



ANNUAL REPORT
AND ACCOUNTS
2019

cmip



ABBREVIATIONS:

OMI

OMI – Operador do Mercado Ibérico

OMIP

OMIP – Pólo Português, S.G.M.R., S.A.

OMIClear

OMIClear, C.C., S.A.

OMIE

OMI – Polo Español, S.A.

OMIP, S.A.

OMIP SGPS

OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.

OMEL

Operador del Mercado Iberico de Energía, Polo Español, S.A.



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01

Message from the Chairman

The year 2019 was marked by key developments that impacted significantly on the energy and environmental markets in Europe. With the final approval of the new legislative package called “Clean energy for all Europeans”, followed in December 2019 by the European Green Deal published by the European Union, a new phase began for the decarbonisation of the European energy sector, in particular the electricity sector, for the next decades.

The OMI Group is a leader player in the transition to a sustainable greener approach and its member companies are at the forefront of the industry's initiatives in the European space. Market operators, OMIP and OMIE, and the OMIClear Clearing house are involved in several initiatives with a strong innovation component in the structuring of electricity and natural gas markets in the Iberian Peninsula, with a particular focus on creating the conditions for renewable energies to enter the market in such a way as to help their development, and especially the financing thereof.

In this context, OMIP was a key player in the auction for the allocation of licences for the injection reserve capacity into the Portuguese public electricity grid (photovoltaic energy), held in July 2019, and was responsible for operationalising the bidding on its auction platform. A capacity of 1292 MW was allocated, distributed by remuneration models under a guaranteed tariff and market scheme, the results of which place us at the forefront of at worldwide level.

The operating activity was marked by a recovery in traded volumes and liquidity in the forward energy market in the Iberian Peninsula, despite the general downward trend seen throughout Europe. In the Spanish market, total volumes traded increased by 31.38% compared to 2018, while in Europe they dropped 9.88%. In fact, the main regional markets fell considerably, especially in Belgium (-44.50%), the Nordic market (-27.34%), the Netherlands (-11.33%), Germany (-10.75%) and France (-6.20%). Of the main European markets, the Spanish one was, therefore, the only one to record a growth compared to the previous year.

These figures confirm the development of a market dynamic observed in the recent past, which translates into the search for longer-term contracting solutions. In this context, OMIP continued the efforts to expand its product range available on the market, in particular by extending the maturity curve of electricity futures to 7 years. A sign of this effort is that on 30 October the first electricity futures contracts with a maturity of 7 years were registered at OMIP.

This strategy to expand the portfolio designed to meet the needs of market agents, together with the high level of client service always provided by OMIP gives our company the trust and courage needed to face the challenges ahead, in particular the fierce increase in competition and the ever more stringent legislative and regulatory framework to which it is subject.

Consequently, the immediate steps will be to continue to diversify in order to mitigate risks, most of which are beyond our control, and to maintain a very tight cost structure, yet flexible enough to efficiently respond to any opportunity. This is the context in which OMIP, braced with the necessary flexibility, will face the new challenges, projects and business opportunities.

Finally, we would like to thank the entire OMIP team, including the non-executive Directors, for their excellent work in these difficult times, and to express our thanks to all the shareholders for their constant support and trust.

Lisbon, 26 March 2020

Artur Trindade
Chairman of the Board of Directors

02

2019 Financial year

2.1 Framework

The Iberian Electricity Market (MIBEL), a joint venture of the governments of the Republic of Portugal and the Kingdom of Spain, aims to build a regional market that is consistent with and a facilitator of a much broader market: the Domestic Energy Market.

Both countries designated OMIP as the managing entity of the futures markets, alongside OMIE, to which the management of the daily and intra-day market sessions was assigned.

It is in this capacity that OMIP, founded in June 2003, manages MIBEL Derivatives Market together with OMIClear, founded in April 2004, to serve as Central Counterpart for market transactions.

OMIP and OMIClear function under Portuguese legislation and are, under this scope, recognised respectively as operator of the regulated market and as Central Counterpart, both registered with CMVM (Comissão do Mercado de Valores Mobiliários, the Portuguese Securities Market Commission).

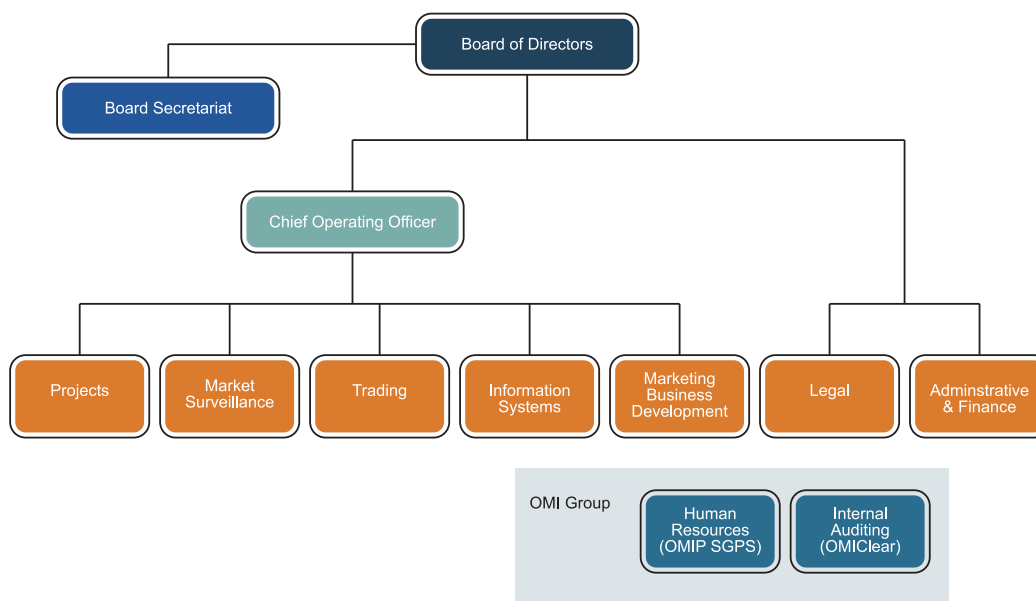
In accordance with the International Agreement of Santiago, a Board of Regulators supervises MIBEL's activity. This Board comprises regulators from the financial sector (*CMVM and Comisión Nacional del Mercado de Valores*) and from the energy sector (*Entidade Reguladora dos Serviços Energéticos and Comisión Nacional de los Mercados y la Competencia*) of both countries.

2.2 Organisation

OMIP's organisational structure is designed so as to ensure regular and effective market operation and, at the same time, to resolve all queries received from participants, supervisory authorities and the general public.

In addition to its own resources, agreements were concluded with other OMI group companies concerning the provision of services, which, to the extent provided for in the law, enables available human resources to be better allocated and managed.

Figure 1 OMIP's organisational structure



As at 31 December 2019, the company had 13 staff (four female and nine male), plus the Chairman of the Board of Directors, who has executive duties.

2.3 OMI

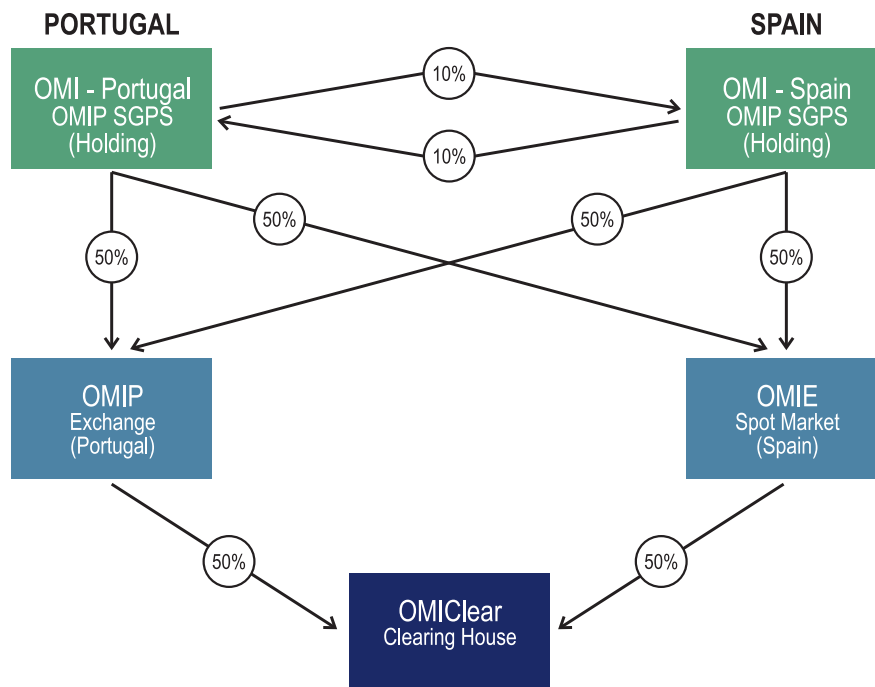
OMI's final corporate structure was implemented in 2011, pursuant to Article 4 of the International Agreement of Santiago, revised and amended by the Braga Agreement, which states that OMI *"shall comprise two holding companies, with head-office in Portugal and Spain respectively, with cross-shareholdings of 10 % and where both companies will hold 50 % of each of the market managing companies ..."*. Figure 2 illustrates the agreed model.

In this context, on 18 October 2011 the holding companies OMIP SGPS and OMEL came into the control of 50:50 of the equity capital of each of the market managing companies OMIP and OMIE. In addition, the corporate governance model previewed was implemented, consisting of a Board of Directors common to both market managing companies, OMIP and OMIE.

On 12 September 2013, OMIE became part of OMIClear's shareholding structure through capital increase, thus completing OMI's model laid down in the International Agreement.

2014 and 2015 were years of consolidation and internal reorganisation with the purpose of adapting to prudential organisational and risk management requirements applicable to OMIClear's activity, a situation that also impacted on OMIP.

Figure 2 OMI's organisational chart



The year 2019 represented the thirteenth full year of activity performing the duties entrusted to the Portuguese division of the Iberian Electricity Market Operator.

03

Development of the MIBEL Derivatives Market

DEVELOPMENT OF THE MIBEL DERIVATIVES MARKET

Volumes traded in the MIBEL Derivatives Market decreased by 16.7% in 2019, mainly due to the closure of FTR auctions. Volumes traded on continuous markets increased by 23%, contrary to the downward trend that had been observed since 2016. A number of factors contributed to this situation, for example, greater regulatory stability, but mainly the tendency of agents to seek solutions for hedging price risk for longer-term horizons, at a time when renewable energy is increasingly penetrating under market conditions.

In 2019, 7.40 TWh were traded on a continuous trading basis, compared to 6.00TWh in 2018. Compared to the previous year, electricity consumption in the Iberian Peninsula dropped 1.7% in Spain and 1.1% in Portugal, resulting in a 1.6% drop in the total Iberian Peninsula.

Figure 3 Electricity consumption in the Iberian Peninsula (TWh)

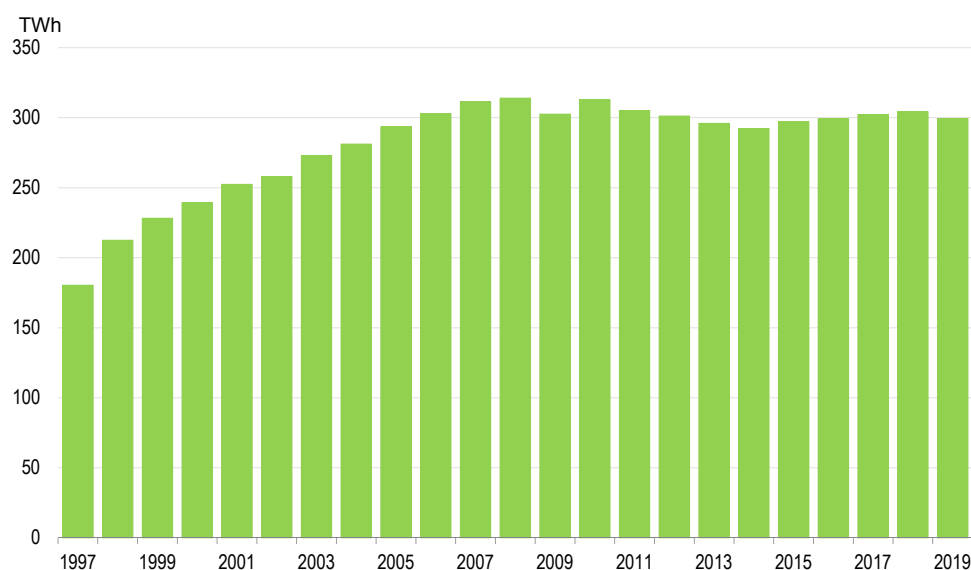


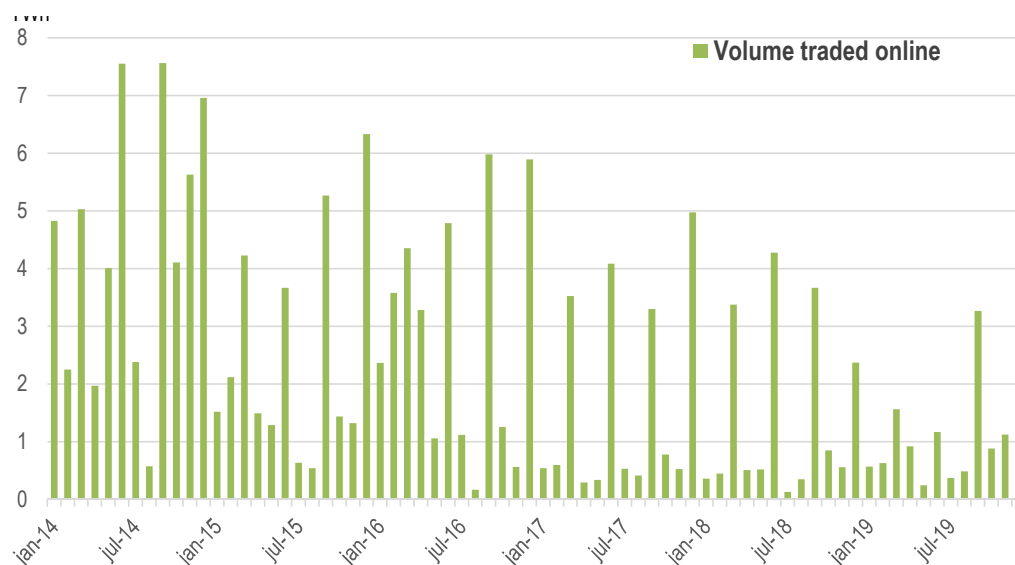
Table 1 Main activity indicators

	2019	2018
Traded volume (TWh)	14.5	17.4
Notional traded volume (M)	764.1	690.4
Participants	70	67

As shown in detail below, participants increased in 2019. Two entities ceased their activity and five trading members were admitted, resulting in a positive balance of 3 participants.

Volumes traded in September and December were clearly greater than in the rest of the months. Note also that, on average, about 1.21TWh were traded each month, compared to 1.45TWh in 2018.

Figure 4 Monthly energy volume traded online (TWh)



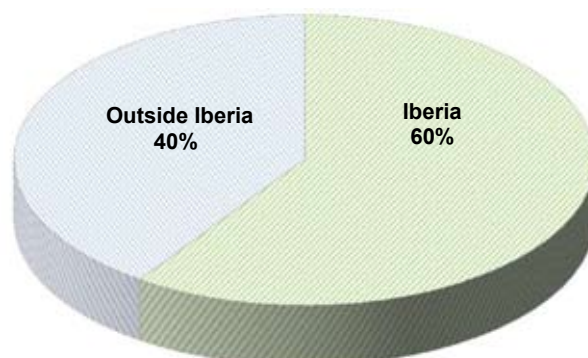
The analysis of volumes traded every year shows that in 2019 they decreased. In 2019, 14.52 TWh were traded online (continuous and auctions), reflecting a drop of 17.7% compared to the previous year.

Figure 5 Annual energy volume traded online (TWh)



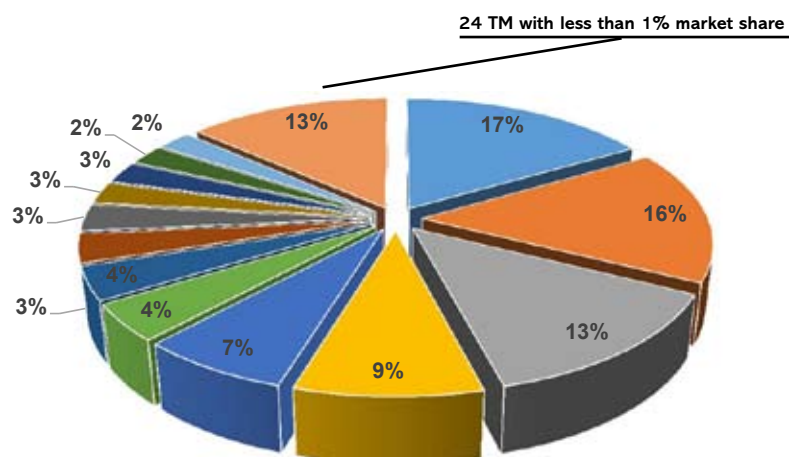
Figure 6 shows that 60% of the total volume was traded by companies domiciled in the Iberian Peninsula, a percentage lower than that in 2018 (83%), showing the increasing activity of international entities in the Iberian energy market.

Figure 6 Market share according to the location of the trading member



The distribution of market share among all trading members in 2019 (see Figure 7) is similar to that of the previous year, where the volume continued to be distributed among the different market members. In 2019, the three most active agents represented about 46% of the total traded volume (37% in 2018). This indicator of traded volume distribution should be highlighted, since it confirms that the electricity market in the Iberian Peninsula is still competitive, even though the weight of the main players increased compared to the previous year.

Figure 7 Market share by trading member



As regards contracts listed for trading, and in terms of equivalent energy, annual contracts were traded the most, with about 47.5% of the total portfolio available at OMIP, as shown in Figure 8, followed by quarterly and monthly contracts. Short-term maturity instruments are still clearly the ones with the least market share. Weekly contracts represent 0.3% of traded volume, compared to 0.4% in 2018.

Figure 8 Weight of traded volume by type of contract in 2019

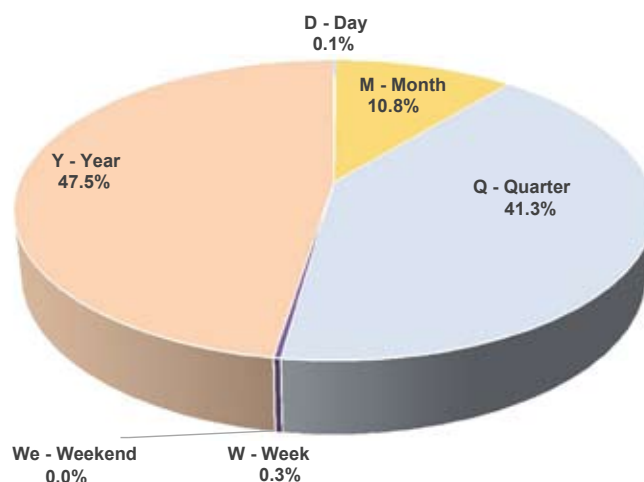


Table 2 lists all the OMIP members, as at 31 December 2019, indicating the Trading Member Dealers, Trading Member Brokers and OTC Brokers.

Table 2 MIBEL Derivatives Market participants

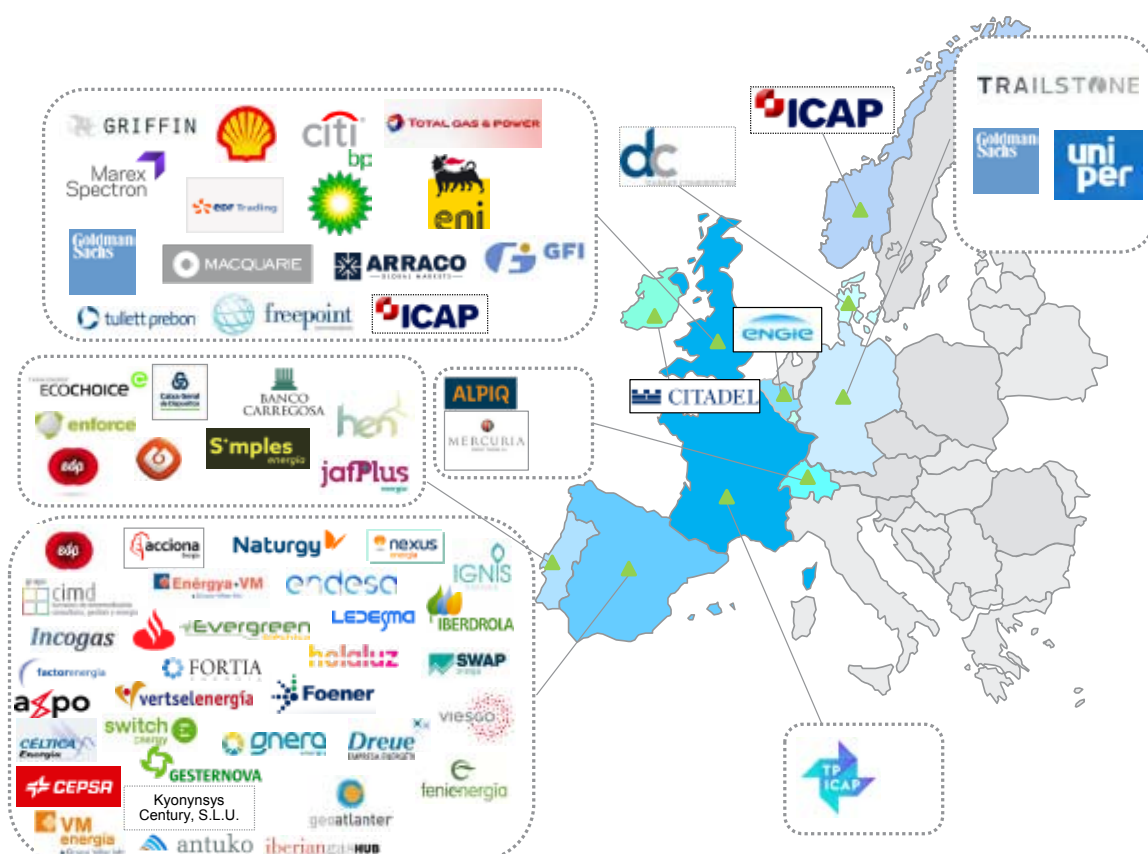
Company	Trading Member Dealer	Trading Member Broker	OTC Broker
Acciona Green Energy Developments, S.L.			
Alpiq AG			
Antuko Energía S.L.			
Arraco Global Markets			
AXPO Iberia, S.L.			
Banco Santander, S.A.			
BP Gas Marketing Limited			
Céltica Energía, S.L.			
Cepsa Gas y Electricidad			
CIMD – Corretaje e Información Monetaria y de Divisas			
Citadel Energy Investments (Ireland) DAC			
Citigroup Global Markets Ltd.			
Comercializadora Regulada, Gas & Power, S.A.			
Danske Commodities, A/S			
Dreue Electric S.L.			
Ecochoice, S.A.			
EDF Trading Limited			
EDP - Serviço Universal, S.A.			
EDP Energias de Portugal, S.A.			
EDP España: S.A.U.			
Endesa Energía S.A.			
Endesa Energía XXI, S.L.			
Endesa Generación, S.A.			
Enérgya VM Gestión de Energía, S.L.U.			
Enforresco S.A.			
Engie Global Markets (GDF Suez)			
Eni Trading & Shipping			
Evergreen Electrica S.L.			
Factor Energía, S.A.			
Fenie Energía			
Foener Energía, S.L.			
Fortia Energía Servicios			
Fortia Energía, S.L.			
Freemont Commodities Europe LLP			
Galp Gás Natural, S.A.			
Galp Power, S.A.			
Gas Natural Comercializadora S.A.			
GeoAtlante S.L.			
Gesternova, S.A.			
GFI Brokers			
Gnera Energía y Tecnología			

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Company	Trading Member Dealer	Trading Member Broker	OTC Broker
Goldman Sachs Bank Europe SE			
Goldman Sachs International			
Griffin Markets			
HEN - Serviços Energéticos, Lda.			
Holaluz-Clidom			
Iberdrola Comercialización de Último Recurso, S.A.U.			
Iberdrola Generación España, S.A.U.			
ICAP Energy, AS			
ICAP Energy, Ltd			
Ignis Energia			
Ingeniería y Comercialización del Gas (Incogas)			
Jafplus Energia Lda			
Kyonynsys Century S.L.U.			
Ledesma Comercialización Eléctrica, S.L.			
Macquarie Bank Limited			
Marex Spectron International			
Mercuria Energy Trading, S.A.			
Naturgy Commodities Trading			
Naturgy Energy Group, S.A.			
Nexus Energía, S.A.			
PH Energia, Lda			
Régsiti Comercializadora Regulada S.L.U.			
Repsol Generación Eléctrica, S.L.U.			
Shell Energy Europe Ltd.			
Sociedad Bilbao Gas Hub			
SWAP Energia, S.A.			
Switch Energy, S.L.			
Total Gas & Power Ltd.			
TP ICAP (Europe)			
Tullett Prebon (Europe) Limited			
Tullett Prebon (Securities) Limited			
TrailStone GmbH			
Uniper Global Commodities SE			
Vertsel Energia S.L.U.			
Viesgo Renovables			
Villar Mir Energia			

Figure 9 Origin of participants (December 2019)



The geographical distribution of participants, in Figure 9, shows two distinct and highly representative divisions. One is in the Iberian Peninsula (Spain, in particular), where companies with assets and stakes in the production and sale of electricity stand out, and the other in the United Kingdom, mostly involving financial institutions, banks and investment funds.

As at 31 December 2019, the MIBEL Derivatives Market comprised 66 Trading Member Dealers, 7 Trading Member Brokers and 10 OTC Brokers, as shown in Table 3.

As regards Trading Member Dealers, the Iberian members prevail, whereas the majority of Trading Member Brokers and OTC Brokers continue to be from outside of the Iberian Peninsula.

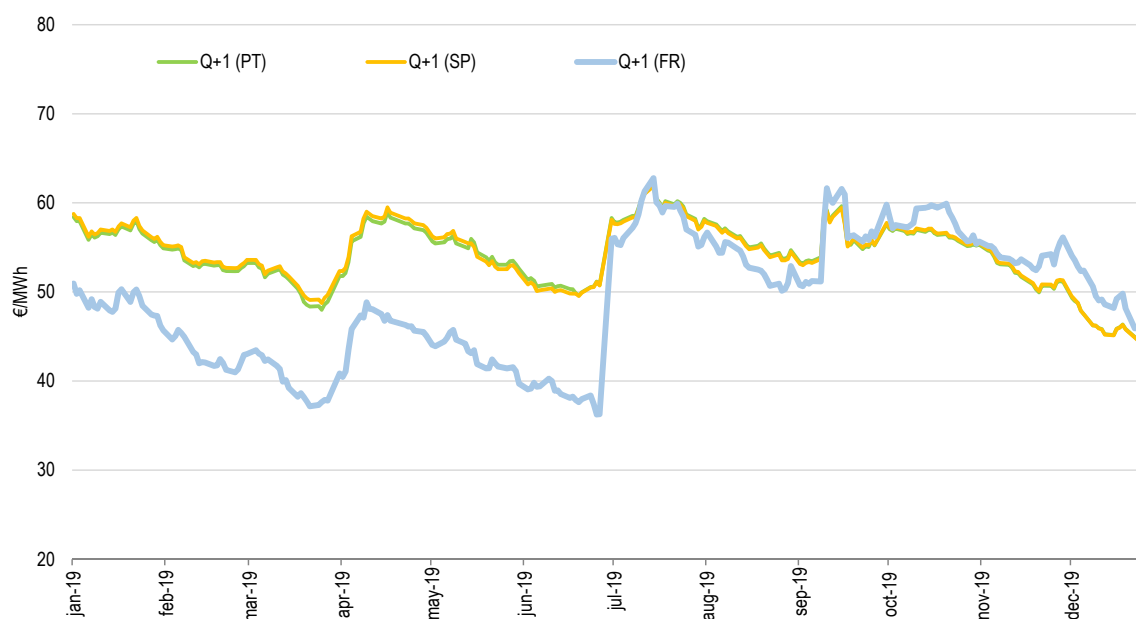
As a result of the marketing efforts in 2019, the following companies were admitted as trading members: Naturgy Commodities Trading, Goldman Sachs Bank Europe, TP ICAP (Europe), Ignis Energia and HEN – Serviços Energéticos. The new trading members include energy utilities, retailers and investment banks.

Table 3 Origin of participants (December 2019)

Origin	Trading Member (Dealer)	Trading Member (Broker)	OTC Broker
Spain	40	2	2
Portugal	9		
United Kingdom	9	2	6
Germany	3	1	
Norway		1	1
Belgium	1		
Denmark	1		
Ireland	1		
Switzerland	2		
France		1	1
Total	66	7	10
Iberian	49	2	2
Non-Iberian	17	5	8

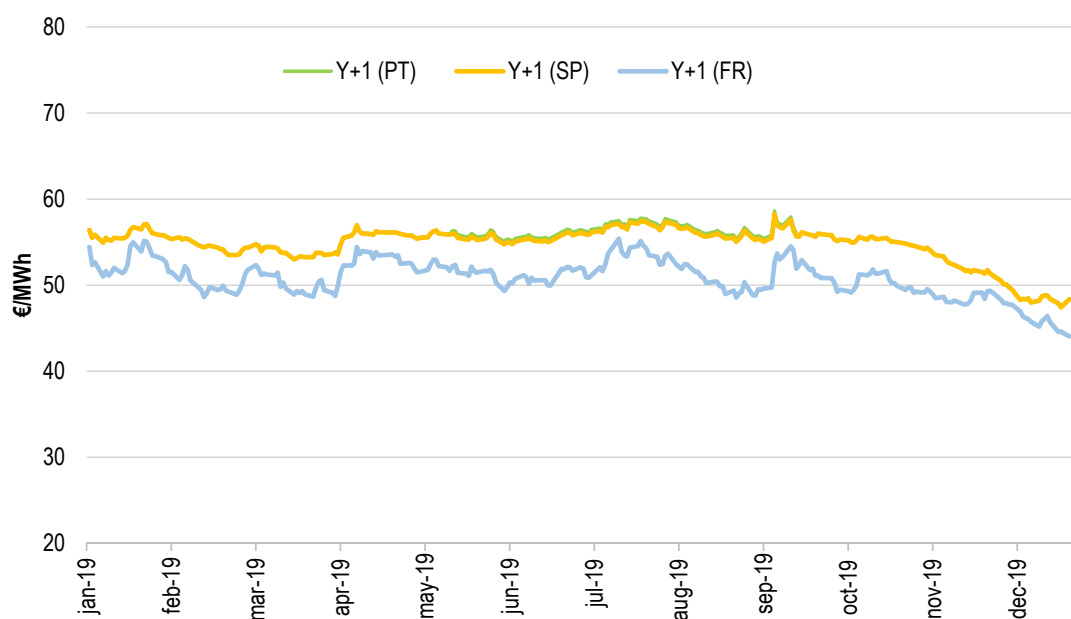
In terms of price rates relating to the first quarterly contracts of the two MIBEL zones listed for trading, as shown in Figure 10, it is clear that these markets are of a seasonal nature, all the more so in the French market, much more sensitive to consumption and technologies in the producing facilities. In the first half-year, there was a clear difference in quarterly contract prices, with even a price lower by 14 €/MWh in the French zone. Prices converged in the second quarter, the values being lower in the Spanish zones compared to the French zone at the end of the year.

Figure 10 Evolution of the price of the first quarterly contract in trading (€/MWh)



Annual contracts (*cfr.* Figure 11) show a declining trend from the second half-year on. Spanish and Portuguese prices ranged between 47.45 and 58.60 €/MWh throughout the year. The price of French products was lower than that of the Spanish and Portuguese zones throughout the year, this difference being less pronounced in the last quarter.

Figure 11 Evolution of the price of the first annual contract in trading (€/MWh)



The table below summarises some of the most relevant events in 2019.

Table 4 Summary of 2019

Event
Axpo Iberia and Endesa were selected through tender as market makers for the whole of 2019.
Launch of the trading and registration of electricity futures contracts maturing in 6 years (Year+6) and 7 years (Year+7), extendable to all contracts listed in OMIP (Base, Peak, Solar, <i>Forward</i> , <i>Swap</i>).
5 new trading members were admitted to OMIP: 3 Iberian companies in the energy sector and 2 non-Iberian financial companies.
Quarterly Special Regime Production Placement Auctions for delivery in the MIBEL Portuguese zone, held throughout the year. Traded volumes amounted to 5.63 TWh.
The first Supplier of Last Resort purchase auctions were held in the 3rd and 4th quarters. Volumes amounted to 1.47 TWh.
Organisation of 3 training sessions, in Lisbon and Madrid, on the MIBEL Energy Derivates Market.
OMIP organised one Trading and Products Committee in March, in Madrid.
The first electricity futures contracts maturing in 6 and 7 years were registered at OMIP on 30 October.

04

Directive on Financial Instruments Markets – DMIF II

The recent financial crisis has revealed some flaws in the running and transparency of financial markets. The fact that these markets have evolved and reached such a level of sophistication has called for the need to strengthen the regulatory framework of financial instruments markets, including OTC (over-the-counter) trading, so as to increase transparency, better protect the investors, increase trust, address the non-regulated areas and ensure that the supervisory authorities have the necessary powers to perform their tasks.

To this end, the legal package of the Directive on Financial Instruments Markets (DMIF II), enabled the establishment of a thorough regulatory regime to regulate transactions in financial instruments, regardless of which trading methods are used to realise them, seeking to ensure high quality investor transactions and to support the integrity and overall efficiency of the financial system.

The entry into effect of this new legal framework implied that OMIP had to undertake extensive and demanding actions to adapt and implement the directive, focused mainly on issues concerning reporting of transactions and position thresholds. Extensive work was carried out throughout 2017 to adapt procedures, rules and tools, involving the various company departments, so as to ensure operation continuity on the date on which the Directive entered into force.

In terms of Information Systems, as we will explain further on, several internal projects were developed to adapt to the legal framework imposed by the DMIF II, including, but not limited to, reporting to the CMVM the information concerning market activity and the accumulated positions of trading members, the development of OMIP's Reporting Platform (ORP) to allow trading members to update information and consult the transactions and positions, and also to update the risk reduction classification thereof. The trading platform used by OMIP (Trayport) was also updated to enable the reporting of information relevant to the reports to be sent to ESMA.

As regards the trading area, we collected from all market agents all static information required to comply with the obligations under the DMIF II, through a "MiFIDII Report Agreement". Mandatory identification elements were also collected concerning all agents relevant to the trading system under this new regulatory context. This information is stored on OMIP's Reporting Platform (ORP) and is updated by the agents themselves. The trading platform itself has also been significantly updated to accommodate a number of new fields, for example, those that classify the risk of transactions, and now includes system assessment metrics as required by the DMIF II.

At the end of the year, and following a discussion between industry members and regulators, OMIP adapted the rules and processes to the pre-trading transparency obligations as laid down in articles 8 and 9 of Regulation (EU) 600/2014, which raised a shadow of a disruptive change throughout the whole of 2019, before the solution was found, that would compromise the very business model of regulated markets. The issue was the registration of bilateral transactions not being possible given the obligation to publically disclose pre-arranged business offers.

The solution found by OMIP and proposed to the regulators, which they expressly accepted, and which was apparently replicated by other regulated markets almost *ipsis verbis*, was to carry out a kind of an auction which we called "of volume" automatically triggered on each bilateral transaction received by OMIP and subject to these obligations, and which would consist of an open-type of auction with orders at a single price, maintaining the priority-time of orders constituted by the two counterparts, but with the possibility of the whole market participating therein, and in which the call phase determinately closes within one minute. If no deal materialises with the same price and volume characteristics for both counterparts, then the registration is rejected, otherwise the bilateral transaction will be registered. This process was implemented in such a way that it would not impact on the trading members' processes and came into being in early 2020 without any need for trading member intervention.

05

Information Systems

Following on from the work carried out in previous years, in 2019 work done in information systems focused on three essential aspects:

Management of the relation with external suppliers:

- > Support to communication between supplier and operational departments;
- > Maintenance of infrastructure to support technical services;
- > Service level and quality management.

Support and maintenance of applications and internal and external services:

- > Specification and testing of new technical functionalities or changes in existing ones;
- > Coordination in the implementation of changes in productive or non-productive environments;
- > Support and communication with agents for notifying changes or problem solving;
- > First line support to solving technical problems (helpdesk service);
- > Carry out daily procedures to check the normal operation of systems;
- > Analysis and adjustment to regulatory requirements.

Design, specification and testing of new solutions and functionalities, and improvement of applications used.

Participation in the maintenance of business continuity systems and information security management:

- > Checking and updating of documents.
- > Business continuity periodical tests to systems and infrastructure.

In 2019, the execution of the aforementioned activities focused on the provision of services related with the energy market for clients. The following are of note:

- > Implementation of changes to the OMIPlus-A auction platform to accommodate an auction algorithm for solar energy products;
- > Continuation of the specification, development and testing of the new platform for managing the process of switching of Natural Gas and Electricity supplier, of which the Gas side was completed and entered into production;
- > Technical support to the implementation of changes in e_Switch, as part of the operation and maintenance of the platform for the switching of natural gas supplier, more specifically switching it to an exclusive reading model;
- > Development of a solution for implementing the management of the social tariff allocation/removal in the national electricity market, as part of the support provided by OMIP to Adene as a Logistics Operator for Switching Electricity and Gas Supplier (OLMC);
- > Specification, development and testing of a temporary solution for the switching of suppliers from the e_Switch platform to the OLMC Portal, including a translator (of WebService messages) and migration of data between systems.

Following the planned tasks at OMI Group level, the following activities of the department should be considered:

- > Improvements to OMIP's Reporting Platform concerning the change in the information reporting so that it is entirely done by another OMI Group company;
- > Beginning of the process to develop and test the new OMIP Website, in line with the design and technology to be adopted by all OMI Group companies;

- > Beginning of the implementation of a SIEM/SOC system for active and continuous monitoring of security events in the company's cyberspace.

In a more general context, we also highlight the following work carried out in 2019 by or in direct collaboration with the Information Systems department:

- > Development of a module in the Trayport trading system to comply with regulatory requirements (MiFIR - Markets in Financial Instruments Regulation) imposed on exchanges for OTC trades (pre trade transparency functionality);
- > Analysis and mitigation of vulnerabilities identified by the National Cybersecurity Centre and, in particular, by the security service provider, by periodically analysing any vulnerabilities and carrying out intrusion tests at different levels;
- > Updating of the disaster recovery solution as well as technical support to prepare and conduct disaster recovery tests at OMIP's main office;
- > Improvement of the automated 24/7 monitoring of the intraday market of Gas Capacity Rights of Use (DUCg) provided to REN;
- > Implementation of improvements in the internal invoicing process.

06

Other activities

OTHER ACTIVITIES

6.1 Special regime production placement auctions

The terms and conditions governing the special regime production placement auctions, published in an annex to Directive 5/2011 of ERSE (the Energy Services Regulatory Authority), of 24 November, define OMIP as the entity responsible for organising auctions. This is a regulated mechanism for the sale of electricity production by EDP - Serviço Universal, S.A., within its function as Last Resort Supplier, which involves the auctioning of futures contracts with delivery in the Portuguese zone of the Iberian Electricity Market (MIBEL). The above Directive establishes that auctions follow the clock auction model. For the purpose, OMIP decided to include these auctions as part of the MIBEL Derivatives Market, running them during the course of a special trading session. Four auctions were held in 2019, with all the contracts offered for sale by the last resort supplier being sold.

6.2 Supplier of Last Resort purchase auctions

The Regulation on Trade Relations (*RRC – Regulamento de Relações Comerciais*) and the Tariff Regulation (*RT – Regulamento Tarifário*) enshrine the separation of functions between the purchase and supply of electricity to clients and the purchase and supply of electricity from special regime production, both carried out by the supplier of last resort (SLR). In the specific case of purchase and supply of electricity to clients, the RRC, in its articles 168 and 169, establishes that the SLR must purchase electricity through regulated mechanisms expressly provided for this purpose. In addition, the SLR must also purchase electricity to supply its clients in organised markets, namely in organised forward markets. The regulated mechanism for electricity forward contracts to supply the SLR takes the form of acquisition of futures contracts of products listed on the market managed by OMIP, through auction trading. The first two auctions took place in 2019.

6.3 Capacity rights of use (gas)

Natural gas requires complex network infrastructures and terminals where energy flows occur associated with its transport, as well as the centralised management of the systems thus built. As such, for the markets to work properly, the calculation of the allocation and the technical and economic management of the rights of those capacities (DUCg) are of utmost importance.

In this sense, OMIP was contacted by REN – Gasodutos, S.A. in 2013 to work towards the operationalisation of the new capacity allocation mechanisms in the various infrastructures of the National LNG Transport, Storage and Infrastructure and Terminal Network (RNTIAT), exploring the concept of ex-ante contracting of Capacity Rights of Use (CRU) in the natural gas infrastructures, in primary issuance and on a secondary market. In accordance with Article 33 of the Regulation on Access to Networks, Infrastructures and Interconnections of the natural gas sector (RARI) – version 2013 – objective, transparent and non-discriminatory mechanisms based on market criteria should be used to give adequate economic signs to market agents

involved and to comply with other principles laid down in Regulation (EU) 714/2009, of 13 July. The Regulation also provides for the use of products and rules for capacity allocation consistent and in harmony with the practices advocated by the Commission at European level, in particular the European Grid Code for allocating infrastructure capacity. Since September 2013, OMIP has provided the following services to REN in this area (CRUg): active participation in the initial solution design and installation, in close cooperation with REN, ensuring thereafter all activities and functions concerned, in particular the training of agents, setup and availability of technological platforms, as well as the operation of the primary and secondary markets.

In 2018, primary allocation auctions were extended to intraday products (24 closed-envelope auctions per day on the Trayport platform, every day of the year).

In 2019, OMIP continued to ensure the above functions. In this context, mention should be made of the use of the OMIPlus auction platform to solve various congestions that occurred, for the first time, in the allocation of Monthly, Quarterly and Annual products.

6.4 Clearing transactions by the GTM

Regulation (EU) 312/2014, of 26 March, establishing the network code for the clearing of gas transmission networks (Network Code on Gas Balancing of Transmission Networks) requires new rules that must be adopted for the transmission network operator to clear the Natural Gas Transmission Network (RNTGN) through clearing actions by purchasing or selling standardised short-term products on a trading platform and/or the use of clearing services.

In this sense, OMIP was appointed by ERSE, through Directive 18/2006, of 27 October 2016, as the entity in charge of operating the clearing platform on which the products that will allow the Global Technical Manager (GTM) to carry out the clearing operations necessary for the proper running of the RNTGN are traded, when the short-term bulk gas market presents, or is expected to present insufficient liquidity, or when it is not reasonably possible to purchase, on that market, the temporary and localised products required by the transmission network operator.

The first natural gas auction (purchase of gas by the GTM) took place on 19 April 2017 on the OMIP platform for the implementation of GTM netting of operations, with all volumes offered for auction being sold at a break-even price lower than the reserve price. Since then, OMIP continues to provide the GTM with this service, in the same manner.

6.5 Development of the GPMC/OLMC

OMIP continued to ensure the operation and management of e_Switch, the IT platform it has developed to support in a quick, transparent and secure manner the requests for supplier change in the Portuguese gas market, following the agreement with REN – Gasodutos, S.A., the entity designated by ERSE to take charge of the facilitation procedure of changing supplier in the natural gas sector.

The publication of Law 42/2016, of 16 December, approving the state budget for 2017, pursuant to Article 172, provided for the establishment of the OLMC in the scope of the Portuguese electricity system and the Portuguese natural gas system, which, in practical terms and as regards the NG sector, implies the handover of the GPMC NG duties of REN Gasodutos to Adene.

Decree-law 38/2017, of 31 March, establishes the legal regime applicable to the OLMC activity and commits the Energy Agency (ADENE) to carry out those duties, pursuant to Article 2, postponing, under Article 11, the transfer to the OLMC, in particular the information system supporting the GPMC's duties.

In this context, REN Gasodutos assigned its contractual position to ADENE in early 2018, and OMIP thus continued to ensure the same functions it had while under the authority of REN Gasodutos, as part of the GPMC/OLMC project. The e_Switch and the FTP were also transferred from the GPMC to Adene's infrastructure. Under the authority of Adene, we note also the start of development works to integrate the Regulated Market into the e_Switch platform.

In April 2018, OMIP was invited by Adene to put forward a proposal, under a private treaty procedure, for the specification, development, operation and maintenance of the electronic logistics platform to support the various procedures related to the switching of supplier in the natural gas and electricity sector (e_Switch II platform). OMIP's proposal was accepted and awarded by Adene (OLMC Portal), with works beginning in May. During that year, the Platform's Specification and Evolution Phases were developed and completed, and the Natural Gas Implementation work began.

The new OLMC Portal – Natural Gas component – was launched in July, with the transfer of operations from the previous e_Switch portal, the latter operating only in reading/consultation mode. Also during this year work began on the implementation of Electricity, including the development of a solution to support the management of the allocation/removal of social tariff in the national electricity market, thus completing the transfer of the operation of that process from GPMC EL (EDP Distribuição) to Adene.

07

Outlook for 2020

OUTOOK FOR 2020

2020 is, once again, a year of many challenges for OMIP. Challenges at institutional level, because their integration in the OMI contexts needs to be furthered urgently, bringing in a number of advantages vis-à-vis competitors.

As regards business development, we expect to:

- > Continue the recovery trend of traded volumes;
- > Increase the number of market participants;
- > Extend the maturity curve of electricity futures contracts up to 10 years.
- > Continue organising special regime production placement auctions for the MIBEL Portuguese zone;
- > Continue to organise Supplier of Last Resort purchase auctions;
- > Ensure the high level of service that has been provided to market participants, including the development of new solutions and functionalities specifically requested by these participants;
- > Preserve the recognition and reputation of OMIP as a reference exchange.
- > Develop new business areas and supplementary and ancillary services to the company's main activity.

OMIP will, therefore, continue to operate with high standards of efficiency and innovation, seeking to meet the growing needs of its members and the requirements of the business sector in which it operates.

In terms of international cooperation, OMIP will continue to participate actively in the activities undertaken by the various international bodies of which it is a member.

08

Proposed appropriation of profits

The Board of Directors, under the terms and for the purposes of Article 25 of the Company Statutes, decided to propose that the net profit for 2019, in the positive amount of €240,856 (two hundred and forty thousand, eight hundred and fifty-six euros), be appropriated as follows:

To Legal Reserve	€24,085.60
To Dividends	€216,770.40

Lisbon, 26 March 2020

The Board of Directors

Artur Álvaro Laureano Homem da Trindade

Carmen Becerril Martinez

Abengoa, S.A.

German Bejarano García

Carlos Martin de los Santos Bernardos

Endesa Generación Portugal, S.A.

Adolfo Javier de Rueda Villén

Naturgy Energy Group

Antonio Canoyra Trabado

Iberdrola Generación España, S.A.U.

Jose Luis Rapún Jiménez

REN – Redes Energéticas Nacionais, SGPS, S.A.

Maria José Menéres Duarte Pacheco Clara

REN Serviços, S.A.

Pedro Henriques Gomes Cabral

Viesgo Infraestructuras Energéticas, S.L.

Francisco Rodriguez Lopez

09

Shareholders, governing
bodies and subsidiary

9.1 Shareholders

OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. (50%)

OMEL – Operador del Mercado Ibérico de Energía, Polo Español, S.A. (50%)

9.2 Governing bodies

Board of the General Meeting (3-year period 2018 — 2020)

Manuela Lopes dos Santos.....Chairman

Board of Directors (3-year period 2018 — 2020)

Artur Álvaro Laureano Homem da TrindadeChairman

Carmen Becerril MartinezDeputy Chairman

Abengoa, S.A. (German Bejarano García)Voting member

Carlos Martin de los Santos Bernardos.....Voting member

EDP – Energias de Portugal, S.A. (vacante).....Voting member

Endesa Generación Portugal, S.A. (Adolfo Javier de Rueda Villén)Voting member

Naturgy Energy Group (Antonio Canoyra Trabado).....Voting member

Iberdrola Generación España, S.A.U (Jose Luis Rapún Jiménez).....Voting member

Parcaixa, SGPS, S.A. (vacante)Voting member

REN – Redes Energéticas Nacionais, SGPS, S.A.

(Maria José Menéres Duarte Pacheco Clara)Voting member

REN Serviços, S.A. (Pedro Henriques Gomes Cabral).....Voting member

Viesgo Infraestructuras Energéticas, S.L. (Francisco Rodriguez Lopez)Voting member

Supervisory Board/Statutory Auditor (3-year period 2018 — 2020)

Ernest & Young Audit & Asociados – SROC, S.A. (SROC)Executive

Pedro Miguel Borges Marques (ROC).....Alternate

9.3 Subsidiary

OMIClear, C.C., S.A. - Fifty percent (50 %) share in the equity capital of €7,500,000.00.

10

Financial statements

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2019 AND 2018

Balance sheet

		Currency: Euros	
	Note	31-12-2019	31-12-2018
Assets			
Non-current			
Property, plant and equipment	7	51 998	74 143
Investments – Equity method	8	5 333 811	5 306 062
Other financial investments	9	8 119	5 764
		5 393 928	5 385 969
Current			
Clients	10	430 001	283 814
State and other public entities	11	-	5 456
Other receivables	12	882 869	712 695
Deferrals	13	35 912	24 777
Cash and bank deposits	5	430 209	356 038
		1 778 991	1 382 779
Total assets		7 172 919	6 768 749
Equity capital			
Paid-up capital	14	2 500 000	2 500 000
Issue premium	15	1 193 711	1 193 711
Legal reserves	16	275 849	270 666
Adjustments/Other changes in equity	17	1 114 928	1 114 928
Retained earnings		1 025 810	1 025 810
		6 110 298	6 105 115
Net result for the period		240 856	51 828
Total equity		6 351 154	6 156 943
Liabilities			
Non-current			
Loans obtained	18	15 421	34 947
		15 421	34 947
Current			
Suppliers	19	257 097	129 221
State and other public entities	11	109 071	76 915
Loans obtained	18	19 540	19 213
Other accounts payable	20	418 542	351 510
Deferrals	13	2 094	-
		806 344	576 859
Total liabilities		821 765	611 806

Notes on pages 39 to 58 form an integral part of the above financial statements.

Statement of profit and loss by nature as at 31 December 2019 and 2018

	Note	Currency: Euros	
		31-12-2019	31-12-2018
Sales and services rendered	21	2 788 245	2 272 580
Gains/(losses) charged to subsidiaries	8	27 749	(122 048)
Supplies and external services	22	(1 340 080)	(965 493)
Staff costs	23	(1 265 903)	(1 217 972)
Other income	24	275 314	280 519
Other expenses	25	(130 752)	(94 535)
Results before depreciation, financial expenses and taxes		354 573	153 051
(Expenses) / reversal depreciation and amortisation	7	(31 202)	(31 211)
Operational result (before financial expenses and taxes)		323 371	121 840
Interest and similar costs incurred	26	(802)	(1 139)
Pre-tax results		322 569	120 701
Income tax for the period	27	(81 713)	(68 873)
Net result for the period		240 856	51 828
Basic earnings per share		0,96	0,21

Notes on pages 39 to 58 form an integral part of the above financial statements.

Statement of changes in equity

	Note	Paid-up capital	Issue premiums	Legal reserves	Adjustment in financial assets	Retained earnings	Net result for the period	Total
On 1 January 2018		2 500 000	1 193 711	253 574	1 114 928	1 025 810	170 918	6 258 941
Changes in the period								
Other changes recognised in equity capital		-	-	17 092	-	153 826	(170 918)	-
		-	-	17 092	-	153 826	(170 918)	-
Net results for the period		-	-	-	-	-	51 828	51 828
Integral result		-	-	-	-	-	51 828	51 828
Operations with equity holders in the period								
Distribution	28	-	-	-	-	(153 826)	-	(153 826)
		-	-	-	-	(153 826)	-	(153 826)
On 31 December 2018		2 500 000	1 193 711	270 666	1 114 928	1 025 810	51 828	6 156 942
Changes in the period								
Other changes recognised in equity capital		-	-	5 183	-	46 644	(51 828)	-
		-	-	5 183	-	46 644	(51 828)	-
Net results for the period		-	-	-	-	-	240 856	240 856
Integral result		-	-	-	-	-	240 856	240 856
Operations with equity holders in the period								
Distribution	28	-	-	-	-	(46 644)	-	(46 644)
		-	-	-	-	(46 644)	-	(46 644)
On 31 December 2019		2 500 000	1 193 711	275 849	1 114 928	1 025 810	240 856	6 351 154

Notes on pages 39 to 58 form an integral part of the above financial statements.

Statement of cash flow as at 31 December 2019 and 2018

	Note	Currency: Euros	
		31-12-2019	31-12-2018
Cash flow of operating activities			
Receivables from clients		3 126 761	2 488 592
Payments to suppliers		(1 482 192)	(1 210 725)
Payments to staff		(1 262 506)	(1 153 359)
Cash flow generated by the operations		382 062	124 509
(Payment) / refund of income tax		(27 198)	(8 958)
Other (payments) / receipts		(232 291)	(164 997)
Cash flow generated by the operations		122 573	(49 446)
Cash flow of investment activities			
Payments regarding:			
Property, plant and equipment		(4 574)	(3 107)
Cash flow of investment activities		(4 574)	(3 107)
Cash flow of investment activities			
Payments regarding:			
Interest and similar expenses		(3 015)	(3 809)
Dividends	28	(40 814)	(134 598)
Other financial activities		-	-
Cash flow of investment activities		(43 829)	(138 407)
Variation of cash flow and its equivalents		74 170	(190 959)
Cash and cash equivalents at the start of the period	5	356 038	546 998
Cash and cash equivalents at the end of the period	5	430 209	356 038

Notes on pages 39 to 58 form an integral part of the above financial statements.

ANNEX TO THE FINANCIAL STATEMENTS

1 Identification of the company and reporting period

OMIP – Pólo Português, S.G.M.R., S.A., whose previous name was OMIP – Operador do Mercado Ibérico de Energia (Pólo Português), S.G.M.R., S.A. was constituted under Order 360/ME/2003 of the Ministry of Economic Affairs, of 6 June, and had its public deed signed on 16 June 2003.

The company began its activity on 10 December 2003, its purpose being the organisation and management of a support system for conducting transactions and settlements in the Iberian Energy Market, and thus being responsible for:

- a) the management of organised energy forward contracts;
- b) the mediation of agents with the purpose of establishing commercial relationships in the Iberian Electricity Market;
- c) the management of other energy-based product markets;
- d) the provision of settlement services within organised electricity markets;
- e) the provision of settlement services for standard transactions in non-organised energy markets;
- f) the organisation of market services within the operation of the electricity system.

Since 18 October 2011, 50 % of OMIP's share capital is owned by OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. (OMIP SGPS), and 50 % by OMEL – Operador del Mercado Iberico de Energía, Polo Español, S.A. (OMEL).

Until 12 September 2013, OMIP held the entire share capital of OMIClear, C.C., S.A. (OMIClear), whose corporate purpose is the management of a clearing house as central counterpart, and of the settlement system. It currently holds 50% of the shares.

These financial statements were approved by the Board of Directors at its meeting held on 26 March 2020 and are subject to the approval of the shareholders. In the opinion of the Board, these financial statements reflect a true and fair view of the operations carried out by OMIP, as well as its financial position and performance, and cash flows.

2 Accounting standards for financial reporting

2.1. Basis of preparation

These financial statements were prepared in agreement with the Portuguese Accounting and Financial Reporting Standards (*NCRF – Norma Contabilística de Relato Financeiro*), issued and in force or issued and adopted as at 31 December 2019.

The preparation of financial statements in agreement with the SNC (Accounting Standardisation System) calls for the use of estimates, assumptions and critical judgments when determining the accounting policies to be adopted by OMIP, with a significant impact on the accounting value of assets and liabilities, and on income and expenses for the reporting period.

Although these estimates are based on the Board's best knowledge and expectations of current and future events and activities, the current and future results may differ from these estimates.

Note 4.17 presents the areas involving greater judgement calls and complexity, or the areas in which the assumptions and estimates are relevant to the financial statements.

2.2. Derogation to the SNC provisions

During the period covered by these financial statements there were no exceptional cases directly requiring the derogation to any SNC provision.

2.3. Comparability of financial statements

All the information in these financial statements is comparable to that of the previous year.

4 Significant accounting policies

The main accounting policies used to prepare the financial statements, based on the assumption of business continuity, are described below. Unless otherwise stated, these policies have consistently been applied to all periods reported.

4.1. Shareholdings – Subsidiaries

Subsidiaries are all entities (including those created for special purposes) in which OMIP has the power to decide on financial or operating policies. This is usually associated with the direct or indirect control of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether OMIP is in control of an entity.

Shareholdings in subsidiaries are recorded as the value resulting from applying the equity method. According to this method, the portion of results achieved in subsidiaries and associates, in proportion to the shareholding, are included in the statement of profit and loss, and the portion of their net worth, considering any implicit added values resulting from fair value adjustments and goodwill, is reflected in the balance sheet. These values are calculated from the approved financial statements of the subsidiaries and associates, or in the absence thereof, on the basis of the best possible estimates, having the financial year of the Company as a reference date.

4.2. Currency translation

4.2.1 FUNCTIONAL AND PRESENTATION CURRENCY

Unless otherwise stated, the financial statements of OMIP and the notes to this annex are presented in EUR.

4.2.2 TRANSACTIONS AND BALANCES

Transactions made in a currency other than EUR are translated into the functional currency at the exchange rates on the dates of the transactions. Exchange gains or losses arising from the payment/receipt of transactions and of the translation by the currency rate at the balance sheet date of the cash assets and liabilities denominated in a foreign currency are recorded in the statement of profit and loss, under Interest and similar income obtained and Interest and similar expenses incurred, if related to loans or Other income and gains or Other expenses and losses, for all other balances/transactions.

4.2.3 EXCHANGE RATES USED

Foreign currency exchange rates used in the translation of balances denominated in foreign currency are the following:

Currency	2019	2018
USD	1,1234	1,1450
GBP	0,8508	0,8945

4.3. Property, plant and equipment

Property, plant and equipment are valued at cost minus accumulated depreciation and accumulated impairment losses. This cost includes the estimated cost at the date of transition to the Portuguese Accounting and Financial Reporting Standards (NCRF), and the acquisition costs for assets acquired thereafter.

The acquisition cost includes the purchase price of the asset, costs directly attributable to its acquisition, and those incurred in preparing the asset for its commissioning.

Subsequent expenses incurred with renovations and major repairs that may extend the lifespan of the assets are accounted for in the asset cost.

Current costs of repairs and maintenance services are recorded as expenses in the period in which they occurred.

Property, plant and equipment are depreciated systematically for the duration of their estimated lifespan according to the straight line method.

	Years
Vehicles	Between 3 and 5 years
Office equipment	Between 3 and 10 years

The lifespan of each asset is reviewed at the end of every year so as to ensure that the depreciation is in agreement with its consumption patterns. Changes in lifespan are treated as changes to the accounting estimate and are applied prospectively.

Gains or losses resulting from the disposal of assets are calculated as the difference between the net realizable value and the book value of the asset and are recorded in the statement of profit and loss.

4.4. Impairment of assets

Assets with a finite lifespan are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the determined recoverable amount is less than the book value of assets, the company will assess whether the loss situation is permanent or definite, and if so it will record the impairment loss. Where the loss is not considered permanent and definite, the grounds for this decision must be disclosed.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. To determine whether or not there is impairment, the assets are allocated to the lowest level for which there are separate identifiable cash flows (cash generating units).

Non-financial assets, other than goodwill, for which impairment losses were recorded, are calculated at each reporting date over the possible reversal of impairment losses.

When impairment is recorded or reversed, asset amortisation and depreciation is recalculated prospectively based on the recoverable amount.

4.5. Financial assets

The Board of Directors determines the classification of financial assets on the date of initial record, according to the purpose of their purchase, and reassesses this classification at each reporting date.

Financial assets can be classified as:

- Financial assets at fair value through profit or loss – they include non-derivative financial assets held for trading regarding short-term investments and assets at fair value through profit or loss on the date on which they were first recognised;
- Loans granted and accounts receivable – they include non-derivative financial assets with fixed or determinable payments not quoted in an active market;

- c) Investments held to maturity – they include non-derivative financial assets with fixed or determinable payments and fixed maturities for which the entity has the intention and capacity to hold until maturity;
- d) Financial assets held for sale – they include available-for-sale non-derivative financial assets that are designated as available for sale on initial recognition or that do not fit the above categories. They are recorded as non-current assets except if there is intention to sell them within 12 months after the balance sheet date.

Purchases and sales of investments in financial assets are recorded on the date of the transaction, that is, on the date on which OMIP undertakes to purchase or sell the asset.

Financial assets at fair value through profit or loss are initially recorded at fair value, with transaction costs recorded in profit and loss. These assets are subsequently measured at fair value, and the gains and losses resulting from the change in fair value are posted in profit or loss for the period in which they arise under the heading “Net financial costs”, which also includes interest and dividends received.

Available-for-sale financial assets are initially recorded at fair value plus transaction costs. In the subsequent periods, they are measured at fair value and the fair value variation is posted in fair value reserve in equity. Interest and dividends from available-for-sale financial assets are recorded in profit or loss in the period in which they arise under the heading “Other operating gains”, where the right to receive it is established.

The fair value of listed investments is based on market prices (“bid”). If there is no active market, OMIP establishes the fair value through valuation techniques. These techniques include using recent arm’s length transactions, as long as market conditions allow for the comparison with instruments that are substantially similar, and the calculation of discounted “cash flows” when information is available, favouring market information at the expense of the target entity’s internal information.

Accounts receivable are classified on the balance sheet as “Other receivables”. A provision for the impairment of accounts receivable is established when there is objective evidence that the company will not be able to collect all amounts due in accordance with the original terms of the transactions that gave rise to them.

4.6. Clients and Other accounts receivable

The items “Clients” and “Other accounts receivable” constitute rights receivable for the sale of assets or services in the normal course of OMIP’s business and are initially recorded at fair value and subsequently measured at amortised cost, less impairment adjustments (where applicable). If there is a formal agreement for the deferral of amounts receivable, the fair value is determined in line with the effective interest rate method, which is the rate that exactly discounts estimated future cash payments for the expected repayment date.

Impairment losses on “Clients” and “Other accounts receivable” are recorded when there is objective evidence that they will not be recovered under the initial terms of the transaction. The identified impairment losses are recorded in the statement of profit and loss, under Impairment in accounts receivable, and are subsequently reversed through profit or loss if the impairment indicator ceases to exist.

4.7. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, other short-term high liquidity financial investments with original maturities of up to three months, and overdrafts. The latter are presented in the Balance Sheet in the current liabilities under the heading “Loans granted” and are taken into consideration in the preparation of the statements of cash flow, as cash or cash equivalents.

4.8. Share capital

Ordinary shares are registered under equity capital.

Costs directly attributable to the issue of new shares or options are presented in equity as a deduction, net of taxes, to the amount issued.

4.9. Suppliers and Other accounts payable

The items "Suppliers" and "Other accounts payable" constitute obligation to pay for the acquisition of assets or services and are initially recorded at fair value, and subsequently measured at amortised cost using the effective interest rate method.

4.10. Financial liabilities

The Board of Directors determines the classification of financial liabilities on the date when they are first recorded, in accordance with NCRF 27 – Financial instruments.

Financial liabilities may be recorded / measured:

- a) At cost or at amortized cost less any impairment loss;
- b) At fair value with changes in fair value being recorded in the statement of profit and loss.

OMIP records and measures at cost or at amortized cost, financial liabilities: (i) that are short-term or have a defined maturity; (ii) whose interest yield may be flat-rated, fixed-rated or variable-rated as indexed to market indices; and (iii) where there is no contractual clause which could alter the liability of refunding the nominal value and the accrued interest payable.

For liabilities recorded at amortized cost, the interest earned in each period, is determined according to the effective interest rate method, which is the rate that deducts exactly the estimated future cash payments throughout the expected lifespan of the financial instrument.

Financial liabilities which result from loans obtained, accounts payable (suppliers, other creditors, etc.) and equity capital instruments, as well as any associated derivative contracts not traded on an active market or whose fair value cannot be accurately determined are recorded at cost or amortized cost.

An entity must derecognise a financial liability (or part of a financial liability) only when it is extinguished, that is, when the obligation set up under contract is paid, is cancelled or expires.

4.11. Income tax

The company is subject to corporate income tax (IRC) at a rate of 17 % over the taxable amount up to €15,000, with the 21 % rate applying to the remaining taxable amount. To the corporate income tax thus obtained is added a surcharge applicable to the taxable income, whose rate can vary up to 1.5 %, as well as the autonomous tax on charges, in agreement with the rates stated in Article 88 of the Corporate Income Tax Code. To determine the taxable amount, to which the mentioned tax rate is applied, the amounts not accepted fiscally are added to and subtracted from the accounting result. The difference between the accounting and tax result may be temporary or permanent.

Income tax for the period comprises current taxes and deferred taxes. Taxes on income are recorded in the statement of profit and loss, except if they relate to items directly recorded in equity. The amount of current income tax payable is determined based on total income before tax, adjusted as per tax regulations.

4.12. Provisions, contingent liabilities and contingent assets

Provisions are recorded when OMIP has: (i) a present legal or constructive liability resulting from past events; (ii) for which it is more likely that an outflow of internal funds will not be required to pay that liability; and (iii) the amount can be reasonably estimated. Whenever one of the criteria is not met or the liability is conditional on the occurrence (or non-occurrence) of a future event OMIP discloses it as a contingent liability, unless the evaluation of the enforceability of the outflow of funds for the payment thereof is unlikely to occur.

Provisions are measured at the current value of estimated expenses needed to pay the liability using a pre-tax rate that reflects market evaluation for the discount period and for the risk of provisions in question.

Contingent liabilities are not recorded in the financial statements, but are always disclosed when an outflow of funds embodying economic benefits is likely to occur.

Contingent assets are not recorded in the financial statements, but are disclosed when a future inflow of funds is likely to occur.

4.13. Leases

Leases of property, plant and equipment in relation to which OMIP substantially holds all the risks and benefits inherent to asset ownership are classified as financial leases. Agreements where the analysis of one or more specific situations of the contract point to that nature are also classified as financial leases. All other leases are recorded as operating leases.

Financial leases are capitalised at the beginning of the lease for the lower between the fair value of the leased asset and the current value of minimum lease payments, each determined at the start of the contract. The resulting debt of a financial lease contract is recorded net of financial charges under the heading "Loans". Financial charges included in the rent and the depreciation of leased assets are recorded in the statement of profit and loss in the period to which they relate.

Property, plant and equipment acquired through financial leases are depreciated over the shorter of the lifespan of the asset and the leasing period when OMIP has no purchase option at the end of the contract, or for the estimated lifespan of the asset when the company has the intention to acquire the assets at the end of the contract.

In operating leases, rents owed are recorded as a cost in the statement of profit and loss on a straight-line basis over the lease term.

4.14. Expenses and income

Expenses and income are recorded in the period to which they relate, regardless of having been paid - or received, in agreement with the principles of accrual accounting periods. The differences between the amounts received and paid and the corresponding income and expenses are recorded as assets or liabilities if they qualify as such.

4.15. Revenue

Revenue is the fair value of the amount received or receivable for the sale of goods and/or services in the normal course of OMIP's activity. Revenue is presented net of any real or estimated amounts, or both, for sales returns, commercial discounts, quantity discounts, and pre or cash payments. These amounts are estimated based on historical information, specific contractual terms, or future expectations regarding the evolution of revenue, which are deducted when the revenue is recorded, by recording the appropriate liabilities. Where there is a formal agreement for the deferral of amounts receivable, the fair value of the revenue is determined based on the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts for the expected reimbursement period.

Revenue from the sale of products is recorded when: (i) the revenue amount can be reliably estimated; (ii) the economic benefits are likely to flow to OMIP; and (iii) a significant part of risks and benefits have been transferred to the buyer.

Revenue from services provided is recorded according to the percentage of completion or based on the contract period, when the service provision is not associated with the performance of specific activities, but rather to the continuing provision of service.

4.16. Distribution of dividends

The distribution of dividends to OMIP shareholders is recorded as a liability in the financial statements in the period in which the dividends are approved by its shareholders.

4.17. Netting of balances and transactions

Assets, liabilities, income and expenses are not netted unless required or permitted by the NCRF (*Accounting and Financial Reporting Standards*).

4.18. Significant estimates and assumptions presented

Estimates and assumptions with impact on OMIP's financial statements are continually evaluated, representing at each reporting date the Board's best estimate, taking into account the historical performance, accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of the estimates may cause the actual reflection of the estimated situations, for financial reporting purposes, to differ from the estimated amounts. The estimates and assumptions with a significant risk of causing a material adjustment to the carrying amount of assets and liabilities during the subsequent period are the following:

RELEVANT ACCOUNTING ESTIMATES

4.18.1. Provisions

OMIP periodically analyses any liabilities arising from past events that should be recorded or disclosed.

The subjectivity inherent to the determination of probability and of the internal resources required to pay the liabilities may lead to significant adjustments, because of the varying assumptions used or due to the future recording of provisions previously disclosed as contingent liabilities.

4.18.2. Property, plant and equipment and intangible assets

The determination of the lifespan of assets and the depreciation/amortisation method to use is essential to determine the amount of depreciation/amortisation recorded in the statement of profit and loss for each period.

These two parameters are defined according to the Board's best discretion for assets and businesses in question, taking into account, where possible, the practices adopted by sector companies at international level.

4.18.3. Impairment

The determination of an eventual impairment loss may be triggered by various events, many of which outside OMIP's sphere of influence, such as: (i) future availability of funding; and (ii) the cost of capital or any other changes internal or external to OMIP

The identification of impairment indicators, the estimation of future cash flows and the determination of the fair value of assets imply a high degree of judgement by the Board as regards the identification and evaluation of the different impairment indicators, expected cash flows, applicable discount rates, lifespans and residual values.

4.19. Events after the balance sheet date

The events occurring after the reporting dates that provide additional information about the existing conditions at the time of the financial statements are shown in the company's financial statements. Material events after the reporting date that provide information about the conditions occurring after the financial statements are disclosed in the notes to the financial statements.

5 Cash flow

5.1. Cash and cash equivalents not available for use

OMIP has no cash balance or cash equivalent with restrictions on their use for the periods under review.

5.2. Breakdown of values posted in “Cash and Bank deposits”

As at 31 December 2019 and 31 December 2018, the breakdown of cash and bank deposits is the following:

	31-12-2019	31-12-2018
Cash	2 021	2 812
Bank deposits	428 188	353 226
	430 209	356 038

The breakdown of the amount considered as final balance under “Cash and cash equivalents” for the purpose of preparing the statement of cash flow for the years ended 31 December 2019 and 31 December 2018 is as follows:

	31-12-2019	31-12-2018
Cash resources		
- Cash	2 021	2 812
	2 021	2 812
Bank deposits		
- Checking accounts	428 188	353 226
	428 188	353 226
	430 209	356 038

6 Accounting policies, changes in accounting estimates and errors

6.1. Changes in standards

During the period in question, no new standards, changes or interpretations of existing rules were published that should be considered by OMIP.

6.2. Changes in accounting policies

During the period in question, there were no changes in the accounting policies considered in the preparation of these financial statements.

6.3. Changes in accounting estimates

During the period in question, there were no changes in the accounting policies considered in the preparation of these financial statements.

6.4. Prior period errors

During the period in question, no errors were identified that concerned prior periods.

7 Property, plant and equipment

As at 31 December 2018, the changes recorded under the heading of property, plant and equipment were as follows:

	Vehicles	Office equipment	Total
1 January 2018			
Acquisition cost	87 406	1 756 276	1 843 682
Accumulated depreciation	(6 335)	(1 734 519)	(1 740 854)
Net book value	81 071	21 757	102 828
Additions	-	2 526	2 526
Disposals	-	(9 294)	(9 294)
Depreciation for the period	(21 851)	(9 360)	(31 211)
Depreciation - disposals	-	9 294	9 294
Net book value	59 220	14 923	74 143
31 December 2018			
Acquisition cost	87 406	1 749 508	1 846 208
Accumulated depreciation	(28 186)	(1 734 585)	(1 772 065)
Net book value	59 220	14 923	74 143

As at 31 December 2019, the changes recorded under the heading of property, plant and equipment were as follows:

	Vehicles	Office equipment	Total
1 January 2019			
Acquisition cost	87 406	1 749 508	1 846 208
Accumulated depreciation	(28 186)	(1 734 585)	(1 772 065)
Net book value	59 220	14 923	74 143
Additions	-	9 057	9 057
Depreciation for the period	(21 851)	(9 350)	(31 202)
Net book value	37 368	14 630	51 999
31 December 2019			
Acquisition cost	87 406	1 758 565	1 855 265
Accumulated depreciation	(50 038)	(1 743 935)	(1 803 267)
Net book value	37 368	14 630	51 998

Depreciation of property, plant and equipment are fully recorded under the heading Expenses/ reversals of depreciation and amortisation in the statement of profit and loss.

Additions to property, plant and equipment made in the period ended 31 December 2019 consist mainly of office equipment.

As at 31 December 2019 and 2018, OMIP used the following asset acquired under financial lease:

Locações financeiras	31-12-2019	31-12-2018
Valor bruto	87 406	87 406
Depreciações acumuladas	(50 038)	(28 186)
	37 368	59 220

8 Investments – Equity method

As at 31 December 2019 and 31 December 2018, the investment in subsidiaries corresponds to 50 % of the share capital of OMIClear – C.C., S.A.

The breakdown of the subsidiary is as follows:

	31-12-2019	31-12-2018
	OMIClear	OMIClear
Assets		
Non-current	287 210	560 375
Current	217 176 469	201 865 893
	217 463 679	202 426 268
Liabilities		
Non-current	-	-
Current	206 796 056	191 814 143
	206 796 056	191 814 143
Equity capital	10 667 623	10 612 125
Activity in the year		
Revenue	2 594 357	1 909 589
Expenses	(2 538 859)	(2 153 684)
Net result	55 498	(244 095)
% shareholding	50%	50%
	27 749	(122 048)

Investments in the periods are detailed below:

	OMIClear
1 January 2018	5 428 110
Gains / (Losses)	(122 048)
Other changes in equity	-
31 December 2018	5 306 062
Gains/ (Losses)	27 749
31 December 2019	5 333 811

No dividends were received from OMIClear in 2019 and 2018.

9 Other financial investments

The amounts shown under this heading refer to the monthly contributions made by the company to the Labour Compensation Fund (*FCT – Fundo de Compensação do Trabalho*), under Law 70/2013.

10 Clients

The breakdown of the heading “Clients” for the periods ended 31 December 2019 and December 2018 is as follows:

	31-12-2019			31-12-2018		
	Current	Non-current	Total	Current	Non-current	Total
Clients – Related parties (Note 32)	410 491	-	410 491	222 997	-	222 997
Clients – Third parties	19 510	-	19 510	60 817	-	60 817
	430 001	-	430 001	283 814	-	283 814
Impairment	-	-	-	-	-	-
	430 001	-	430 001	283 814	-	283 814

During these periods, there were no differences between the book values and their fair value.

11 State and other public entities

The balances for this heading as at 31 December 2019 and 31 December 2018 are as follows:

	31-12-2019		31-12-2018	
	Debtor	Creditor	Debtor	Creditor
Corporate tax - IRC	-	32 732	5 456	-
Corporate tax - IRS	-	20 622	-	19 115
Value added tax- VAT	-	34 315	-	36 904
Contributions to Social Security	-	21 402	-	20 896
	-	109 071	5 456	76 915

Corporate income tax income (IRC) for the reported periods is broken down as follows:

	31-12-2019	31-12-2018
Payments on account	48 981	74 892
Corporate tax estimate	(81 713)	(69 436)
	(32 732)	5 456

12 Other receivables

As at 31 December 2019 and 2018, the heading “Other receivables” is broken down as follows:

	31-12-2019			31-12-2018		
	Current	Non-current	Total	Current	Non-current	Total
Advance payments	-	-	-	6 501	-	6 501
Other debtors						-
OMIClear (Note 32)	573 957	-	573 957	378 894	-	378 894
OMIP SGPS (Note 32)	18 620	-	18 620	4 317	-	4 317
REN - Gasodutos (Note 32)	46 582	-	46 582	24 582	-	24 582
Adene	47 225	-	47 225	47 225	-	47 225
Other	110	-	110	972	-	972
Accrued income						
Other	196 375	-	196 375	250 204	-	250 204
	882 869	-	882 869	712 695	-	712 695
Impairment	-	-	-	-	-	-
	882 869	-	882 869	712 695	-	712 695

Breakdown of “Other income accruals”:

	31-12-2019	31-12-2018
GPMC accruals	22 280	150 000
ATR – REN	-	6 000
REMIT – Phase II - Q4	64 710	5 850
DUCS accruals	-	55 000
EEX accruals - Q4	44 361	30 211
Auctions	50 000	-
Sundry	15 024	3 143
TOTAL	196 375	250 204

There are no differences between the book values and their fair value for the periods in question.

13 Deferrals

As at 31 December 2019 and 31 December 2018, OMIP recorded the following balances under “Deferrals”:

Assets

	31-12-2019	31-12-2018
Insurance	5 468	5 593
Fees	741	-
Bloomberg	3 868	3 759
Other	25 835	15 425
	35 912	24 777

Liabilities

	31-12-2019	31-12-2018
Other	2 094	-
	2 094	-

14 Share capital

As at 31 December 2019 and 31 December 2018, OMIP's share capital, in the amount of €2,500, 000, was fully subscribed and paid for, represented by 250,000 shares, each with a par value of €10.

The breakdown for share capital as at 31 December 2019 and 31 December 2018 is as follows:

	% Share	Capital
OMIP SGPS	50.00%	1,250,000
OMEL	50.00%	1,250,000
	100.00%	2,500,000

15 Issue premium

Issue premiums in the amount of €1,193.711 resulted from a share capital increase in 2004 with OMEL's entry into the capital of the Company, and a capital increase from the previous shareholder REN. Later, part of this amount was used to cover a capital increase.

16 Legal reserves

In agreement with the corporate law in force, the company is required to transfer to legal reserves at least 5 % of the net annual income until it represents 20 % of capital. This reserve cannot be distributed unless the company is liquidated, but can be used to absorb losses after other reserves are used, or to be added to capital.

As at 31 December 2019, this reserve amounted to €275,849 (2018: €270,666), therefore short of the 20 % of share capital.

17 Adjustments to equity

The amount of €1,114,928 under this heading corresponds to the re-evaluation of OMIClear following the sale of 50 % made by OMIP to OMIE in September 2013.

18 Loans obtained

As at 31 December 2019 and 2018, the heading “Loans obtained” was broken down as follows:

	31-12-2019			31-12-2018		
	Current	Non-current	Total	Current	Non-current	Total
Financial leases	19 540	15 421	34 961	19 213	34 947	54 160
	19 540	15 421	34 961	19 213	34 947	54 160

19 Suppliers

As at 31 December 2019 and 31 December 2018, the breakdown of the heading including all current “Suppliers” is as follows:

	31-12-2019	31-12-2018
Suppliers	257 097	129 221
	257 097	129 221

The increase in the debt to suppliers is mainly due to the Premium Minds supplier, whose turnover in 2019 was significant due to the service provision agreement entered into between OMIP and Adene. In parallel to these services, Premium Minds also provided services as regards the alteration of the OMI RRM support application and in adapting the Trayport system within the pre trade in accordance with the MIFIR regulation. The invoices for these services were issued in December 2019.

20 Other accounts payable

As at 31 December 2019 and 31 December 2018, the breakdown of the heading “Other accounts payable” is as follows:

	31-12-2019			31-12-2018		
	Current	Non-current	Total	Current	Non-current	Total
Other creditors						
Other	86 613	-	86 613	21 368	-	21 368
	86 613	-	86 613	21 368	-	21 368
Creditors due to accrued expenses						
Staff costs	281 331	-	281 331	287 433	-	287 433
Other	50 598	-	50 598	42 709	-	42 709
	331 929	-	331 929	330 142	-	330 142
	418 542	-	418 542	351 510	-	351 510

21 Services provided

Services provided and recognised in the statement of profit and loss are broken down as follows:

	31-12-2019	31-12-2018
Services provided - Natural Gas	826 826	492 071
Variable fees	469 442	316 253
Licences	426 558	401 272
Admission and maintenance fees	404 849	407 584
REMITT	243 060	261 440
Services rendered - Electricity	150 000	162 500
Market monitoring	120 000	120 000
EEX	134 260	92 892
Training	12 750	17 568
Other	500	1 000
	2 788 245	2 272 580

The maintenance of management services was recorded under “Other operating income”. The favourable variation in services provided is mainly due to the GPMC contact entered into between OMIP and ADENE.

22 Supplies and external services

The breakdown of costs incurred with “Supplies and external services” is as follows:

	31-12-2019	31-12-2018
Specialised works	1 127 843	736 053
Travel and accommodation	53 580	55 716
Rentals (includes condominium)	44 244	43 983
Materials	32 542	30 164
Entertainment fees	22 361	20 153
Insurance	17 533	17 927
Water and electricity	10 126	9 523
Communications	9 650	17 503
Fees	6 538	20 493
Other (each under €5,000)	15 663	13 978
	1 340 080	965 493

The most relevant items under “Supplies and external services” are specialised tasks that essentially include (i) the maintenance of systems and access to IT platforms, and (ii) the management fees that offset the work of other Group collaborators for OMIP.

The increase in costs of specialised work is associated with the company's contract with ADENE, in connection with the development of the GPMC platform.

23 Staff costs

Staff costs incurred during the periods ended 31 December 2019 and 2018 were as follows:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Remunerations		
Governing bodies	277 804	273 18
Staff	<u>746 501</u>	<u>715 40</u>
	1 024 305	988 58
Social charges	227 221	220 48
Other	<u>14 377</u>	<u>8 90</u>
	241 598	229 385
	1 265 903	1 217 972

The increase in staff costs is mainly due to the increase in salaries.

In 2019, the average number of OMIP staff was 13 (2018: 14).

24 Other income and gains

The heading "Other income and gains" is broken down as follows:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Management fees (Note 32)	267 741	267 741
Corrections of previous years' balances	5 086	7 900
Other	<u>2 487</u>	<u>4 878</u>
	275 314	280 519

The heading "Management fees" includes the debit amounts charged by OMIP to other Group companies for providing them with human resources to carry out the work resulting from the activities of those companies.

The amounts debited to each company are €212,304 for OMIClear and €55,437 for OMIP SGPS.

25 Other expenses and losses

The breakdown of "Other expenses and losses" is as follows:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Costs with market operations	82 224	76 949
Contributions/levies	23 639	24 752
Taxes	8 547	9 308
Corrections of previous years' balances	7 823	56
Other	<u>8 519</u>	<u>(16 530)</u>
	130 752	94 535

Costs recognised as market operations include fixed monthly fees/commissions charged by market makers. These members ensure adequate levels of liquidity and depth of market offers. The variations recorded result from the fact that in 2019 the traded volumes were greater than those in 2018. These costs also include a fee which CMVM began to charge in 2018, which varies according to traded volumes.

“Contributions / Levies” includes the costs borne by the Company in 2019 as a result of being a member of representative entities in the sector, namely the Associação Portuguesa de Energia (*Portuguese Energy Association*), APEX (Association of Power Exchanges) and EUROPEX, among others.

26 Financial expenditure and income

The breakdown of “Financial expenditure” for the years 2019 and 2018 is as follows:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Financial expenditure		
Other financial expenditure	802	1 139
	<u>802</u>	<u>1 139</u>

27 Income tax

As at 31 December 2019 and 31 December 2018, the heading “Income tax” is as follows:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Current income tax	81 713	69 436
Under/Over taxation estimate	-	(563)
	<u>81 713</u>	<u>68 873</u>

The tax rate used for the valuation of taxable differences at the balance sheet date for the year ended 31 December 2019 was of 17% for taxable values up to €15,000, and 21% for values in excess of this amount, in addition to a surcharge of 1.5% (2018: (2018: 17% up to €15,000, 21% for values in excess of this amount, in addition to a surcharge of 1.5%).

27.1. Deferred taxes

As at 31 December 2019 and 31 December 2018, no situations generated deferred tax assets or liabilities.

27.2. Reconciliation of tax rate

The reconciliation of the effective tax rate for the periods ended 31 December 2019 and 2018 is shown below:

	31-12-2019		31-12-2018	
Pre-tax results	15 000	307 569	15 000	105 701
Tax rate	17,0%	21,0%	17,0%	21,0%
	2 550	64 589	2 550	22 197
	67 139		24 747	
Non-deductible expenses	5 351		29 409	
Non-taxable income	(9 377)		(2 599)	
Surcharge	4 551		3 726	
Autonomous taxation	14 049		14 153	
Over corporate taxation - IRC	-		(563)	
	81 713		68 873	
Current income tax	81 713		69 436	
Over corporate taxation - IRC	-		(563)	
Income tax	81 713		68 873	
Effective tax rate	25,3%		57,1%	

The tax rate used for determining the amount of tax in the financial statements is as follows:

	2019	2018
Tax rate up to €15,000	17.00%	17.00%
Tax rate for remaining value	21.00%	21.00%
Surcharge	1.50%	1.50%
	20.50%	20.50%

28 Dividends

As at 31 December 2019, OMIP paid dividends in the amount of €46,644 to the OMIP SGPS and OMEL shareholders, in proportion to their shares in the company's capital (2018: €153,826 were paid as dividends).

Dividends paid were subject to a 25 % withholding tax rate. In 2018, the sum paid after the withholding as of €134,598.17.

29 Commitments

As at 31 December 2019 and 31 December 2018, there were no other commitments undertaken by the company and not reflected in the financial statements.

30 Contingencies

CONTINGENT LIABILITIES

As at 31 December 2019 and 31 December 2018, OMIP did not record any contingent liabilities.

CONTINGENT ASSETS

As at 31 December 2019 and 31 December 2018, OMIP did not record any contingent assets.

31 Information required by law

Under Article 21(1) of Decree-law 411/91, of 17 October, OMIP confirms that it does not owe any contributions to Social Security or to Treasury.

32 Related companies

As at 31 December 2019 and 2018, OMIP was 50 % owned by OMIP – Operador do Mercado Ibérico (Portugal), SGPS, SA and 50 % by OMEL – Operador del Mercado Ibérico de Energia, Pólo Español, SA:

NATURE OF THE RELATIONSHIP WITH THE RELATED COMPANIES:

Shareholders:

- OMIP, SGPS
- OMEL

Subsidiaries

- OMIClear – C.C., SA

Other related companies:

- OMI – Polo Español, SA
- REN – Rede Electrica Nacional, S.A.
- REN – Gasodutos, S.A.
- REN – Serviços, S.A.
- Caixa Geral de Depósitos, S.A.
- Banco Comercial Português, S.A.
- EDP – Energias de Portugal, S.A.
- Naturgy Energy Group, S.A.
- Iberdrola Generacion Española, S.A.U.

32.1. Transactions with shareholders:

In the periods concerned, OMIP made the following transactions with its shareholders:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Services acquired		
OMIP SGPS	25 350	25 350
	<u>25 350</u>	<u>25 350</u>
	<u>31-12-2019</u>	<u>31-12-2018</u>
Services provided		
OMIP SGPS	55 437	55 437
	<u>55 437</u>	<u>55 437</u>

32.2. Debit and credit balances with shareholders

As at 31 December 2019 and 31 December 2018, the balances resulting from transactions made with shareholders were the following:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Services acquired		
OMIP SGPS	25 350	25 350
	<u>25 350</u>	<u>25 350</u>
 Services provided		
OMIP SGPS	55 437	55 437
	<u>55 437</u>	<u>55 437</u>

32.3. Transações com subsidiárias:

Durante os períodos apresentados o OMIP efetuou as seguintes transações com a subsidiária OMIClear:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Services acquired		
OMIClear	85 344	85 344
	<u>85 344</u>	<u>85 344</u>
 Services provided		
OMIClear	212 304	212 304
	<u>212 304</u>	<u>212 304</u>

32.4. Transactions with subsidiaries:

During the periods concerned, OMIP made the following transactions with the subsidiary OMIClear:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Other accounts receivable		
OMIClear (Note 12)	573 957	378 894
	<u>573 957</u>	<u>378 894</u>
 Other accounts payable		
OMIClear (Note 20)	39 527	-
	<u>39 527</u>	<u>-</u>

32.5. Debit and credit balances with subsidiaries:

As at 31 December 2019 and 31 December 2018, the balances resulting from transactions made with subsidiaries were the following:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Services provided		
REN - Gasodutos	298 750	261 121
OMIE	120 000	120 000
	<u>418 750</u>	<u>381 121</u>

32.6. Debit and credit balances with other related parties:

As at 31 December 2019 and 31 December 2018, the balances resulting from transactions made with other related parties are as follows:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Clients		
REN - Gasodutos (Note 10)	360 390	202 997
OMIE (Note 10)	50 101	20 000
	<u>410 491</u>	<u>222 997</u>
Other accounts receivable		
REN - Gasodutos (Note 12)	46 582	24 582
	<u>46 582</u>	<u>24 582</u>

32.7. Management remunerations

During the periods ended 31 December 2019 and 2018, the remunerations earned by the members of OMIP's Board of Directors were as follows:

	<u>31-12-2019</u>	<u>31-12-2018</u>
Salaries and other short-term remunerations	277 804	273 180
	<u>277 804</u>	<u>273 180</u>

33 Subsequent events

As far as the impacts of the COVID-19 pandemic are concerned, the company is following the evolution of the situation and its operation is not expected to be at risk. The company has gradually implemented a number of technical, safety and hygiene, and remote working measures, which have had no impact on the services rendered.

The results of the company have developed in accordance with the budget.

34 Proposed appropriation of profits

The Board of Directors, under the terms and for the purposes of Article 25 of the Company Statutes, decided to propose that the net profit for 2019, in the amount of €240,856 (two hundred and forty thousand, eight hundred and fifty-six euros), be appropriated as follows:

To legal reserves	€24,085.60
To dividends	€216,770.40

The Board of Directors

Artur Álvaro Laureano Homem da Trindade

Carmen Becerril Martinez

Abengoa, S.A.

German Bejarano García

Carlos Martin de los Santos Bernardos

Endesa Generación Portugal, S.A.

Adolfo Javier de Rueda Villén

Naturgy Energy Group

Antonio Canoyra Trabado

Iberdrola Generación España, S.A.U.

Jose Luis Rapún Jiménez

REN – Redes Energéticas Nacionais, SGPS, S.A.

Maria José Menéres Duarte Pacheco Clara

REN Serviços, S.A.

Pedro Henriques Gomes Cabral

Viesgo Infraestructuras Energéticas, S.L.

Francisco Rodriguez Lopez

The Certified Accountant

Manuela Lopes dos Santos

Certified Accountant, Licence no. 85946

11

Annexes

LEGAL CERTIFICATION OF ACCOUNTS

01/03



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(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of OMIP - Polo Português, S.G.M.R., S.A. (the Entity), which comprise the Balance Sheet as at 31 December 2019 (showing a total of 7.172.919 euros and a total equity of 6.351.154 euros, including a net profit for the year of 240.856 euros), the Income Statement by Nature, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and the Annex, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the OMIP - Polo Português, S.G.M.R., S.A. as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Institute of Statutory Auditors' code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to Covid-19

The recent developments surrounding the Covid-19 pandemic (Coronavirus) have a significant impact on the health of people and on our society as a whole, increasing uncertainty around the operational and financial performance of organizations. The impacts and uncertainties resulting from the Covid-19 pandemic (Coronavirus) are disclosed in Note 33 and reflect the expectations of the Board of Directors of OMIP - Polo Português, S.G.M.R., S.A. based on the information available at that date. Our opinion has not been modified in relation to this matter.

Responsibilities of Management for the financial statements

Management is responsible for:

- ▶ the preparation of financial statements that presents a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System;
- ▶ the preparation of the Management Report in accordance with the laws and regulations;
- ▶ designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ▶ the adoption of accounting policies and principles appropriate in the circumstances; and
- ▶ Assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Entity's ability to continue as a going concern.

LEGAL CERTIFICATION OF ACCOUNTS

02/03



OMIP - Polo Português, S.G.M.R., S.A.
Statutory Auditor's Report
31 December 2019

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- ▶ communicate with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes the verification that the information contained in the Management Report is consistent with the financial statements.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

In our opinion, the Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and we have not identified any material misstatement.

Lisbon, 03 April 2020

Ernst & Young Audit & Associados - SROC, S.A.

Sociedade de Revisores Oficiais de Contas

Represented by:

(Signed)

Rui Abel Serra Martins - ROC nr. 1119

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