs	02/05/2018	2.75
BAML	27/04/2018	3.60
Kepler Cheuvreux	23/04/2018	3.30
Caixa Banco de Investimento (ESN)	20/04/2018	3.15
Investec	18/04/2018	3.20
Societe Generale	12/04/2018	3.05
Macquarie	04/04/2018	3.00
Morningstar	14/03/2018	2.70
Citi	05/03/2018	2.30
Intermoney	07/02/2018	2.85
BPI	01/02/2018	3.20
HSBC	19/01/2018	3.20
Deutsche Bank	18/01/2018	3.00
Berenberg	11/01/2018	3.00
Natixis	08/11/2017	3.30
Banco Sabadell	13/10/2017	3.50
Average		**3.02**

Source: Bloomberg as of 10-05-2018; except for brokers who have not disclosed price targets in Bloomberg, for which the respective reports were considered (UBS, Citi, Intermoney, Deutsche Bank and BofAML)

Given all of the above, the Board of Directors of EDP considers that price levels within the 6m VWAP of €2.94 and the Spot Price of €3.11 reflect an unaffected view of EDP share price and form a robust base to assess the implied premia of the Offer. Any price references below these levels cannot be considered appropriate.

In addition, the Executive Board of Directors notes that the Preliminary Announcement, Draft Launch Announcement and Draft Prospectus include reference to an implied premium based on a 6m VWAP of €2.77 which is calculated by deducting the gross dividend per share of €0.19 from all the trading days during the relevant six-month period prior to 27 April 2018 (the ex-dividend date). The Executive Board of Directors does not consider this approach correct since it is not standard practice to reduce dividend payments when assessing historical price averages of stocks, hence not suitable for the calculation of the premia. Additionally:

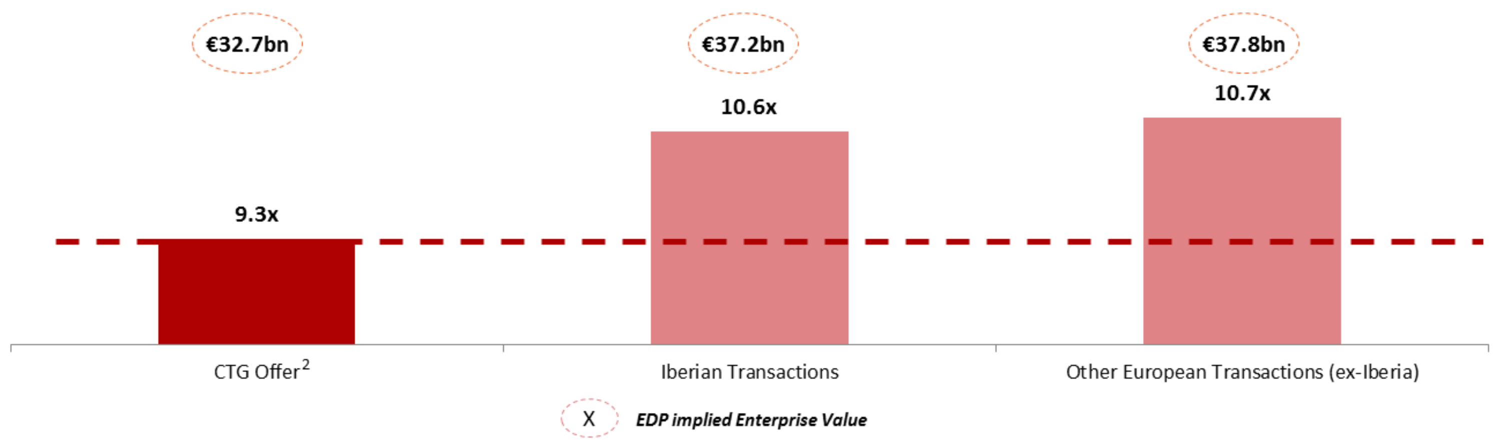
- the €2.77 per share is significantly below any of the VWAPs over the last 2 years (as a reference, since Dec-2015, EDP share price traded 88% of the days above €2.77), clearly indicating that it cannot be used as base price for premia analysis;
- the implied premia of 17.9% is not comparable and cannot be benchmarked against a set of precedent public offer transaction premia (as the latter are not adjusted for dividends paid prior to the ex-dividend date);
- it does not reflect the premia at the settlement date of the offer since, considering the number of approvals and conditions of the Offer, the settlement will likely fall close to the 2019 dividend payment and, in case it falls beyond the 2019 dividend payment date, the Offer price will be adjusted downwards to €3.07 per share, assuming a dividend payment of €0.19 per share.

3.1.2. Offer implies a multiple which is below the average paid in relevant precedent transactions

The EBITDA multiple implied in the Offer is below the average paid in relevant precedent transactions for control in the European Utilities sector

The Offer is equivalent to a 9.3x EV/EBITDA 2017, which is significantly below the average multiples paid in relevant precedent transactions in Europe of 10.6-10.7x.

Figure 6 – Precedent transaction multiples in the industry[1]

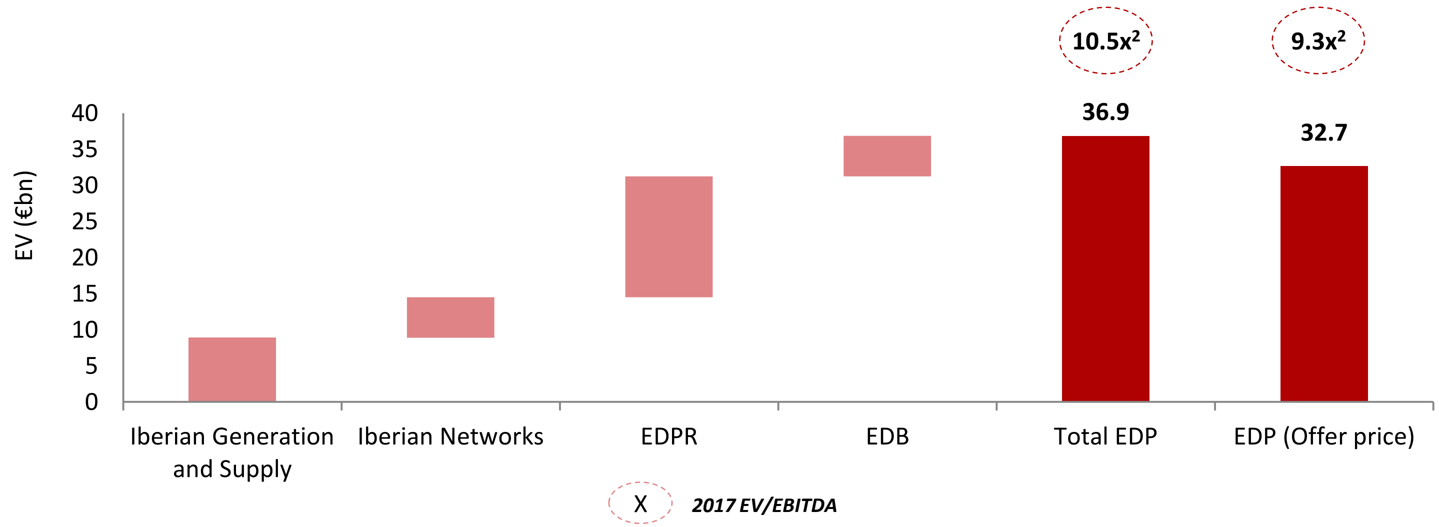


Source: Dealogic, Mergermarket and company information; further information available in appendix
1) Comparable transactions have been selected applying the following criteria: deal value >€2.0bn, integrated utilities transactions involving generation, distribution and/or supply located in Western and Central Europe since 2004. These criteria match EDP's fundamentals whilst providing a representative sample size (please refer to Appendix for details on the selected comparable transactions)
2) CTG Offer multiple based on EDP's recurrent EBITDA 2017 of €3,523m

The EBITDA multiple implied from precedent transactions based on SOTP analysis also indicates that CTG´s Offer undervalues EDP

The sum-of-the-parts analysis based on precedent transactions for control, whereby the value of each different business segment of EDP is determined using comparable transaction multiples relevant for that specific business segment, yields an overall implied multiple of 10.5x EV/EBITDA LTM, whereas the Offer implies a 9.3x EV/EBITDA 2017.

Figure 7 – Precedent transaction based sum-of-the-parts[1]



Source: Dealogic, Mergermaket and company information; further information available available in appendix
1) Based on EDP 2017 EBITDA for each business segment as reported by the company adjusted for non-recurring items; for Iberian generation and supply, the 2018E EBITDA as per broker consensus was used, as it represents a normalised hydro year (2017 was a dry year in Iberia)
2) Implied multiples based on EDP's recurrent EBITDA 2017 of €3,523m

In relation to this, while the Executive Board of Directors understands the EDPR share price offered by CTG for EDPR shares, in the preliminary announcement of the general tender offer over EDPR released on May 11, 2018 (as subsequently amended on May 16, 2018), may not reflect the actual valuation the Offeror attributes to EDPR, but rather the minimum legally permissible offer price pursuant to Portuguese takeover rules for a mandatory tender offer (6m VWAP), it is important to highlight that such offer price and potential value crystallization has important repercussions on the value embedded in the Offer for EDP.

3.1.3. Offer is broadly in line with trading multiples of peers, which does not factor a control premium

The valuation multiples implied by the Offer are broadly in line with trading multiples of EDP's peers, which implies that CTG's Offer does not factor a control premium for EDP shareholders

EDP is a vertically integrated utility with a strong exposure to renewable generation, hydro power generation and distribution networks, predominantly regulated and long term contracted, which command superior valuation multiples relative to the broader utilities sector.

In this context, the Executive Board of Directors considers the most relevant set of comparable listed peers for EDP to be the following European vertically integrated utilities: Enel (which incorporates Endesa as a subsidiary), Engie, E.ON, Gas Natural, Iberdrola, Innogy, Orsted and SSE.

Conversely, the following companies are not considered to be comparable to EDP: Centrica, due to its strong focus on supply in the UK and USA, and in the case of EDF, RWE, Uniper and Fortum, due to their strong focus on merchant power generation.

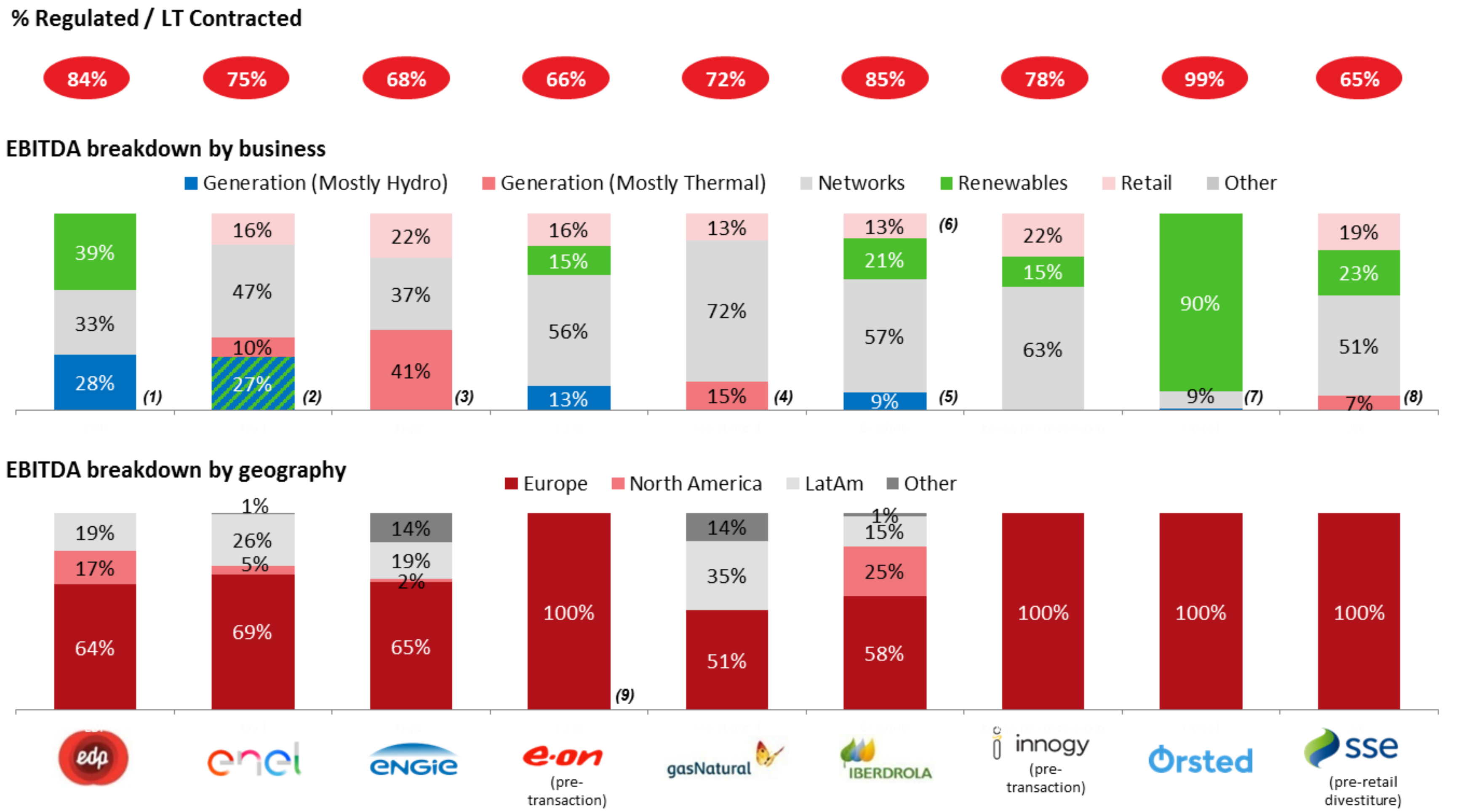
Comparable trading multiples represent a valuation methodology applicable to a minority investor in a widely held publicly listed company and do not reflect the value associated to the control of the company and its cash flows.

CTG's Offer at €3.26 per share implies multiples which are broadly in line with the trading levels of EDP peers:

- EV/EBITDA 2019E of 9.0x vs. 8.9x for peers;
- P/E 2019E of 13.7x vs. 14.3x for peers;
- Dividend yield of 5.8% vs 5.1% for peers.

For acquisition of control, a premium to trading multiples should be sought.

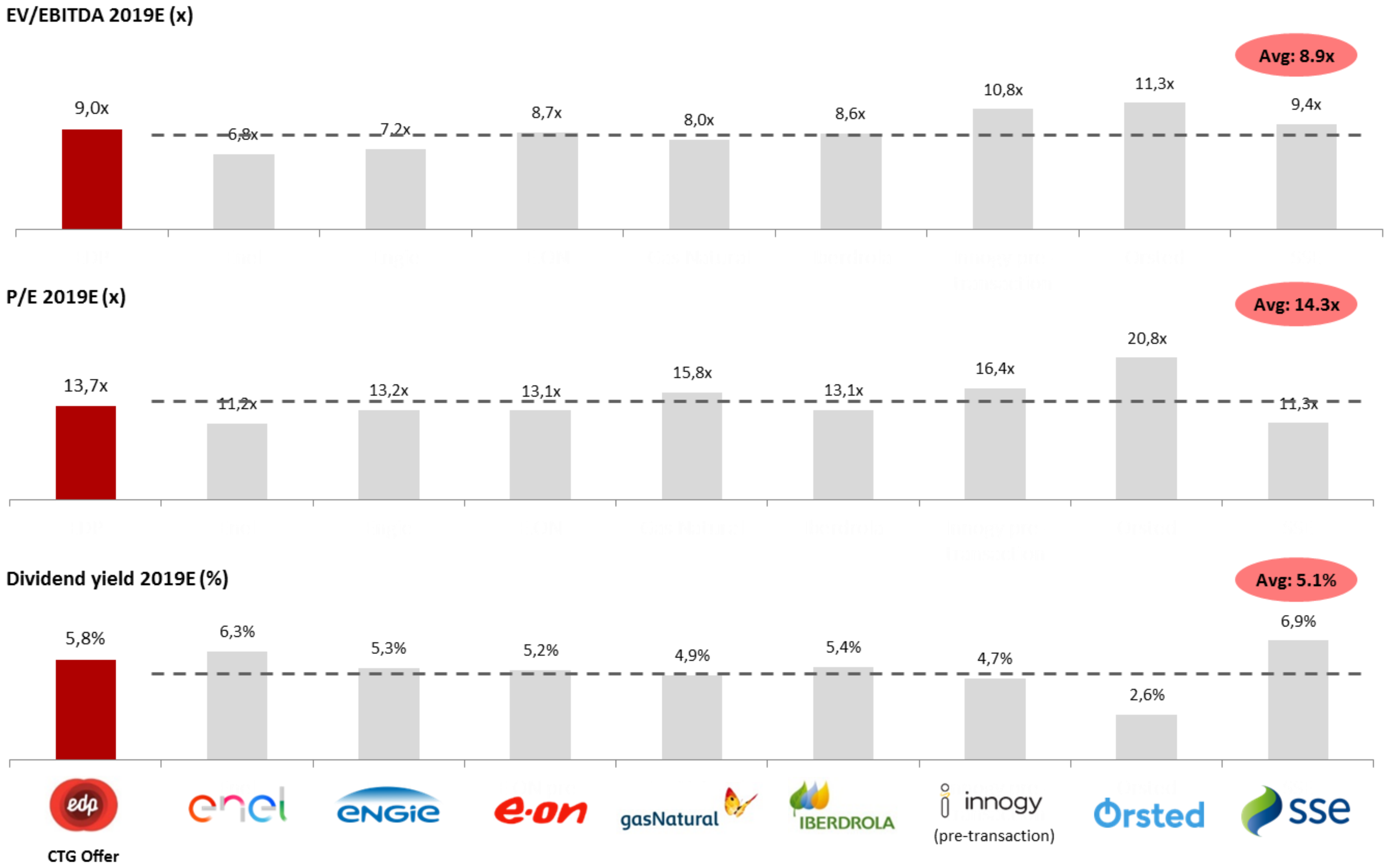
Figure 8 – EDP´s peer analysis



Source: Company Information and broker reports

1) EDP Generation (mostly hydro) includes generation and supply
2) Enel Generation (mostly hydro) is 70% hydro by output with the remainder being renewables
3) Engie Generation (mostly thermal) is 48% gas by output, 15% nuclear, 14% coal, and 16% hydro, with the remainder being renewables
4) GNF Generation (mostly thermal) is majority CCGT (64% by output), with a small renewables component
5) Iberdrola's portfolio is majority CCGT (62%) and nuclear (26%) by output
6) Iberdrola retail is split out from generation based on publicly available broker valuations
7) Incorporates the distribution and supply business of Orsted
8) SSE renewables split is achieved based on the 3-year average operating profit disclosure (supply currently being divested)
9) Turkey considered Europe; 4GW out of 7GW of E.On's renewable portfolio is in the USA, however EBITDA is undisclosed

Figure 9 – Relevant comparable trading multiples 2019E

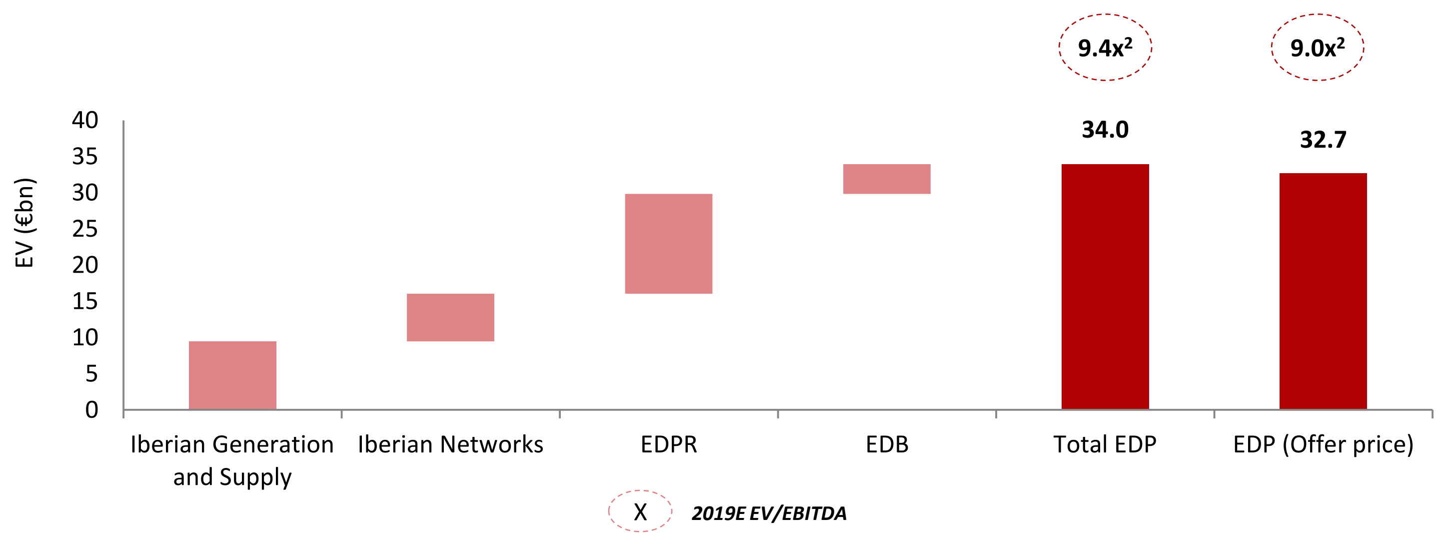


Source: company information, Capital IQ and Factset

The EBITDA multiple implied from trading multiples based on SOTP analysis also indicates that CTG´s Offer does not include a control premium

The sum-of-the-parts analysis based on trading multiples, whereby the value of each different business segment of EDP is determined using trading multiples of companies comparable to EDP´s business segment, yields an overall implied multiple of 9.4x EV/EBITDA 2019E, whereas the CTG´s Offer implies a 9.0x EV/EBITDA 2019E.

Figure 10 – Trading multiples based sum-of-the-parts[1]



Source: company information, Capital IQ, Factset and broker reports; further detail available in appendix
1) Based on EDP 2019E EBITDA for each business segment as per broker consensus
2) Implied multiples based on EDP's EBITDA 2019E of €3,628m as per broker consensus

3.1.4. Offer Implies a premium lower than the one offered by CTG in 2011 to acquire a minority interest in EDP

The price, premium and multiples of CTG's Offer are below the comparable metrics for CTG´s acquisition of a minority stake in EDP during the 2011 privatization, despite control being sought and the significant improvement of the macro and market environment

3.1.4.1. The price offered in 2018 is lower than the one offered in 2011…

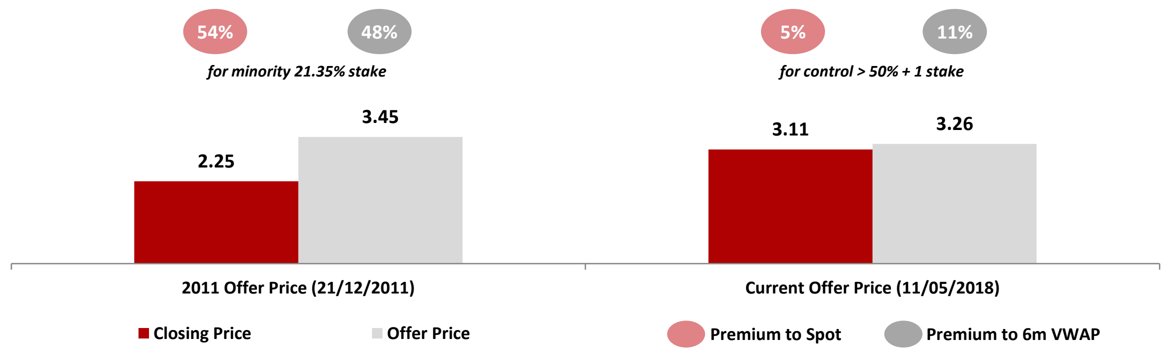
The Offer Price of €3.26 per share is lower than the privatisation price of €3.45 per share offered by CTG in 2011 for a minority stake.

In addition, considering the number of approvals and conditions included by the Offeror in the Preliminary Announcement and Draft Prospectus, the Offer price might be adjusted downwards. Assuming a settlement of the Offer in 2019 post the payment of the 2019 dividend, the price would be adjusted to €3.07 per share assuming a dividend payment of €0.19 per share.

3.1.4.2. … and the premium is lower despite control being sought…

CTG´s December 2011 offer for a minority stake acquisition (21.35% stake) implied a c. 54% premium over Spot Price and c. 48% over 6mVWAP while the Offer, despite seeking to attain control, only factors a 4.8% premium to Spot Price and a 10.8% premium to 6m VWAP.

Figure 11 – Offeror's price and premia comparison: 2011 minority stake vs. 2018 offer for control



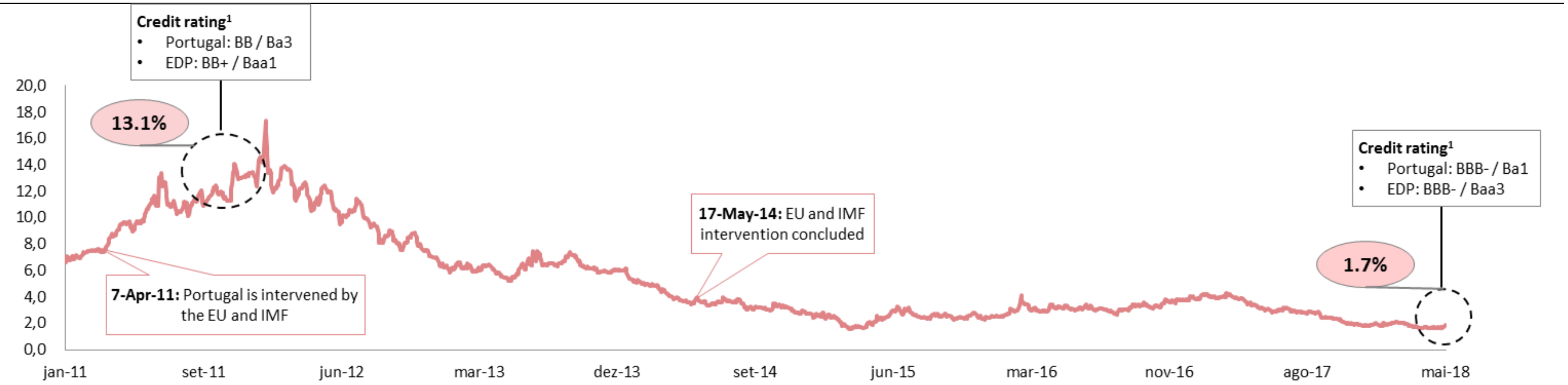
3.1.4.3. ...within a significantly improved macro/market environment...

Market conditions and investor confidence towards Portugal have significantly improved since 2011:

- Sovereign risk has decreased significantly, as reflected in the 10-year Portuguese government bond yields, which have decreased from above 13% in 2011 to below 2% in May 2018;

- Annual GDP growth level has increased substantially from -1.8% in 2011 to +2.6% in 2017.

Figure 12 – Portuguese 10-year Government yields (%)



Source: Bloomberg
1) S&P / Moody's ratings

3.1.4.4. ...and with sector multiples having significantly expanded, implying a higher sector valuation

Trading multiples in the sector have increased substantially since 2011, from 6.6x to 8.9x on an EV/EBITDA basis and from 9.7x to 14.3x on a P/E basis.

Figure 13 – Evolution of EDP's peers trading multiples (x)

Source: Capital IQ
1) EBITDA and Net income 2012 for "Privatization 2011" multiples and EBITDA and Net income 2019E for "Offer 2018" multiples; peers include Enel, Engie, E.On, Gas Natural, Iberdrola, Innogy, Orsted and SSE

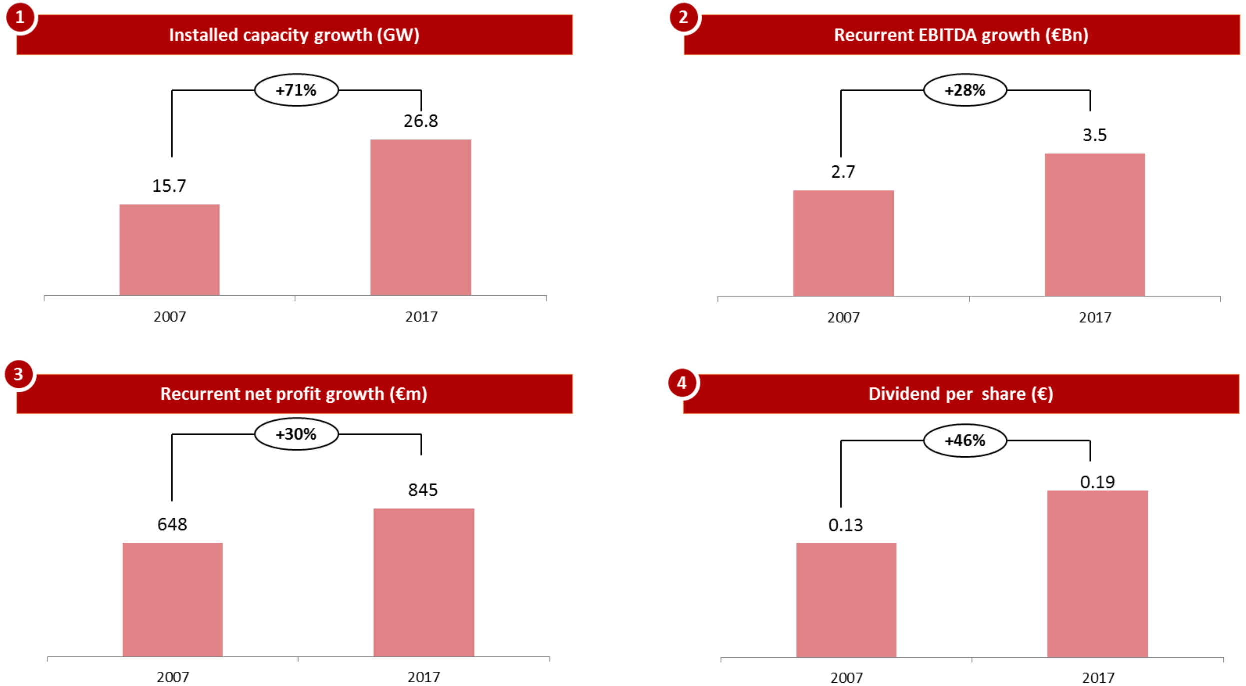
3.2. EDP's track record and equity story

EDP has today a differentiated position in the market with a world class asset portfolio, that balances leadership in renewables, high quality long-term contracted and regulated assets, strong generation fleet, particularly in hydro, and a solid client base, supported by a strong value creation track-record.

The right competences and execution skills…

EDP has a long-standing and proven track record of value creation and operational delivery, having increased over the last decade its installed generation capacity from 16 GW to 27 GW, its recurrent EBITDA from €2.7bn to €3.5bn, its recurrent net income from €648m to €845m and its dividend per share from €0.13/share to €0.19/share.

Figure 14 – EDP – 10 years of sustained growth

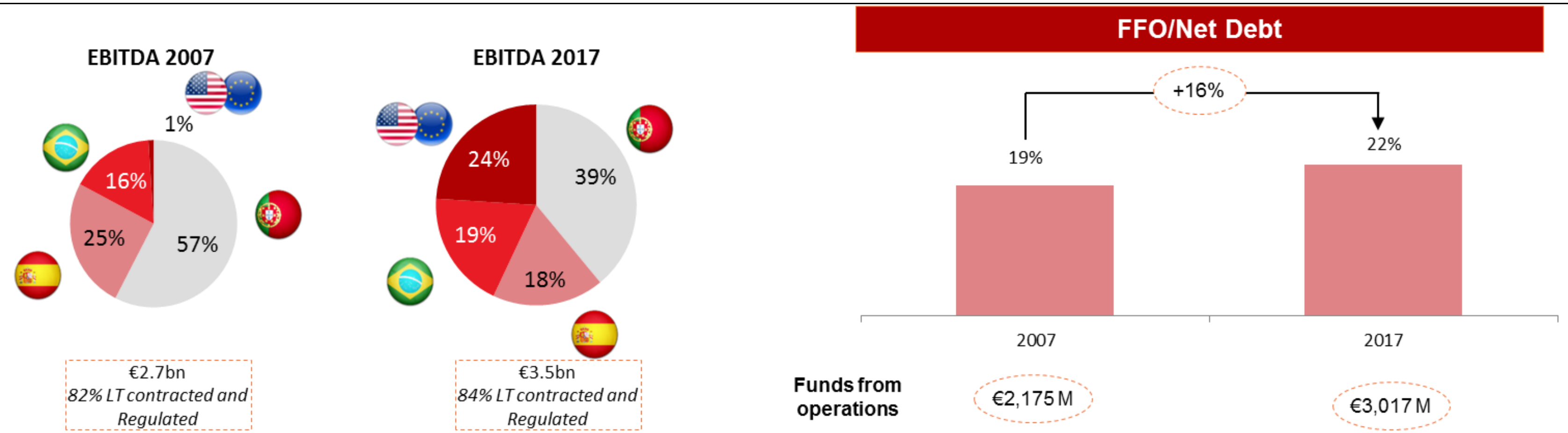


Source: Company financials

Since 2007, the recurrent EBITDA has significantly increased (+28%), mainly driven by growth in EDPR and Brazil, and the strategy focused on long-term contracted and regulated activities (84% of EBITDA in 2017) in geographies with strong fundamentals has allowed the Group to maintain visibility on its cash flows and maintain a distinctive low-risk profile.

The ability to grow while managing risk has been coupled with a strong financial discipline. The Group has a robust generation of cash from its operations and has improved its credit metrics (FFO/Net Debt 22% in 2017 vs. 19% in 2007). Today EDP is rated as investment grade by the main credit rating agencies (S&P, Moody's and Fitch);

Figure 15 – EDP: Strong Recurrent EBITDA growth coupled with financial discipline

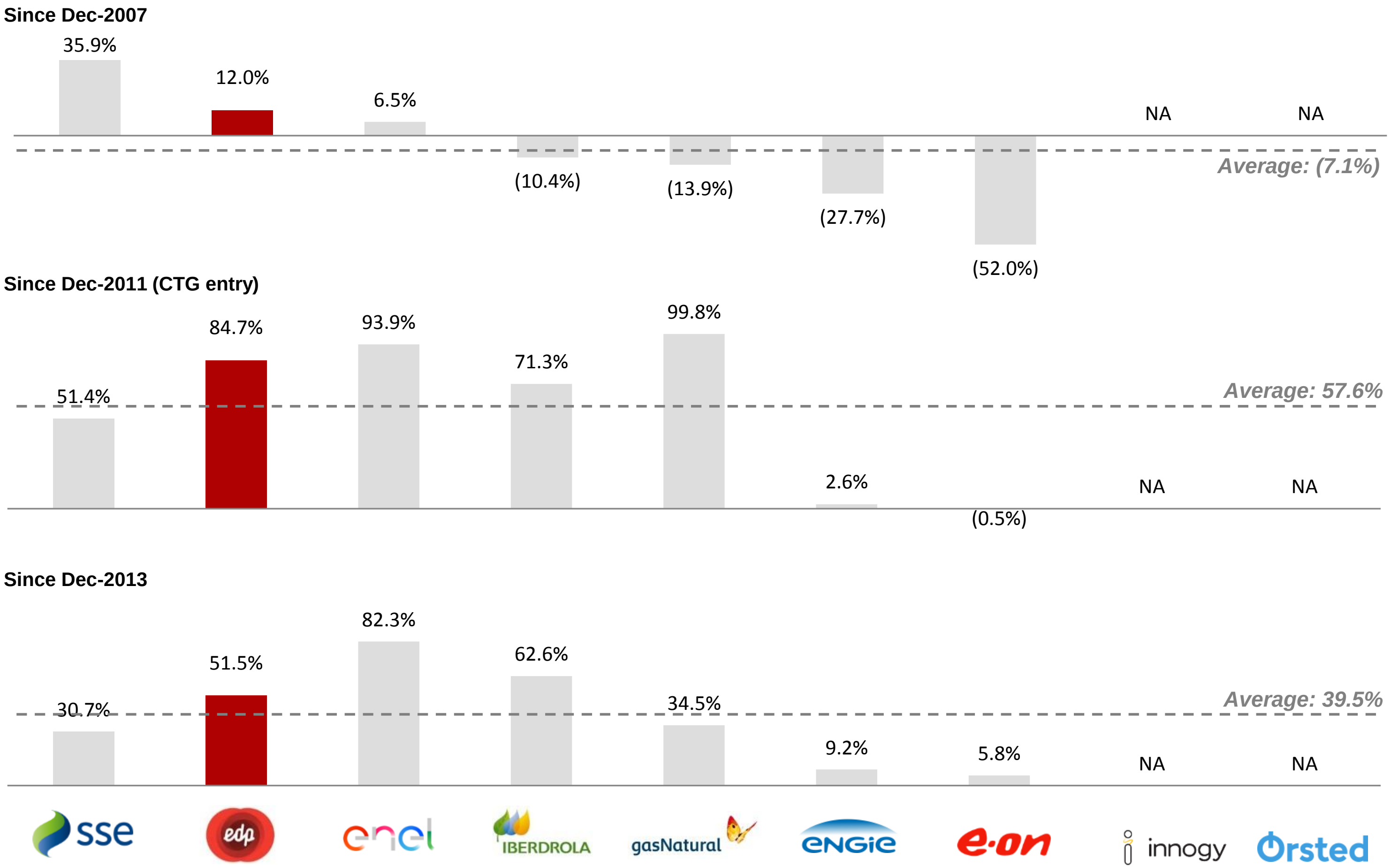


Source: Company financials

EDP has also proven to be a reference in the sector in terms of efficiency with one of the lowest OPEX/Gross margin in the industry (below 30%) and over the last 10 years the company has been able to deliver savings above targets through several efficiency programs.

During the last 10 years, EDP has substantially over performed its peers in terms of shareholder´s return thanks to its distinctive strategy. The total return of EDP outperformed the average within different timeframes, supporting EDP's capability to deliver returns and adapt to new challenging environments.

Figure 16 – Total shareholder return to date[1]



Note:
1. Calculated as share price appreciation plus dividend yield until 11-May-2018; innogy and Orsted not available as only listed since 2016

The right strategy

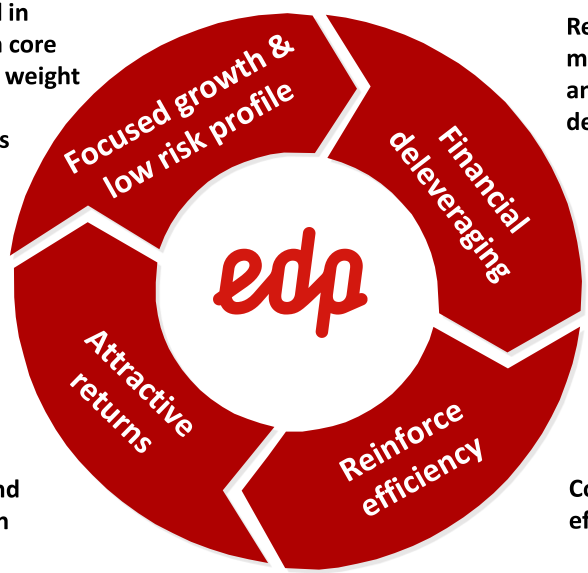
EDP's strong performance has been based on the ability of the company to anticipate trends, including in particular, its commitment towards renewables and further enhancement of its international profile over the last 10 years. This has been critical to overcome significant regulatory headwinds in Iberia, in its more mature stage, and has allowed for continuous value delivery.

In May 2016, EDP presented its strategy and business plan for 2016-2020, where it reiterated its distinctive value proposition focused on the key strategic pillars that have been driving EDP's equity story.

Figure 17 – EDP's key Strategic Pillars

Investment focused in renewable assets in core markets and strong weight of regulated and LT contracted activities

Reinforce visibility on medium term free cash flow and balance growth with deleverage



Sustainable and predictable dividend policy growing with results

Continued efforts on efficiency improvement

Source: Company information

Within the context of the execution of the Business Plan, EDP has further reinforced its ability to present attractive results throughout its business portfolio, further improving its distinctive equity story:

- In renewables, since presenting the business plan to the market in 2016, EDP has already delivered c. 1.4 GW of wind and solar projects and has currently 1.0 GW under construction, mainly in the USA. The company has also secured an additional c.0.8 GW, which means that, in total, c.90% of the total target of 3.5 GW of renewables capacity additions for 2016-20 is secured. In offshore wind, EDP has secured 2.0GW of offshore projects in UK and France in partnerships and is well positioned for future tenders, opening a new avenue of growth for the company. Additionally, in 2017, EDP has further increased its ownership in EDPR to 82.6% following its general and voluntary public tender offer, reinforcing its position on its core activity. It should be noted that today EDPR surpasses 11 GW of installed capacity in a year that the company attained its best result;
- In Brazil, where the company has been seeing strong performance, EDP opened a new growth avenue by entering the attractive Brazilian transmission sector securing R$ 3.1bn of regulated investment and has further expanded its footprint in the Brazil distribution sector through the acquisition of a 20% stake in Celesc (Santa Catarina distribution network with 3 million clients). Moreover, EDP has also significantly increased its organic investments in distribution and distributed solar generation in Brazil;
- In the distribution sector, the company continues to invest in the modernisation of its networks, having already reached around two million smart meters installed in the Iberian Peninsula and with one of the best years ever in terms of network reliability in both Portugal and Spain;
- In the retail business, EDP continues to consolidate its leadership position today with a portfolio of more than 5 million customers in electricity and more than 1.5 million customers in gas in the Iberia Peninsula. Given EDP´s success in the liberalized market, namely in Portugal (#1 with ~85% of market share in electricity customers and ~50% in gas), the company has recently approved the expansion of its retail business into new geographies, aiming to add one million clients in the next five years;
- Entrance in the Peruvian market through Hydro Global, that has successfully started the construction a 206 MW hydro powerplant.

The results presented continue to be delivered with a strong financial discipline. The company decreased its leverage to an adjusted Net Debt/EBITDA of 3.5x (3.7x considering recurring EBITDA 2017). The average cost of debt of EDP also decreased by 70bps (from 4.5% in Q1 2016 vs 3.8% in Q1 2018) through an active debt management, buyback of bonds and debt refinancing. Moreover, the group's strong results are also sustained by the continued focus on its operational excellence, having achieved in 2017 OPEX savings 26% above initially planned and EDP's distinctively low-risk profile, which today features with a total installed capacity of 74% in Renewables and having 84% of its EBITDA from "long term contracted" or "regulated" activities.

Finally, the ongoing optimization efforts around capital allocation and strategic asset reshuffling, namely through value enhancing disposals (EDPR asset rotation, Spanish gas distribution and others), has also demonstrated EDP's ability to crystalize and anticipate value, which in turn enabled capital recycling and allowed the company to accelerate growth in core platforms, namely EDPR and EDP Brasil. In this context, the company has recently announced its intentions to further accelerate renewables growth coupled with sell down of assets.

Figure 18 – EDP Asset Rotation and Value Crystallization of Naturgas Energia

Asset rotation strategy	Value crystallization of Naturgas	Growth in core business
Value crystallization at an Average EV/MW de €1.5M	Value crystallization @ 16x EBITDA	Acquisition of +5.1% in EDPR in 2017
Sale at an average Equity IRR of 6.5%	Capital gain of €0.6Bn	+0.9GW added to wind and solar portfolio in 2018
Reinvesting at Double digit Equity IRR		R$3.1Bn capex secured in transmission in Brazil

Source: Company presentations

The right prospects

EDP is therefore well positioned for the future...

- A high-quality generation portfolio of 27 GW, with an expected remaining asset life of 24 years as of 2020. This portfolio includes 9 GW of hydro generation capacity, with 30 years average remaining asset life, and 11 GW of wind and solar generation capacity, with 21 years of remaining asset life. In aggregate, this represents a distinctive 20 GW of clean energy portfolio, or 74% of the total EDP installed generation capacity, across 14 countries;
- A strong presence in networks, with an aggregate €5.0bn RAB under stable and predictable regulatory frameworks, out of which 59% in Portugal, 19% in Spain and 22% in Brazil;
- A sizeable 11.4 million client base with long-term cross-selling and new downstream potential, of which 53% in Portugal, 18% in Spain and 30% in Brazil. This positions EDP well to benefit from long-term trends towards the development of services and new downstream activities in the sector.

...supported by balanced portfolio that spans over a diversified geographic footprint, with >60% of its recurrent EBITDA in 2017 coming from its international activity (of which ~40% from EDP Renewables), combined with a low-risk business mix, with 84% of its EBITDA resulting from regulated and long-term contracted activities. Moreover, the upgrade to investment grade by rating agencies and prudent financial policy of the company enable access to competitive financing. EDP's distinctive profile and excellent long-term growth prospects underpinned by a world leading renewable platform and significant exposure to high growth markets (i.e. USA, Brazil) enables the Company to remain committed to deliver an attractive dividend, with a minimum floor.

3.3. Intentions of the Offeror and Implications of the Offer

Pursuant to EDP's privatization process which resulted in the acquisition by CTG of a 21.35% stake in EDP, both companies signed a framework agreement for a strategic partnership. This agreement has, among other aspects, enabled in the execution of minority investments by China Three Gorges Corporation, through subsidiaries, in certain EDPR wind portfolios in Portugal, Italy, Poland and Brazil, co-investments in Brazilian hydro assets and in EDPR's UK offshore assets, and the creation of a global joint venture aimed at developing hydro projects, primarily in Latin America.

In its Draft Prospectus, the Offeror expressed the intention to increase the strategic commitment to EDP and to ensure that EDP remains a relevant sector player in the future, while reinforcing EDP's 2016-2020 strategic agenda.

In particular, the Offeror notes that it intends to maintain EDP's Portuguese identity and autonomous decision-making process, with the highest international corporate governance standards, while positioning EDP as the Offeror's key international growth platform in selected geographies. It also refers to contributing existing assets owned by China Three Gorges Corporation, through subsidiaries, in Brazil/EU into EDP and to enable growth optionality in offshore wind developments in China. Additionally, CTG intends to reinforce EDP's credit profile and aims to maintain the current EDP dividend policy.

The merits of the above described intentions depend on their implementation model, which is not clear at this stage. Some key principles have nonetheless been outlined, in particular for the asset contributions where the Offeror already expressed the intention to enter a formal framework agreement to regulate the potential process.

The Executive Board of Directors believes that the scope of a potential framework agreement envisaged by the Offeror to regulate the process of assets contribution should be further detailed but also extended to the other relevant commitments presented, namely identity, corporate governance to ensure proper minority protection, financial strategy and stable dividend pay-out policy with dividend pay-out not below what has been disclosed by EDP, new markets such as the Chinese wind offshore, among others. The extended framework would enable the required visibility for investor's decisions prior to the Offer registration, potentially conditional only to the acquisition of control of EDP under the Offer.

Moreover, there are additional items related to the Offer that should be clarified ahead of shareholders' decision milestones, namely the Offer effectiveness condition to obtain 50% plus 1 of the voting rights of EDP, corporate governance, assumption regarding the obligation to launch a mandatory tender Offer in EDP Brasil in case of control acquisition, and other Offeror's assumptions that support the Offer.

From a regulatory and Offer authorization standpoint, there are numerous conditions which are required to be satisfied in order for the Offer to proceed, such as authorisations from the European Commission, Portuguese Government, CADE and ANEEL in Brazil, CFIUS and FERC in US, among others, some of them capable of being waived by the Offeror. The time to obtain these authorizations is uncertain at this stage, which could have implications for EDP and may negatively affect the value realised since the Offer does not compensate for continuous incorporation of the expected dividend in the stock price.

The proceedings for obtaining the various regulatory authorizations may have an impact on EDP, its subsidiaries and its businesses, since the relevant regulatory authorities have powers within those proceedings to impose remedies and/or mitigation measures to EDP, its subsidiaries and its businesses, as applicable.

This is particularly relevant in the USA, where remedies and/or mitigation measures may be imposed by CFIUS and/or FERC. In addition, the Offeror has made no reference in the Draft Prospectus regarding potential ownership unbundling consequences arising from a potential acquisition of control following the Offer.

3.3.1. Considerations on the intentions of the Offeror regarding EDP

The Offeror also stated its plan for EDP that consists in five main pillars that include intentions regarding identity, efficiency and growth, financial profile, asset contributions and optionality in Chinese wind offshore. Based on the information currently available, the Executive Board of Directors is of the opinion that while certain elements of the proposal provide supportive context to the Offer, the limited level of detail and lack of specificity in relation to material aspects of this plan raise a number of questions which cannot be appropriately addressed by the Executive Board of Directors in this Report, given the level of information they possess in this regard.

Set out below is a summary of the Executive Board of Directors' view in relation to the Offeror's statements of intention regarding EDP:

1. **The Offeror's intention:** ***"Portuguese identity and relevance as a sustainable going concern utility player: Commitment to preserve the Portuguese identity of the Target Company, with headquarters and autonomous decision-making being in Lisbon" and "In addition, it is a fundamental objective of the Offeror to maintain the public listing of the Target Company on the Regulated Market of Euronext Lisbon, with significant liquidity to attract sufficient interest from investors that wish to continue to benefit from future value creation"***

The Executive Board of Directors values the Offeror's intention to maintain EDP's Portuguese identity and to ensure autonomous decision-making and to further invest in technology and R&D, reinforce centres of excellence and establish training centres in Portugal. However, the Executive Board of Directors would consider relevant additional specificity on how the Offeror intends, as a practical matter, to give effect to these statements in order to develop the necessary assurance that the interests of EDP and of its stakeholders will continue to be adequately safeguarded following the Offer.

Specifically, the Executive Board of Directors considers that it does not currently have sufficient clarity on (i) the time horizon that CTG is willing to commit to maintain EDP's Portuguese identity and listing in Lisbon, (ii) the envisaged governance model that would ensure autonomous decision making and how it will provide minorities with adequate protection, namely if and when conflicts of interest might arise from asset contributions, and (iii) the free float that the Offeror intends to maintain in the medium to long-term and how to balance the intention of significant liquidity with an offer for 100% of the capital and potential subsequent assets contributions.

2. **The Offeror's intention:** ***"Operational efficiencies and growth in core segments and geographies: The Offeror is committed to supporting initiatives aimed at further enhancing the operations of the Target Company in order to continue achieving industry leading efficiency metrics. The Offeror intends to continue supporting the Target Company's strategy with focus on the generation of visible and stable cash flows and maintaining a low-risk and diversified mix of businesses, where power generation, renewables, electricity distribution networks and clients remain the Target Company's core business segments. In addition, the Offeror has a firm intention that the Target Company leads the operations and growth of the CTG Group in Europe, the Americas and in the PALOPs (Países Africanos de Língua Oficial Portuguesa), as well as in selected Asian markets."***

The Executive Board of Directors notes that the Offeror's stated objective of making EDP its leading platform for international investment in selected geographies with focus on the generation of visible and stable cash flows, could in principle open new markets and businesses to EDP and create potential additional avenues for growth. However, such an objective does not provide visibility as to the nature, actionability and envisaged potential risk and return levels of the growth opportunities which may become available to EDP in the near to medium-term and how these would complement the geographies in which EDP is already present and respective impact in the capital structure.

The Offeror also states, "*If the Target Company were to choose not to make these investments, the CTG Group may consider to invest through other platforms*", which further enhances the need of a market based governance model that can regulate these processes.

3. The Offeror's intention: ***"Strengthened financial profile: The Offeror is committed to reducing leverage at the Target Company and ensuring that it maintains at least an investment grade rating in line with its present one. In doing so, the Offeror aims at ensuring that the Target Company retains flexibility to pursue growth whilst maintaining a stable dividend policy not below what has been disclosed by the Target Company."***

The Executive Board of Directors acknowledges that the Offeror is ultimately owned by China Three Gorges Corporation, which is rated A by S&P, A1 by Moody's and A+ by Fitch. It also values the Offeror's commitment to maintain and potentially improve the investment grade at EDP, which is aligned with the deleveraging and credit profile improvement strategy that EDP has pursued in recent years, as well as the intention to finance the Offer through a finance agreement entered into between the Offeror and Bank of China Ltd.

The Offeror also states that *"The financial strategy to be adopted after the Offer will be aligned with the policy followed by the Target Company in the past years, by seeking financial cost reduction, maintaining an adequate working capital level and ensuring the compliance with all legal requirements.*

The Offeror intends to follow a dividend policy in line with prudent financial management. The Offeror shall endeavour to maintain a stable dividend pay-out policy with dividend pay-out not below what has been disclosed by the Target Company. Such policy will be implemented taking into account and ensuring compliance with existing financial agreements, applicable laws and regulations and provide for adequate allowance of working capital requirements and capital expenditures as well as for liabilities whether actual or contingent."

In this context, the Offeror's intention to maintain a stable dividend pay-out policy with dividend pay-out not below what has been disclosed by EDP while maintaining its investment plan is important but should be incorporated in a broader framework agreement with the Target Company in case control is attained, in order to provide visibility to shareholders for their decision-making process during the Offer period.

4. The Offeror's intention: *"Asset contributions: The Offeror's plans include contributing activities of the CTGI Group in overlapping markets into the Target Company, should this be considered in the interest of the Target Company and its stakeholders."*

"The intention underlying the potential asset contributions, which envisages the contribution into the Target Company's asset base of some of China Three Gorges International Corporation's (…) businesses and assets currently in overlapping markets, is the rationalisation of combined business portfolios and the delivery of additional value creation for all the Target Company's stakeholders. The Offeror anticipates that the integration of those businesses and assets would optimise future operations and enable the Target Company to continue to maintain a sustainable and successful platform in core business segments and geographies."

The assets to be potentially contributed include:

- the Brazilian portfolio of CTGI Group which is the second largest non-Brazilian power generation group in the country with installed capacity of 8.27 GW;
- shareholdings in companies already jointly owned with Target Company in Brazil: co-control stakes three entities operating three hydro plants with a total capacity of 1,292 MW and minority stakes our entities operating a total of eleven wind farms with a total capacity of 328 MW;
- 80% stake in the German company WindMW GmbH, the owner of a German offshore wind power project, Meerwind located in the North Sea, with a gross installed capacity of 288 MW; and
- 49% shareholding in EDP Renováveis Portugal, S.A., a holding company with onshore wind assets in Portugal and a total installed capacity of 630 MW.

In addition, the Offeror states the intention to enter into a framework agreement for the implementation of the potential asset contribution:

"The framework under which such a contribution of activities may take place should be agreed mutually between the Offeror and the Target Company in due course and bearing in mind regulatory and other legal or contractual constraints that may be applicable, such as provisions for related parties transactions. In the meantime, the Offeror has laid out below the basic elements of how it currently envisages that such a framework would be defined.

Any asset contribution would: need to comply with the investment criteria applicable to similar type of investments pursued by the Target Company; be undertaken as an arms-length transaction at market terms, and analysed based on standard practices for this type of transactions; need to be approved by the competent corporate bodies of the Target Company, including, as applicable the General and Supervisory Board and/or the General Meeting of Shareholders."

The Executive Board of Directors sees merits in the contribution of the Offeror's partially long-term contracted assets in markets in which there is overlap with EDP to the extent this contribution reinforces EDP's growth perspectives and risk profile, is credit enhancing and accretive for both EDP and its subsidiaries. In particular, the potential contribution of the Offeror's Brazilian assets could reinforce EDP's leadership position in this market, creating a leading platform in Latin America and may generate cost efficiencies.

The Executive Board of Directors also sees merits on the Offeror's intention to enter in a potential framework agreement, since it enables some visibility on the implementation and conditions of the potential assets contribution, in line with the stated orientation principles on the "need to comply with EDP's investment criteria", "be undertaken as an arms-length transaction at market terms", and "approved by the competent corporate bodies". Such conditions should include notably the price of the assets, financing instruments (equity vs. debt), timeline of the incorporation, shareholder agreements if existent, etc., which are unknown at this stage.

This framework agreement, conditional to the Offeror obtaining control of EDP, containing full financial and economic detail on said asset contributions should ideally be presented to shareholders before them having to decide on tendering their shares, specifically on their respective accretion or dilution if capital increases are to be necessary, which may not be possible to have before the end of the offer, thus reinforcing the need for a strong corporate governance and related party committees to regulate these transactions.

It should also be considered that the contribution of sizeable Brazilian assets would lead to a significant increase in the relative contribution from

Latin America to EDP's overall portfolio and materially alter its growth, risk and return profile. This change in the business profile would be reinforced in case remedies are imposed by CFIUS / FERC to USA renewable platform (further detailed in 3.3.2), which is a scenario not addressed in the Offer.

5. **The Offeror's intention: *"Access to the offshore wind market in China: Under the current five-year plan, China is targeting 210 GW of wind capacity installations by 2020. Out of this, 5 GW of offshore wind capacity are expected to be in operation by 2020 and an additional 10 GW are targeted to be under construction by that point of time. The CTG Group has communicated that it intends to play an active role in this development; at present the CTG Group has 270 MW operating offshore wind in China with 1.4 GW under construction and another 7.1 GW under development. The Offeror will favour the entrance of the Target Company into China's offshore wind market by leveraging on the latter´s operational expertise, should this be of interest to the Target Company and its stakeholders and in line with the fulfilment of the Target Company´s investment criteria."***

   Regarding opportunities in offshore wind generation in China, the Executive Board of Directors considers that the asset class would be consistent with the current strategic focus of EDP and could provide a new additional platform for growth. However, at this stage visibility is scarce regarding the actionability and the risk-return profile of these potential investments.

3.3.2.Additional key issues to be clarified

Effectiveness condition to obtain 50% + 1 of the voting rights of EDP

The Offeror has conditioned the effectiveness of the Offer to the acquisition by the Offeror, until the term of the Offer period, of a number of Shares that represent, at least, 50% (fifty per cent) of the voting rights in the Target Company plus 1 (one) voting right. The Offeror also reserves the right to, in its absolute discretion, waive this condition up until disclosure of the Offer results, to be assessed in the special session of the Regulated Market of Euronext Lisbon. The Executive Board of Directors of EDP has serious doubts in respect of (i) the validity of such condition (as construed), and (ii) the timing up until which the Offeror has the right to waive the above-mentioned condition, as it considers that the timing proposed by the Offeror (i.e. until the date of disclosure of the Offer results) might not be protective of the addressees of the Offer. It is the Executive Board of Directors view that this matter needs to be clarified in the Offer Prospectus and Launch Announcement.

Corporate Governance

In the Offer draft, the Offeror *"recognises that investors' interest in listed companies is directly linked to the adoption of corporate governance best practices and the prompt disclosure of material information to shareholders. The Offeror is committed to the Target Company continuing to adopt the highest corporate governance standards in accordance with international practices and applicable law*".

The Executive Board of Directors notes that European Corporate Governance standards, such as the ones found, for instance, in Portugal (the IPCG Corporate Governance Code), Spain (Good Governance Code of Listed Companies, issued by the *Comisión Nacional del Mercado de Valores*) and Germany (*Deutscher Corporate Governance Kodex*, revised by a commission introduced by the German Ministry of Justice) include critical mechanisms to protect minorities' interests. The Executive Board of Directors furthermore believes that the Offeror should express its views on whether a professional management team will be maintained and if a related party committee will continue to exist. This related party committee is particularly relevant to implement the Offeror's intentions to execute asset contributions.

It is the opinion of the Executive Board of Directors of EDP that this is a matter that should be addressed and further clarified in the Offer prospectus to be published with the registration of the Offer.

Obligation to launch a mandatory tender Offer in EDP Brasil in case of control acquisition

The Offeror has, in the Preliminary Announcement, Draft Prospectus and Draft Launch Announcement, made the assumption underlying the decision to launch the Offer, that "*the acquisition of control of the Target Company 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, including, without limitation,* *over the shares representing the share capital of the Brazilian company EDP – Energias do Brasil, S.A., under Brazilian law (…)*".

Although the acquisition of control of the Target Company by the Offeror as a result of the Offer may not trigger the obligation to launch, by CTG Europe or any other CTG Group company, a mandatory tender offer over EDP Brasil, there is no reference in the Draft Prospectus as to what are the intentions of the Offeror in case an obligation to launch a mandatory tender offer over the shares of EDP Brasil is triggered. Therefore, the Executive Board of Directors believes that this matter should also be clarified in the prospectus to be published with the registration of the Offer.

Assumptions of the Offer

The Offeror based its decision to launch the Offer on the assumption that, between the date of the Preliminary Announcement and the term of the Offer period, no circumstance has occurred or shall occur with a material impact on the Target Company on a consolidated basis, including, without limitation, on the patrimonial, economic or financial situation of the Target Company (also on a consolidated basis). Such circumstances represent, in certain cases, actions that might have to be taken by the Executive Board of Directors while complying with the company's existing business plan and actions that might have to be taken in the normal course of managing the businesses and activities of the company.

Given the numerous conditions to which the launch of the Offer is subject to and the significant amount of time expected to satisfy such conditions and also the fact that the restrictions of article 182 of the Portuguese Securities Code are not applicable to the management of EDP, the Executive Board of Directors might, while fulfilling its duties to the company and its shareholders in execution of the company's existing business plan and in the normal course of managing the businesses and activities of the company, decide and perform some actions that might challenge the assumptions in which the Offeror based its decision to launch the Offer.

In order to clarify this matter, the Executive Board of Directors believes that the Offeror should limit, or eliminate altogether, the assumptions contained in the Draft Launch Announcement and Draft Prospectus.

Finally, the Executive Board of Directors would also like to highlight the fact that it considers that the Offeror's assumption for the launch of the Offer "*that, until the end of the Offer period, the following shall not occur (…) any event independent from the will of the Offer that is capable of affecting the* *free disposal of the funds engaged for the financial settlement of the Offer and that is not capable of being remedied in due time*" entails a risk for the financial settlement of the Offer and ultimately to all addressees of the Offer that have chosen to accept the Offer. The Executive Board of Directors believes that this matter should also be clarified in the prospectus to be published with the registration of the Offer.

EDPR Offer

Regarding the EDPR offer and its articulation with the Offer, the Executive Board of Directors believes that this requires additional clarifications.

3.3.3. Key Regulatory Considerations

United States of America (CFIUS and FERC)

Besides other numerous regulatory and authorization conditions which are required to be satisfied in order for the Offer to proceed, the Offeror has identified, as conditions to launching of the Offer, the granting of:

(i) Approval by CFIUS that is not subject to mitigation measures, unless such mitigation measures are accepted by the Offeror; and

(ii) A final order by 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 USA Secretary of the Treasury. CFIUS has authority to clear transactions that have resulted or could result in a foreign person gaining control of a USA 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 NA by CTG Europe pursuant to the Offer) by CFIUS, the Executive Board of Directors is aware that the indirect transfer of ownership of EDPR NA assets to the benefit of the Offeror may be subject to considerations around 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 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 United States of America 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 effect 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, result in the imposition of certain mitigation measures. Given the significance of the USA renewables business to EDP, any remedy or mitigation measure may potentially impact EDP's strategy and growth prospects.

Additionally, in the Draft Prospectus, the Offeror states that "The United States is an important market for the Target Company's renewables presence and the Offeror will be co-operating closely with all relevant regulatory authorities to preserve the integrity of this platform.". Nonetheless, it is not clear from the Draft Prospectus what are the intentions of the Offeror in case remedies and/or mitigation measures are imposed, especially the potential impact to both EDP and EDPR stakeholders, although the Offeror includes its intention to seek EDP's management involvement and opinion regarding any specific conditions or arrangements that may be required in order to achieve these commitments.

Unbundling

Under applicable European and Portuguese law provisions, the electricity sector is subject to full ownership unbundling provisions, meaning that, among other restrictions, one same entity may not simultaneously (directly or indirectly) control generation assets and exercise control or "political" rights (voting rights; rights to appoint members of the management and/or audit bodies) in the transmission system operator. Since State Grid Corporation of China, a state-owned company of the People's Republic of China, owns, indirectly, 25% of the share capital and voting rights of REN – Redes Energéticas Nacionais, SGPS, S.A. ("REN") it should be clarified if any implication is expected.

3.3.4.Repercussions on interests of employees, clients, creditors and other stakeholders of EDP

Interests of EDP employees

On 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.".*

Additionally, the Offeror also refers *"The human resources strategy and the values defined by the Target Company are critical for its development. Its human resources strategy consists of fostering the continuous development and improvement of all its employees and their alignment with corporate values and culture, contributing to the sustainability of the business across all the group and complying with its social responsibility"* and demonstrates the intention to maintain existing presence in the geographies where EDP is present.

Nonetheless, the Offeror also mentions "*potential performance improvements, […] and strategic corporate reorganizations*". In this context, although the Executive Board of Directors does not anticipate significant impact of the Offer over the interests of EDP's employees, in particular in geographies in which there is no overlap, it should be clarified what corporate reorganisations are envisaged, and the intention toward geographies in which there is overlap.

Interests of the clients, suppliers, creditors and other stakeholders of EDP

Regarding clients, in the Draft Prospectus the Offeror states that, subject to a successful completion of the Offer and relevant regulatory approvals, it is its intention to maintain the clients in Portugal, Spain, Brazil. In addition, regarding EDPR the Offeror states the intention to *"Maintaining the existing presence in core markets and supporting EDP-R to become a leader in offshore wind power as well as continuing supporting onshore wind and solar photovoltaic generation in countries where EDP-R is already present."*

Therefore, the Executive Board of Directors does not anticipate that the Offer has a material impact to the clients.

Additionally, regarding suppliers, in the Draft Prospectus the Offeror states: *"The Offeror acknowledges that the Target Company has adopted best-in-class practices driven by arm's length arrangements with third party providers. The Offeror will ensure that existing relationships and obligations with third party providers are maintained. The Target Company will continue developing relationships with third party providers under market-oriented standards and best sector practices. In addition, 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".*

Therefore, the Executive Board of Directors does not anticipate that the Offer has a material impact over suppliers.

Moreover, in terms of creditors the Offeror states that *"The Offeror is committed to reducing leverage at the Target Company and ensuring that it maintains at least an investment grade rating in line with its present on" and that "The financial strategy to be adopted after the Offer will be aligned with the policy followed by the Target Company in the past years, by seeking financial cost reduction, maintaining an adequate working capital level and ensuring the compliance with all legal requirements".* Finally, within the dividend policy it is mentioned *"Such policy will be implemented taking into account and ensuring compliance with existing financial agreements ensuring compliance with existing financial agreements".*

Therefore, the Executive Board of Directors does not anticipate that the Offer has a material impact over creditors. This view is based on the Offeror commitment to reduce leverage and maintaining at least an investment grade rating in line with EDP's present one.

If the Offeror attains control following the Offer, there are a number of contracts related with financing, Power Purchase Agreements and equity partnerships with change of control clauses, that should be taken into consideration. Moreover, there are also other impacts that should be taken into consideration if mitigation measures or remedies are required.

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

The table below indicates the number of Shares held in EDP directly or indirectly, by each one of the members of the Executive 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 Executive 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 and Draft Launch Announcement, 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	Chairman of Executive Board of Directors	91,000	Pending decision
Miguel Stilwell de Andrade	Member of Executive Board of Directors	140,000	Pending decision
João Manuel Manso Neto	Member of Executive Board of Directors	1,268	Pending decision
António Fernando Melo Martins da Costa	Member of Executive Board of Directors	54,299	Pending decision
João Manuel Veríssimo Marques da Cruz	Member of Executive Board of Directors	79,578	Pending decision
Miguel Nuno Simões Nunes Ferreiras Setas	Member of Executive Board of Directors	7,382	Pending decision
Rui Manuel Rodrigues Lopes Teixeira	Member of Executive Board of Directors	31,733	Pending decision
Maria Teresa Isabel Pereira	Member of Executive Board of Directors	71,281	Pending decision
Vera de Morais Pinto Pereira Carneiro	Member of Executive Board of Directors	-	N/A

5. Information regarding the voting of this Report by the Executive Board of Directors of EDP

This Report was approved in a meeting of the Executive Board of Directors of EDP held on June 7, 2018, by unanimous vote of the members of the Executive Board of Directors present or duly represented.

Each member of the Executive Board of Directors of EDP further declares that he/she is not a member of any corporate body of the Offeror or of entities in a dominant or group relationship with the Offeror (or other entities in a group or domain relationship with the entities which control the Offeror directly or indirectly), nor has any relevant tie or specific interest in the Offeror or in the entities in a dominant or group relationship with the Offeror (or other entities in a group or domain relationship with the entities which control the Offeror directly or indirectly) and that therefore he/she is not in any way hampered from making an unbiased analysis of the Offeror and the Offer.

6. Opinion of the General and Supervisory Board

In a meeting of the General and Supervisory Board held on June 8, 2018, by unanimous vote of the members present, the referred Board issued a favourable opinion as follows:

Within the scope of the General and Supervisory Board's supervisory powers over the Executive Board of Directors, in particular regarding compliance of the applicable legal rules, also within the context of a public tender offer, the General and Supervisory Board considers adequate the opinion expressed in the Executive Board of Directors Report.

Detailed opinion of the General and Supervisory Board in Appendix II

7. Other information

In preparing this Report, the Executive Board of Directors sought the advice of Morgan Stanley and UBS regarding financial aspects of the Offer, and MLGTS regarding legal matters concerning the Offer.

8. Recommendation

The Executive Board of Directors considers that the price offered does not adequately reflect the value of EDP and that the implied offer premium is low considering what is customary for European utilities where the offerors have acquired control. Therefore the Executive Board of Directors cannot recommend that shareholders tender their shares at the current Offer price.

The Executive Board of Directors notes that there are merits in the strategic intentions of the Offeror. Given the uncertainties regarding the implementation of the plan and potential impact on EDP, the Executive Board of Directors will seek more information from the Offeror in order to be in a position to form a more considered view regarding the value of the project.

Notwithstanding the merits in the plan to be formulated by the Offeror on the basis of its stated intentions, the Executive Board of Directors is of the view that shareholders that wish to tender their shares need to be appropriately compensated for giving up control of EDP, and for enabling the implementation of such plan.

Appendix I

Definitions

ANEEL	Brazilian National Agency of Electric Energy (*Agência Nacional de Energia Elétrica Brasileira*);
BCP	Banco Comercial Português, S.A., a listed company with registered offices at Praça D. João I, n.º 28, 4000-295 Porto, Portugal, registered before the Commercial Registry Office of Porto with sole registration and tax payer number 501525882 and with the share capital of € 5,600,738,053.72, acting through its investment banking division, Millennium Investment Banking;
CADE	Brazilian competition authority (*Conselho Administrativo da Defesa Econômica*);
CFIUS	Committee on Foreign Investment in the United States;
CTG, CTG Europe or Offeror	China Three Gorges (Europe), S.A., a company with registered offices at 10B, Rue des Mérovingiens, L-8070 Bertrange, Gran-Duchy of Luxembourg, registered in the *Registre de commerce et des sociétés* under number B164928 and with the share capital of € 641,000,000.00, indirectly and wholly owned by China Three Gorges Corporation;
CTG Group	The group of companies headed by China Three Gorges Corporation;
CTGI Group	The group of companies headed by China Three Gorges International Corporation;
CMVM	The Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*);
Draft Launch Announcement	The draft launch announcement of the Offer received by the Executive Board of Directors of EDP on June 1, 2018;
Draft Prospectus	The draft prospectus regarding the Offer received by the Executive Board of Directors of EDP on June 1, 2018;

EBITDA	Earnings before interest, taxes, depreciation and amortization;
EDP or Target Company	EDP – Energias de Portugal, S.A., a listed company with registered offices at Avenida 24 de Julho, n.º 12, 1249-300 Lisbon, with sole registration and tax payer number 500697256 and with the share capital of € 3,656,537,715.00;
EDP Brasil	EDP – Energias do Brasil, S.A., a company organized under the laws of Brazil which shares are admitted to trading in the Brazilian regulated market "Novo Mercado", operated by B3, with registered offices at Rua Gomes de Carvalho, no. 1996 – eighth floor, Vila Olímpia, CEP 04547-006, São Paulo, Brazil, with legal person registration number (CNPJ/MF) 03.983.431/0001-03 – and enterprise registration number (NIRE) 35.300.179.731;
EDPR	EDP Renováveis, S.A., a company incorporated and existing under the Spanish Law, which shares are admitted to trading in the Regulated Market of Euronext Lisbon, 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 (*Registo Mercantil*) of Asturias, tome 3.671, book 177, sheet N. AS – 37.669., with the tax identification number A-74219304 and which EDP currently holds shares representative of 82.56% of its share capital;
EDPR NA	EDP Renewables North America LLC, a company incorporated and existing under the laws of the State of Delaware, with corporate headquarters at 808 Travis, Suite 700, Houston, TX 77002;
EDPR Offer	the general tender offer over EDPR which preliminary announcement was released on May 11, 2018 (as subsequently amended on May 16, 2018);
FERC	Federal Energy Regulatory Commission of the United States of America;
FFO	Funds from operations;

MLGTS	Morais Leitão, Galvão Teles, Soares da Silva & Associados, Sociedade de Advogados, S.P., RL;
Morgan Stanley	Morgan Stanley & Co. International plc;
Offer	The general and voluntary offer over the Shares announced by the Offeror on May 11, 2018;
PALOP	Portuguese-speaking African countries (*Países de Língua Oficial Portuguesa*)
Preliminary Announcement	Preliminary announcement of the Offer made by the Offeror on May 11, 2018, subsequently amended on May 16, 2018;
PSC	The Portuguese Securities Code (*Código dos Valores Mobiliários*), approved by the Decree-Law no. 486/99, of 13 November, as amended;
RAB	Regulated asset base;
Regulated Market of Euronext Lisbon	*Euronext Lisbon by Euronext Lisbon*, the official quotations market in Portugal, managed by Euronext Lisbon – Sociedade Gestora de Mercados Regulamentados, S.A.;
Report	This report of the Executive Board of Directors regarding the Offer, prepared under the terms and for the effects of article 181 of the PSC;
Shares	3,656,537,715 nominative and book-entry shares representative of 100% of the share capital of EDP;
UBS	UBS Group AG;
VWAP	Volume weighted average price.

Appendix II

Detailed opinion of the General and Supervisory Board

Opinion of the General and Supervisory Board ("GSB") of EDP- Energias de Portugal, S.A. ("EDP") on the plans of China Three Gorges (Europe) S.A. ("CTG" or "Offeror") for EDP such as presented in the documents of the takeover bid launched by the Bidder on EDP ("EDP Tender Offer") and on the Report of the Executive Board of Directors "EBD"), dated 8 June 2018 ("EBD Report")

Disclaimer: This Opinion was prepared and approved by the GSB based on the information made available to the GSB, as identified below, and shall constitute an appendix to the EBD Report, which has been prepared by the EBD under the terms of number 1 of article 181 of the Portuguese Securities Code. In the preparation of this Opinion, the GSB has received financial advice from Lazard. The GSB has also received legal advice from Professor Pedro Maia and Dra. Gabriela Rodrigues Martins and Professor Vítor Pereira das Neves (AAA Advogados) concerning the specific scope of responsibility of the GSB under Portuguese law and the Articles of Association of EDP in the particular context of the EDP Tender Offer launched.

Framework

Under the terms of Article 442 of the Portuguese Companies Code ("PCC"), and Article 17(2) of the Articles of Association of EDP, it is the responsibility of the GSB to issue a prior opinion about EDP's strategic plan and about the execution by EDP and by any of its controlled companies of operations of significant economic or strategic value, including acquisitions and disposal of assets, company rights or shares, financing contracts, opening or closing of establishments or parts of establishments, important expansions or reductions in activity.

It is also the responsibility of the GSB, under the terms of the law and of EDP's Articles of Association, to supervise and provide assistance to the EBD, notably concerning the carrying out of the strategic plan and the fulfilment of applicable legal rules by the EBD, irrespectively of the management specific action, and of the particular context in which such management action, is being performed, including in the context of a public tender offer.

The GSB issued a favourable opinion regarding EDP's Strategic Plan/Business Plan on the 4 May 2016, and such plan is being implemented since then pursuant to the approved terms ("Strategic Plan").

The GSB, under the framework of its responsibilities, has assessed the EDP Tender Offer documents and the EBD Report that was addressed to it.

EDP Tender Offer and EDPR Tender Offer ("Tender Offers") announced by CTG and requests for registration of the same

On last 11 of May 2018, CTG published and sent to EDP, Preliminary Announcements for the launch of a general and voluntary tender offer and a general tender offer for its controlled company EDP Renováveis, S.A. ("EDPR")[3] . These Preliminary Announcements were amended through the addenda published on 16 May 2018. On 1 June 2018, the (draft) prospectus for the EDP Tender Offer was sent to the GSB. On 5 June 2018, the GSB received the (draft) prospectus for the EDPR Tender Offer.

The EDP Tender Offer documents include so-called "Plans" of the Bidder for EDP, and a set of assumptions and conditions (all the latter subject to waiver by the Offeror) which may impact on the implementation of the Strategic/Business Plan and which might lead to the submission to the GSB prior opinion of certain transactions, foreseen or admitted as possible under the documents of this offer.

These documents do not provide for a long stop date for the fulfilment of the conditions to which the launching of the EDP Tender Offer is subject, including in particular regulatory and administrative authorizations, in several geographies and regions and it is reasonable to expect that the proceedings in question extend over a significantly long period.

On 30 May 2018, and in response to the request made on 17 May 2018 by the EBD for this purpose, the Portuguese Securities Market Commission ("CMVM") confirmed that the management bodies of EDP are not subject to the restrictions arising from Article 182(1) of the Portuguese Securities Code (passivity rule) to the management of the company in relation to the performance of any acts which may significantly affect the objectives of the Offeror.

[3] The (draft) prospectus of the EDPR Tender Offer qualifies this offer as being a general and mandatory tender offer.

Notwithstanding the foregoing, under the terms of Portuguese law, the EBD and the GSB shall guide their respective behaviour seeking at all times the scrupulous compliance with the duties of good faith and loyalty with the interests of EDP, all its shareholders and other stakeholders, in line with European and international best practices.

Section I

Within the framework of its legal and statutory responsibilities and in accordance with the aforementioned principles of good faith and loyalty behaviour, to which the GSB is subject, the GSB's understanding is that it has the duty of, when issuing opinion about the EBD Report regarding the Offeror Plans for EDP, as presented in EDP Tender Offer documents, to share also with the EBD and with all EDP shareholders (including the Offeror) and remaining EDP stakeholders, in a clear and objective manner, the position that GSB proposes to undertake, during EDP Tender Offer and with potential impact on it.

The Plans of the Offeror for EDP

The GSB analysed and considers adequate the opinion expressed in the EBD Report on the Plans of the Offeror for EDP and particularly emphasizes the matters set forth below.

a) Governance Model and Autonomy

The GSB welcomes the statement included in the EDP Tender Offer documents in terms of the Bidder seeking to operate in a framework of international corporate governance best practices whilst maintaining an autonomous decision making at EDP. The framework should include, amongst others, implementation of required measures to avoid potential conflicts of interest. The latter is perceived as highly relevant and should develop a framework on related party transactions that may include, but not be limited to, asset contributions, business development, geographic expansion into new markets and the possibility to enter into the offshore wind market in China.

b) Asset Contribution

The potential asset contributions referred to in the EDP Tender Offer documents could be considered a positive factor and represent a relevant value creation alternative, benefitting all shareholders of EDP, if executed under appropriate corporate governance also in the relations with related parties.

While the contribution of assets can be a source of growth for EDP, these can also be a source of potential conflict of interests, and the Offeror should timely provide additional details on the valuation framework for the assets, transaction structuring and related capital structure.

c) Financial Conditions

The Offeror is committed to strengthen the financial profile through a reduction of the indebtedness level and the maintenance of an investment grade credit rating. The proposal from the Offeror is consistent with the strategic priorities of EDP, thus being supported by the GSB. It would be helpful for the assessment of the Plans of the Offeror on this matter to further clarify any expected change in the financial policy of EDP as a result of the financing raised in connection with the transaction and for the Offeror to provide specific financial metrics targets.

d) Portuguese Identity

The GSB views favourably the proposal of the Offeror r to retain the Portuguese identity of EDP. Further clarity on how the Offeror envisages to achieve the intentions disclosed with respect to suppliers, clients, partners and other stakeholders, as well the contribution to develop the economy and job creation in the country, will be valuable.

e) Employment

In order to deeply assess the employment plan and the corporate governance model, further details would be desirable as well as clarification on any relevant changes with potential impact in labour-related policies.

f) Listing Plans/Free float

The commitment to maintain EDP listed in Euronext Lisbon with significant liquidity is valuable. Clarification on how the Bidder intends to abide to the commitment to maintain sufficient liquidity and free-float, and to preserve an investable profile in the equity markets following European and international best practices will be desirable.

It seems worthy to stress that a proper assessment, within the scope of the GSB's competences, of the merits of the intentions/representations of the Offeror as regards a strategic and/or industrial plan for EDP, would require additional disclosure and a higher level of detail, certainty and commitment, under a defined timeline, including on its implications for EDP, all its shareholders and other stakeholders.

The GSB considers, in any case, as a preliminary analysis based on the limited information provided for by the Offeror, that the strategic objectives and representations of its intentions to pursue strategic sustainability, to deepen and reinforce EDP's strategic agenda 2016-2020, to reduce indebtedness, controlling risks, continuing to promote efficiencies and growth and to return on investment, are in line with the key pillars of the Strategic Plan of EDP.

Offeror assumptions

In accordance with the principles of good faith and loyalty of behaviour, and considering the alignment with EDP Strategic Plan presented by the Offeror, by one side, and, by the other side, the fact that the passivity rule has been decided as not applicable to this offer by CMVM, although respecting specific responsibilities stated in the law binding the EBD and GSB, GSB will continue to perform its legal and statutory competences, resolving, in each moment, based on the assessment of EDP, its shareholders and stakeholders interests, namely when transactions at stake, according to EDP By-Laws, may require the issuance of its prior opinion, even if the pursuit of such interests affects, or may affect, assumptions underlined in EDP Tender Offer.

The GSB is also assuming that the continued implementation of the Strategic Plan, and its possible adjustment in line with its current underlying strategic and business vectors (shared in the Plans for EDP proposed by the Offeror) will proceed contributing to the protection of the value of EDP while the EDP Tender Offer is still pending and may not negatively affect any of the objectives pursued by the Offeror with EDP Tender Offer.

Reserve of the GSB powers and responsibilities

As referred to above, neither the fact that the EDP Tender Offer has been launched and is pending nor this Opinion may be understood as limiting the exercise by GSB of its power and responsibility to, at any relevant moment and in consideration of the then available information, analyse and issue a prior opinion, pursuant to the exact terms of the Articles of Association of EDP, about any changes to the Strategic/Business Plan or any proposals which may be submitted to the GSB by the EBD to carry out transactions deemed required or convenient to implement the Offeror's Plans for EDP or to allow the satisfaction of any remedies imposed by any national or foreign authorities and accepted by the Offeror, expressly or tacitly, following the possible waiver by the Offeror of any or all of the conditions for the launch of the EDP Tender Offer is subject to.

Section II

Within the scope of GSB' supervisory powers over EBD, in particular regarding compliance of the applicable legal rules, also within the context of a public tender offer, the GSB considers adequate the opinion expressed in the EBD Report.

Appendix III

Sources of information and methodology

1. General

Unless otherwise stated in this document:

- Closing prices and consensus earnings estimates are as at the close of market on 11 May 2018;
- Share price data is sourced from Capital IQ, Factset or Bloomberg;
- Consensus estimates are sourced from Factset and Capital IQ;
- Price Targets for EDP from Independent Equity Research is sourced from Bloomberg;
- Premia analysis references are sourced from company information, Dealogic, MergerMarket, Capital IQ and Factset;
- the financial information concerning EDP and its peers has been extracted from the annual reports and accounts for the relevant periods and from other information made publicly available by EDP and its peers
- information regarding CTG´s Offer is sourced from the Preliminary Announcement of the Offer, the Launch announcement, the Draft Prospectus or other material made publicly available by CTG or any other person mentioned in the Offer.

2. Enterprise Value

Enterprise value is calculated based on:

- The Equity value;
- Plus the (i) last reported net financial debt; (ii) provisions; (iii) and minority interests;
- Minus financial assets and associates.

To ensure consistency among peers, the previous items are calculated as per the methodology below:

- Financial net debt:
  - Constructed as long-term and short-term interest bearing liabilities minus cash, cash equivalent and other liquid financial assets explicitly showing on balance sheet
  - Adjusted for restricted cash
  - Adjusted for any net financial derivatives
  - Hybrid securities
  - Adjusted by dividends payments between latest available financials and 11-May-2018
- Provisions:
  - Includes all provisions reported on balance sheet net of any dedicated assets
  - Pension plans
- Minorities
- Financial assets and investments in Associates

Data is sourced from the latest company results (Q1 2018 or Q4 2017).

The calculation of the bridge from Equity value to Enterprise value of EDP and its peers is detailed below:

Figure 14 – Equity value to Enterprise value bridge (€ Bn)

Company	Market Cap (1)	Net Financial Debt	Provisions	Minority Interest	Equity Affiliates	Tax equity and Others	Enterprise Value
Iberdrola	41,9	36,0	6,2	5,6	1,8	(4,9)	83,0
Gas Natural	21,7	13,1	1,4	4,0	1,5	(1,4)	37,3
Engie	35,0	27,7	21,8	5,9	7,4	(11,4)	71,5
E.On	20,2	9,3	19,0	2,9	-	(6,2)	45,1
Innogy	19,4	15,2	7,9	2,1	-	1,1	45,6
SSE	16,1	12,3	0,6	-	0,6	(0,7)	27,8
Enel	51,5	47,2	7,1	17,0	1,6	(5,7)	115,5
Orsted	22,6	2,5	1,4	0,5	0,3	(0,0)	26,8
EDP at €3.26 (Offer price)	**11,9**	**14,2**	**2,3**	**3,9**	**1,2**	**1,6**	**32,7**

(1) Reference date as of 11-05-2018; Innogy figures on a pre-transaction basis;

3. Premia analysis

- The implied premia for the European energy utilities transactions is calculated as the average of premia offered in selected successful all cash offers with acquisition of control in public tender offers for European energy utilities with deal size above €1bn since 2000.
- Spot Price refers to the latest closing spot price at the preliminary announcement date. In case of competing offers, refers to the latest closing spot price at the preliminary announcement date of the initial offer. In case of leaks of discussions with the offeror, refers to the latest closing spot price prior to the leak of such discussions. This definition of Spot Price applies to the rest of the premia analysis.

Figure 20 – European Energy Utilities transactions

Announcement date	Target	Target country	Acquiror	Acquiror country
24-sep-08	British Energy	UK	EDF	France
16-jul-08	Union Fenosa	Spain	Gas Natural	Spain
23-mar-07	Endesa (winning bid)	Spain	Enel/Acciona	Italy
06-oct-06	Viridian Group	UK	Arcapita	UK
26-nov-02	Italgas	Italy	Eni	Italy
22-mar-02	Innogy	UK	RWE	Germany
02-jul-01	Edison	Italy	Italenergia	Italy
09-abr-01	PowerGen	UK	E.ON	Germany

- The premia for the Iberian Public transactions is calculated as the average of premia offered in selected successful all cash offers with acquisition of control in public tender offers for Iberia targets with deal size above €1bn since 2006.

Figure 15 – Iberian Public transactions

Announcement date	Target	Target Country	Acquiror	Acquiror country
14/mar/18	Abertis	Spain	Hochtief & Atlantia	Germany
13/nov/17	Axiare	Spain	Colonial	Spain
17/fev/15	BPI	Portugal	La Caixa	Spain
16/set/14	Jazztel	Spain	Orange	France
30/mar/12	Cimpor	Portugal	Camargo Correa	Brazil
16/fev/11	Cepsa	Spain	IPIC	UAE
03/abr/09	Itinere	Spain	Pear (Citi)	Spain
16/jul/08	Union Fenosa	Spain	Gas Natural	Spain
18/jul/07	Altadis	Spain	Imperial Tobacco	UK
19/jan/07	Riofisa	Spain	Inmobiliaria Colonial	Spain
23/mar/07	Endesa (winning bid)	Spain	Enel & Acciona	Italy

- The premia for the European Public transactions is calculated as the average of premia offered in selected successful all cash offers with acquisition of control in in European public tender offers with deal size above €6bn since 2006.

Figure 22 – European Public transactions

Announcement date	Target	Target country	Acquiror	Acquiror country
14-mar-18	Abertis Infraestructuras SA	Spain	Hochtief & Atlantia	Germany
12-feb-18	TDC A/S	Denmark	PFA Pension led consortium	Denmark
26-ene-17	Actelion Ltd	Switzerland	Johnson & Johnson	United States
18-jul-16	ARM Holdings plc	United Kingdom	SoftBank Group Corp	Japan
03-feb-16	Syngenta AG	Switzerland	ChemChina	China
07-nov-14	Songbird Estates	United Kingdom	QIA; Brookfield Property Partners	Qatar / UK
23-abr-14	Telekom Austria	Austria	America Movil SAB de CV	Mexico
24-jun-13	Kabel Deutschland	Germany	Vodafone Group plc	United Kingdom
28-mar-13	DE Master Blenders 1753 BV	Netherlands	Parentes Holding led consortium	Austria
16-feb-11	CEPSA	Spain	International Petroleum Investment Co - IPIC	Jnited Arab Emirate
24-jun-09	Addax Petroleum Corp	Switzerland	China Petrochemical Corp	China
24-sep-08	British Energy Group	United Kingdom	EDF	France
16-jul-08	Union Fenosa SA	Spain	Gas Natural SDG SA	Spain
16-jul-08	Continental AG	Germany	Schaeffler KG	Germany
22-nov-07	Kelda Group plc	United Kingdom	Citigroup / HSBC led consortium	United Kingdom
25-oct-07	Scottish & Newcastle plc (Bid No 1)	United Kingdom	Carlsberg A/S;Heineken NV	Denmark
18-jul-07	Altadis SA	Spain	Imperial Tobacco Group plc	United Kingdom
09-jul-07	Koninklijke Numico NV	Netherlands	Groupe Danone SA	France
18-jun-07	Imperial Chemical Industries	United Kingdom	Akzo Nobel NV	Netherlands
15-may-07	Hanson plc	United Kingdom	HeidelbergCement AG	Germany
02-abr-07	Endesa SA (winning bid)	Spain	ENEL SpA;Acciona SA	Italy
30-mar-07	Alliance Boots	United Kingdom	KKR	United Kingdom
15-dic-06	Gallaher Group plc	United Kingdom	Japan Tobacco Inc - JT	Japan
17-oct-06	Corus Group plc	United Kingdom	Tata Sons Ltd	India
02-oct-06	AWG plc	United Kingdom	3i Group led consortium	United Kingdom
21-sep-06	Serono SA	Switzerland	Merck KGaA	Germany
23-mar-06	Schering AG	Germany	Bayer AG	Germany
17-mar-06	BAA plc	United Kingdom	Grupo Ferrovial led consortium	Spain
06-mar-06	BOC Group plc	United Kingdom	Linde AG	Germany

- The premia for the Acquisition of Control from Minority investor transactions is calculated as the average of premia offered in selected successful all cash offers with acquisition of control from a minority investor in European public tender offers with deal size above €1bn since 2006.

Figure 23 – Acquisition of Control by existing Minority shareholders

Annoucement date	Target	Target Country	Acquiror	Acquiror Country
22/01/2015	DMG Mori Seiki	Germany	DMG Mori Co.	Japan
23/04/2014	Telekom Austria AG	Austria	Carso Telecom BV	Mexico
07/11/2014	Songbird Estates	UK	QIA / Brookfield	Qatar / United States
28/03/2013	DE Master Blenders 1753 BV	Netherlands	Oak Leaf Bv	Germany
06/02/2013	Impregilo SpA	Italy	Salini Costruttori SpA	Italy
02/09/2011	Omega Pharma NV	Belgium	Couckinvest NV	Belgium
26/04/2011	Parmalat SpA	Italy	Groupe Lactalis SA	France
09/03/2011	Tognum	Germany	Rolls Royce	United Kingdom
06/10/2010	Crucell NV	Netherlands	Johnson & Johnson	United States
12/11/2009	Smit International NV	Netherlands	Boskalis	Netherlands
18/06/2008	Zentiva NV	Czech Republic	Sanofi-Aventis SA	France
23/05/2006	Eircom Group PLC	Ireland-Rep	BCM Ireland Holdings Ltd	Ireland
27/03/2006	Elior SA	France	Holding Bercy Investissement	France

4. Trading multiple valuation

On a group basis

- 2018E, 2019E and 2020E estimates including EBITDA, Net income and dividends have been determined using a consensus from Factset and Capital IQ.

Figure 24 – Trading Multiples

	Aggregate Value / EBITDA (x)			P/E (x)			Dividend Yield (%)		
	2018E	2019E	2020E	2018	2019	2020	2018	2019	2020
E.ON	9.2x	8.7x	8.2x	14.0x	13.1x	12.3x	4.7%	5.2%	5.6%
Iberdrola	9.2x	8.6x	8.2x	14.0x	13.1x	12.5x	5.2%	5.4%	5.7%
innogy pre-transaction	10.9x	10.8x	10.5x	17.2x	16.4x	15.7x	4.6%	4.7%	4.8%
SSE	9.6x	9.4x	9.0x	11.6x	11.3x	11.3x	6.9%	6.9%	7.0%
Enel	7.1x	6.8x	6.5x	12.4x	11.2x	10.4x	5.6%	6.3%	6.7%
Orsted	8.5x	11.3x	10.7x	11.5x	20.8x	21.4x	2.4%	2.6%	2.7%
Engie	7.5x	7.2x	6.9x	14.4x	13.2x	12.2x	5.0%	5.3%	5.7%
Gas Natural	8.5x	8.0x	7.8x	17.0x	15.8x	15.1x	4.8%	4.9%	4.9%
Average	**8.8x**	**8.9x**	**8.5x**	**14.0x**	**14.3x**	**13.9x**	**4.9%**	**5.1%**	**5.4%**

On a Sum of the Parts basis

- For each business unit, average of the market multiples of peers
  - Business breakdown: Generation & Supply Iberia, Regulated Networks Iberia, Renewables and Brazil
- Selected set of peers:
  - Iberian Generation & Supply Sum-of-the-Parts:
    - i. Hydro: Fortum and Verbund
    - ii. Thermal: Uniper
    - iii. Supply: Centrica, Just Energy and Spark Energy
  - Iberian Networks: REN, Enagas, SRG, REE, Terna and Italgas
  - Renewables:
    - i. Orsted, ERG, Atlantica Yield, Pattern Energy, Transalta Renewables, Acciona, Avangrid, Falck Renewables, Voltalia, Nextera Energy Partners, NRG Yield, CPFL Renovaveis and Saeta Yield On a Group basis:
  - EDP Brasil
    - i. CEMIG, Coppel, CPFL Energia, Light, AES Tiete, CESP, Engie Brazil, AES Eletropaulo, Energisa, Equatorial Energia

5. Precedent Transactions Valuation

The reference EBITDA is the last twelve month EBITDA of the target, when available, or the last full year reported EBITDA.

Group basis

- Median EBITDA multiple of the selected relevant integrated European precedent transactions, applied to EDP 2017A recurring EBITDA of €3,523MM
- Deal value >€2.0bn, integrated utilities transactions involving generation, distribution and/or supply located in Western and Central Europe since 2004

Figure 25 – Iberian Precedent Transactions — Group

Year	Acquiror	Target	Country	Nature	Metric	Size (€ Bn)	Multiple
2014	Wren House	E.On Espana	Spain	Control	EV / EBITDA	1.9	8.4x
2008	Gas Natural	Union Fenosa	Spain	Control	EV / EBITDA	24.6	10.7x
2007	Enel / Acciona	Endesa	Spain	Control	EV / EBITDA	68.8	10.4x
2007	E.On	Enel Viesgo	Spain	Control	EV / EBITDA	2.1	10.9x
2004	EDP	Hidrocantabrico	Spain	Control	EV / EBITDA	4.3	12.4x
Average							**10.6x**

Figure 26 – Other European Precedent Transactions — Group

Year	Acquiror	Target	Country	Nature	Metric	Size (€ Bn)	Multiple
2018	E.ON	Innogy	Germany	Control	EV / EBITDA	44.4	10.5x
2012	EDF	Edison	Italy	Control	EV / EBITDA	11.2	9.7x
2009	Vattenfall	Nuon Energy	Netherlands	Minority	EV / EBITDA	7.7	9.7x
2009	RWE	Essent	Germany	Control	EV / EBITDA	9.3	10.5x
2007	E.On	Endesa Europe	Various	Control	EV / EBITDA	10.9	9.3x
2006	Iberdrola	Scottish Power	UK	Control	EV / EBITDA	21.6	13.6x
2006	Arcapita	Viridian	UK	Control	EV / EBITDA	3.1	11.9x
Average							**10.7x**

Sum of the Parts basis

- Considers EBITDA multiples from selected relevant precedent transactions, and when applicable, RAB multiples or capacity multiples
  - 2017A EBITDA for each division based on reported recurring financials
  - Capacity and RAB numbers based on latest reported in Q1 2018 handout
- Where we use both "as a whole" and Sum-of-the-Parts read across for a given division, Enterprise Value is derived from average of Enterprise Values implied from the two methodologies. This applies to Iberian Generation & Supply and Renewables
- Iberian Generation & Supply
  - European generation precedents with strong thermal or hydro component since 2006 and with size >€0.4Bn
- Iberian Networks:
  - Mid-point of EBITDA and RAB multiples from relevant networks precedent transactions
  - European electricity networks with similar regulatory systems that are based on RAB since 2009 and above €100MM
- Renewables
  - EBITDA multiples from relevant precedent transactions since 2011 with deal size >€1.0Bn
  - Capacity multiples from relevant precedent transactions >€100MM since 2012 in Europe, since 2009 in North America and since 2016 in Brazil
- EDP Brasil
  - Distribution: Brazilian distribution precedents since 2009 and >€100MM
  - Generation: LatAm generation precedents since 2009 and >€100MM