

ANNUAL REPORT AND ACCOUNTS 2017



ACRONYMS

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 SGPS

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

OMEL

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

ANNUAL REPORT AND ACCOUNTS 2017



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MESSAGE FROM THE CHAIRMAN

01

The traded volume and liquidity in electrical energy forward markets across Europe fell sharply in 2017. In Europe, the traded volumes on the stock market and OTC fell by 16% compared to 2016, especially the former, which dropped 24%. There were quite significant decreases in the main markets: 29% in France, 31% in Italy, 25% in the United Kingdom, and slightly more moderate decreases (10%) in the German market. The Spanish market was no exception, with a 23% drop compared to 2016. It should be recalled that, from 2014 on, the overall forward market, and OMIClear in particular, showed a sustained increasing trend. The first time the forward trading volume decreased was in 2015, and although it recovered somewhat in 2016, volumes traded in 2017 dropped again, ended up being lower than those of 2015.

The year just ended was also marked by regulatory uncertainty (for example, due to the entry into force of the MIFID II Directive in January 2018) and by increasingly more stringent reporting requirements by market participants. At the same time, some banks and investment funds continued to withdraw from commodities futures, which, combined with the overall shrinkage tendency led to the decrease in the traded volumes of energy futures in European markets. In this context, 2017 saw a waning of the MIBEL Derivatives Market participants' interest, with less demand for hedging. As a Market Operator of energy derivatives, OMIP was rather affected by the overall evolution of market liquidity, and also by competition, which affected its economic results.

Faced with this adverse environment, OMIP continued its efforts to diversify its activities, in particular with regard to the natural gas market. The second half of 2017 already shows some signs of this endeavour. In November OMIP, with the collaboration of OMI-Clear, launched the registration of natural gas OTC contracts, with delivery in the Spanish Virtual Balanc-

ing Point (PVB-ES). The launch of natural gas products appears to be essential for the development of the Iberian gas market. This strategy to expand the portfolio designed to meet the needs of the market agents together with the high level of client service 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. Efforts continued in 2017 to develop supplementary and ancillary services to the company's main activity.

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 hard times, and to express our thanks to all the shareholders for their constant support and trust.

Lisbon, 21 March 2018

Artur Trindade
Chairman of the Board of Directors

2017 FINANCIAL YEAR

02

2.1 Background

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's 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).

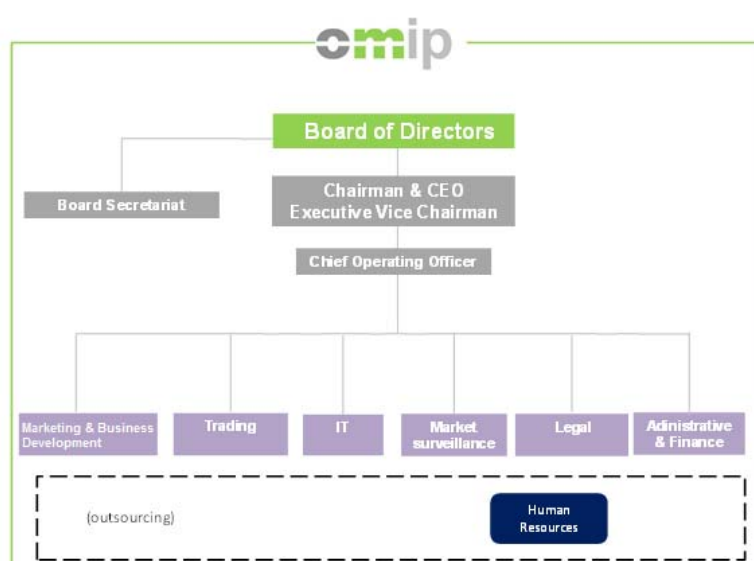
In accordance with the International Agreement of Santiago, MIBEL's supervision is the responsibility of a Board of Regulators comprising regulators from the financial sector (CMVM and Comisión Nacional del Mercado de Valores) and from the energy sector (Entidade Reguladora dos Serviços Energéticos and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

2.2 Organisational structure

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 2017, the company had 13 staff (four female and nine male), plus the Chairman of the Board of Directors, who performs executive duties.

2.3 OMI

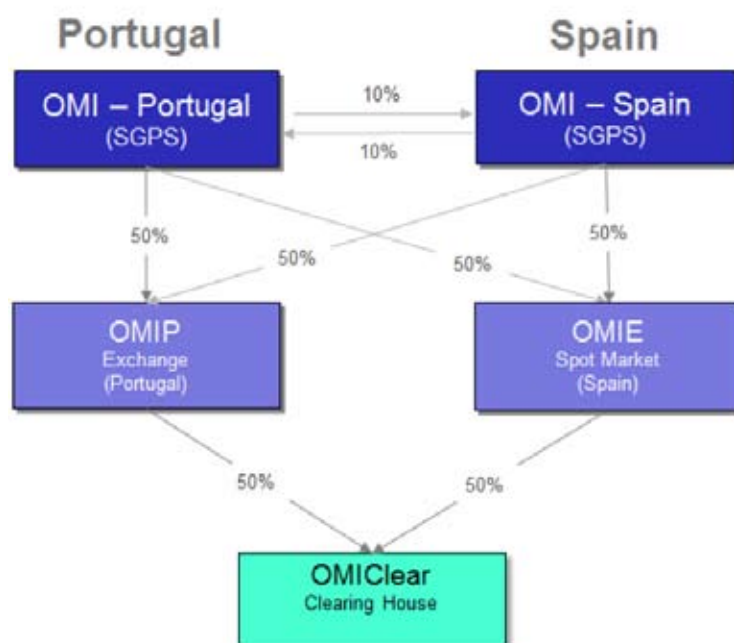
In 2011, OMI's final corporate structure was implemented, as provided for in Article 4 of the International Agreement of Santiago, revised and amended by the Braga Agreement, which states that OMI “shall comprise two holding companies, with head-office in Portugal and Spain respectively, with cross-shareholdings 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.

Both 2014 and 2015 were years of consolidation and internal reorganisations 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 2017 represented OMIP's eleventh full year of activity performing the duties entrusted to the Portuguese division of the Iberian Electricity Market Operator.

**DEVELOPMENT IN THE MIBEL
DERIVATIVES MARKET**

03

DEVELOPMENT IN THE MIBEL DERIVATIVES MARKET

In line with OTC trading, traded volumes in the Mibel Derivatives Market decreased in 2017.

A number of factors contributed to this situation, for example, the fact that some international players withdrew from the Iberian markets, the regulatory uncertainty and the increasingly more stringent reporting requirements, as well as an overall shrinkage tendency in Europe in the electricity forward market.

In 2017, traded volumes fell 42 % compared to 2016. The continuous trading volume reached 7.66 TWh, compared to 19.54 TWh in 2016, while electrical energy consumption in the Iberian Peninsula, compared to the year before, increased 1.05% in Spain and increased 0.75 % in Portugal, making up for the increase of 1.00 % in the whole Iberian Peninsula.

Figure 3 Electricity consumption in the Iberian Peninsula (TWh)

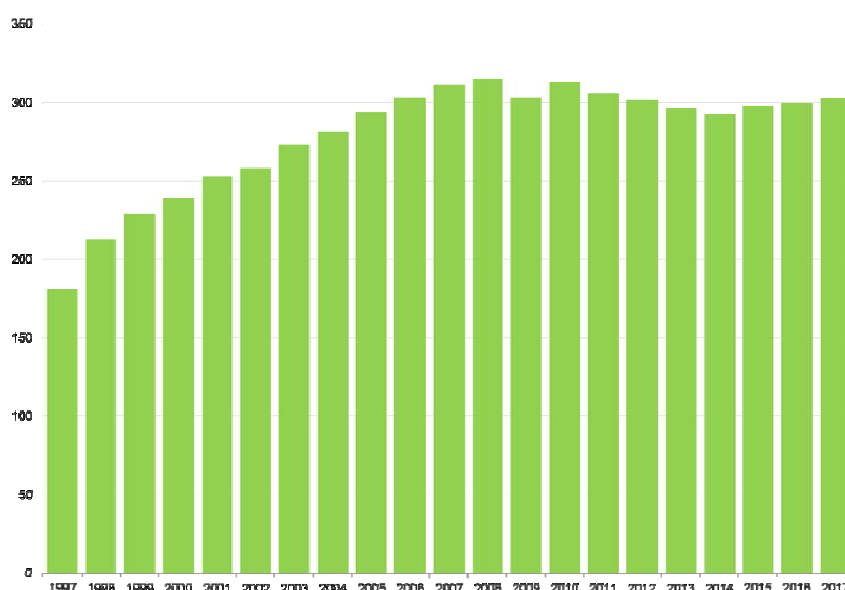


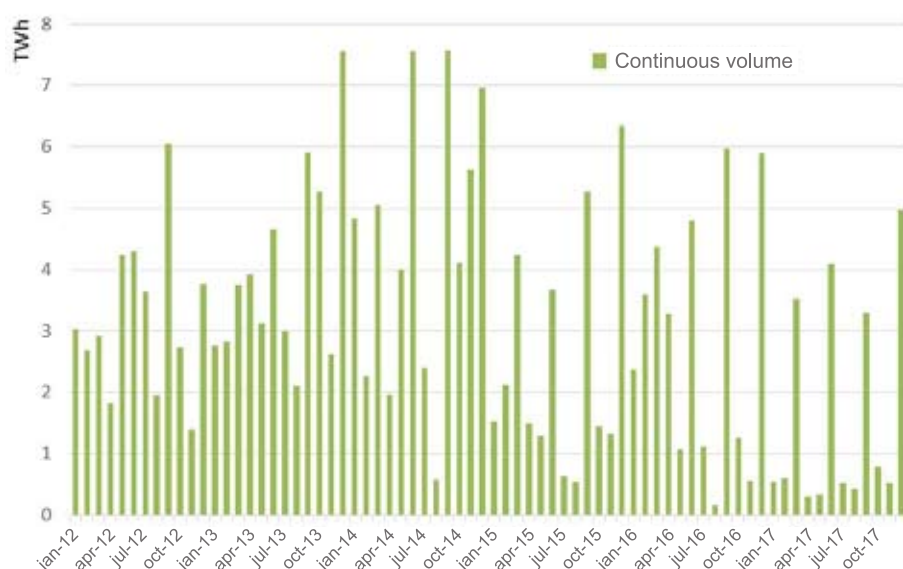
Table 1 Main activity indicators

	2017	2016
Traded volume (TWh)	20	34
Notional traded volume (M€)	658	1 067
Number of participants	69	72

Regarding the number of participants, and as shown in detail below, in 2017 the market saw a slight decrease, with 7 entities having ended their activity and 3 trading members and 1 OTC broker being admitted, resulting in a negative balance of 3 members.

As regards traded volumes, June and December clearly had the highest volumes than the rest. Note also that, on average, about 1.66 TWh were traded compared to 2.87 TWh in 2016.

Figure 4 Volume of energy traded on the market (TWh)



The analysis of volumes traded every year shows that in 2017 traded volumes decreased, having increased in 2016. In 2017, 19.91 TWh were traded online (continuous and auctions), reflecting a drop of 42.18 % compared to the previous year.

Figure 5 Annual volume traded on the market (TWh)

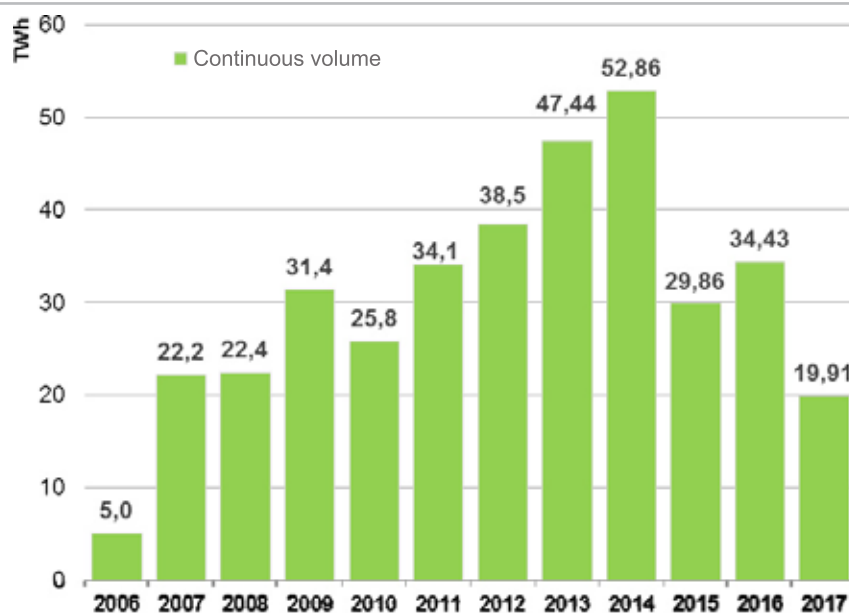
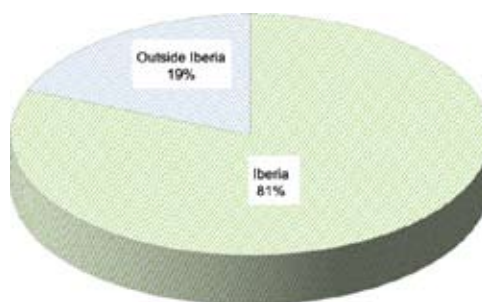


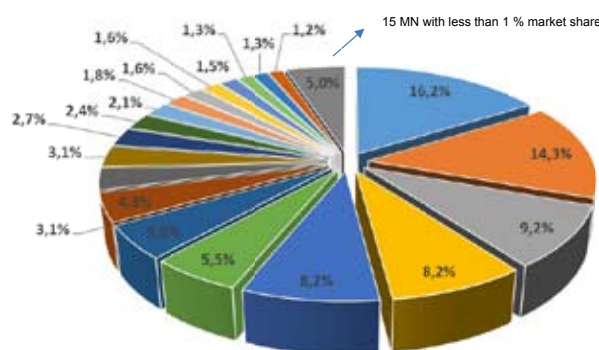
Figure 6 shows that 81 % of the total volume was traded by companies domiciled in the Iberian Peninsula, a percentage higher than that in 2016 (63 %). As already mentioned in this document, this shows the decreasing interest of international entities in the Iberian energy market.

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



The distribution of market share among all trading members in 2017 (see Figure 7) is similar to last year's, where the volume continued to be distributed amongst the different market members, and with the three most active ones representing about 40 % in 2017 (29 % in 2016) of total traded volume. 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 was higher compared to the previous year.

Figure 7 Market share by trading member



As regards contracts listed for trading, and in terms of equivalent energy, the quarterly contracts were once again the most traded, representing about 64.95 % of the total portfolio available at OMIP, as shown in Figure 8, followed by the annual and monthly contracts. Short term maturity financial instruments are still clearly the ones with the least market share. Weekly contracts represented 0.43% of the traded volume, compared to 7.88 % in 2016.

Figure 8 Share of traded volume for each type of contract in 2017

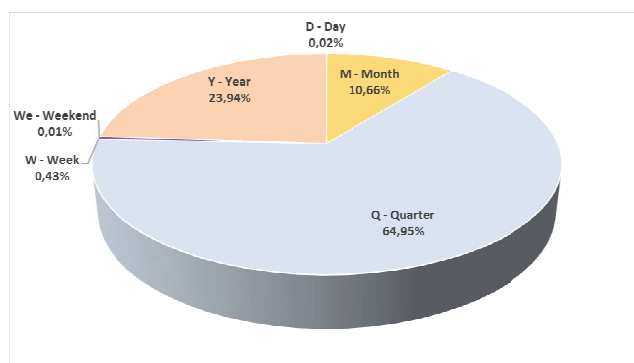


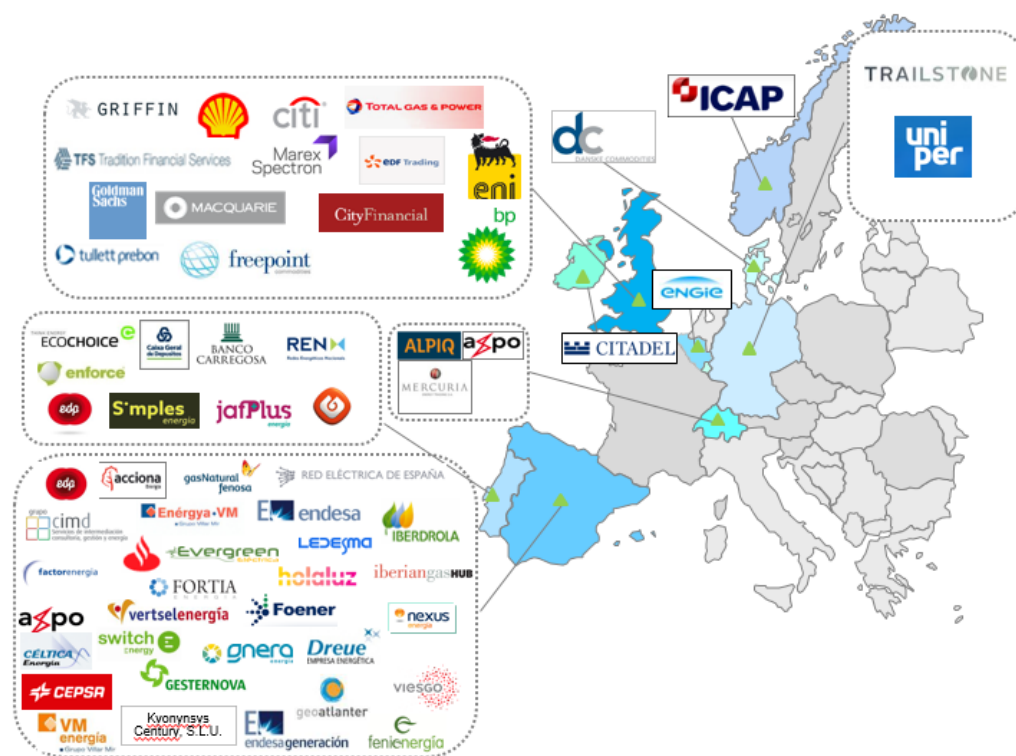
Table 2 lists all the OMIP members, as at 31 December 2017, indicating the trading members for their own account (OA), trading member for third party accounts (TPA) and OTC brokers.

Table 2 MIBEL Derivatives Market members

Entity	Trading Member (OA)	Trading Member (TPA)	OTC Brokers
Acciona Green Energy Developments, S.L.			
Alpiq AG			
AXPO Iberia, S.L.			
Banco Santander, S.A.			
BP Gas Marketing Limited			
Céltica Energía, S.L.			
Cepsa Gas y Electricidad, S.A.			
CIMD – Corretaje e Información Monetaria y de Divisas, S. V., S.A.			
CITADEL Energy Investments (Ireland) DAC			
Citigroup Global Markets Ltd.			
City Financial Investment Company Limited			
Clidom Energy, S.L.			
Danske Commodities, A/S			
Dreue Electric, S.L.			
Ecochoice, S.A.			
EDF Trading Markets Limited			
EDP - Energias de Portugal, S.A.			
EDP - Serviço Universal, S.A.			
EDP Comercializadora de Último Recurso, 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			
Eni Trading & Shipping S.p.A.			
Evergreen Electrica S.L.			
Factor Energía, S.A.			
Fenie Energía S.A.			
Foener Comercialización, S.L.U.			
Fortia Energía Servicios S.L.			
Fortia Energía, S.L.			
Freepoint Commodities Europe LLP			
Galp Power, S.A.			
Gás Natural SUR SDG, S.A.			
Gás Natural SDG, S.A.			
GeoAtlante S.L.			
Gesternova, S.A.			
Gnera Energía y Tecnología, S.L.			
Goldman Sachs International			
Griffin Markets			
Hidroeléctrica del Cantábrico, S.A.			
Iberdrola Comercialización de Último Recurso, S.A.U.			
Iberdrola Generación España, S.A.U.			
ICAP Energy, AS			
Jafplus Energía, Lda.			
Kyonynsys Century S.L.U.			
Ledesma Comercializadora Eléctrica, S.L.			
Macquarie Bank Limited			
Mercuria Energy Trading, S.A.			
Nexus Energía, S.A.			
PH Energía, Lda.			
Red Eléctrica de España, S.A. *			
REN - Rede Eléctrica Nacional, S.A. *			
Shell Energy Europe Ltd.			
Sociedad Bilbao Gas Hub, S.A.			
Spectron Energy Services			
Switch Energy, S.L.			
Total Gas & Power Ltd.			
Tradition Financial Services Derivatives Ltd.			
Tradition Financial Services Ltd.			
TrailStone GmbH			
Tullett Prebon (Europe) Limited			
Tullett Prebon (Securities) Limited			
Uniper Global Commodities SE			
Vertsel Energía, S.L.U.			
Viesgo Comercializadora de Referencia, S.L.			
Viesgo Generación, S.L.			
Viesgo Renovables, S.L.			
Villar Mir Energía, S.L.U.			

The geographical distribution of members, 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 is in the United Kingdom, mostly involving financial institutions, banks and investment funds.

Figure 9 Origin of members (Dec. 2017)



As at 31 December, the MIBEL Derivatives Market comprised 62OA (own account) members, 6TPA (Third Party Account) members, and 7OTC brokers, as shown in Table 3.

In the OA group of trading members, Iberian members prevail, whereas in the TPA members and OTC brokers the majority of members continue to be from outside the Iberian Peninsula.

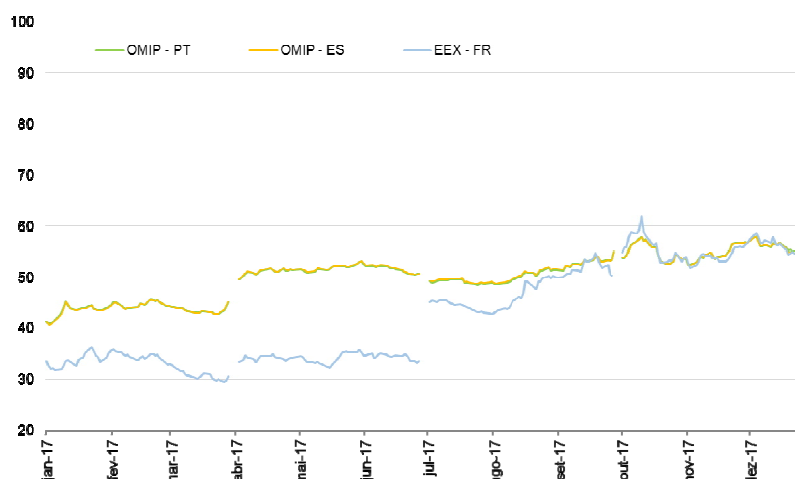
As a result of the marketing efforts in 2017, the following companies were admitted as trading members: Clidom Energy, Jafplus Energia and Citadel Energy Investments, and the OTC Broker Sociedad Bilbao Gas Hub. The new trading members include retailers and a non-Iberian investment fund.

Table 3 Members at the end of 2017

Origin	Trading Member (OA)	Trading Member (TPA)	OTC Brokers
Spain	36	2	2
Portugal	8	0	0
United Kingdom	9	4	4
Germany	2	0	0
Norway	0	0	1
Belgium	1	0	0
Irlanda	1	0	0
Denmark	1	0	0
Switzerland	2	0	0
Total	60	6	7
Iberian	44	2	2
Non-Iberian	16	4	5

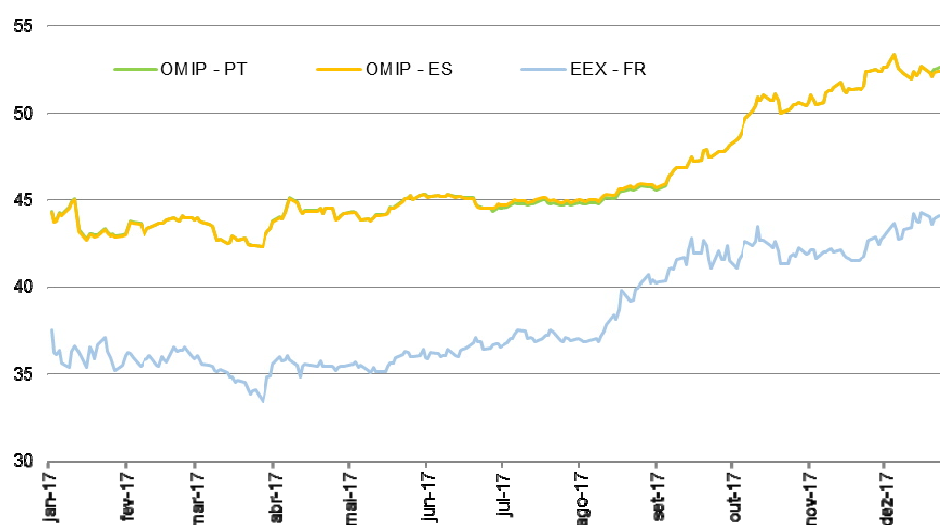
In terms of price rates relating to the first-quarter contracts of the two MIBEL zones listed for trading, as shown in Figure 10, the seasonal nature that characterises the Iberian Peninsula is evident. This is even more striking when compared to the French market, which is far more sensitive to consumption issues and existing technology at their production plants. In the first quarter of 2017, quarterly contracts showed a clear difference in prices, and in May the price was even lower by 20 EUR/MWh for the French zone. Prices converged in the second quarter, ending the year with marginal differences.

Figure 10 Evolution of price rates for the first quarter trading contract (EUR/MWh)



The annual contracts (*cfr.* Figure 11) show that the stable trend continues, with Portuguese and Spanish prices ranging between 42 and 53 EUR/MWh. Even so, the maximum prices were recorded on 28 December, at 53.38 EUR/MWh in Portugal and Spain. Throughout the year, French products were priced lower than in the Spanish zone, increasing slightly in the last quarter of 2017.

Figure 11 Evolution of price rates for the first annual trading contract (EUR/MWh)



The table below summarises some of the most relevant events in 2017.

table 4 Summary of 2017

Event
Axpo Iberia; EDF Trading Limited and Endesa were selected through tender as market makers for the whole of 2017.
4 new trading members were admitted to OMIP (2 Iberian companies in the energy sector, 1 is an OTC broker, and 1 is a non-Iberian financial entity).
Special Regime Placement Auctions held throughout the year and quarterly for delivery in the Portuguese MIBEL zone and Auction of Financial Contracts for capacity rights in the interconnection Portugal-Spain. The traded volumes were of 5.8 TWh and 6.77 TWh respectively.
Organisation of 1 in-house training session on Energy Derivatives Market by OMIP, in Lisbon.
OMIP organised two Trading and Product Committees in June and December, in Madrid.
OMIP continued to work as RRM, reporting to ACER in accordance with REMIT regulations; by the end of 2017, more than 60 clients had subscribed this service, excluding the counterparts who delegated the reporting to OMIP direct clients OMIP (almost 150 entities).
OMIP continued to serve as the entity responsible for operating the Gas Clearing Auction platform needed to balance the Portuguese National Natural Gas Transmission Network (REN); 4 Auctions were held throughout the year.
With the entry into force of the new MIFID II/MIFIR Directive, OMIP prepared, throughout the year, the rules, systems and procedures, as well as the entire operational set-up with each of the Exchange members.
From 24 November, OMIP was qualified for the new Gas Derivative market (Spanish PVB-ES), enabling the OTC registration of these products.
Desenvolvimento de um novo sítio internet como suporte da política comercial do OMIP bem como das exigências de transparência da regulação.
Migração da infraestrutura de suporte das aplicações de negócio e respectivos serviços para um novo fornecedor.

**DIRECTIVE ON MARKETS IN FINANCIAL
INSTRUMENTS – DMIF II**

04

DIRECTIVE ON MARKETS IN FINANCIAL INSTRUMENTS – 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 highlighted the need to strengthen the regulatory framework on markets in financial instruments, including OTC 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 containing the Directive on Markets in Financial Instruments (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 in OMIP during 2017 to adapt procedures, rules and tools, involving the various company departments, to ensure business continuity on the date when 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, for example, 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 of trading members and produce reporting files. The trading platform used by OMIP (Trayport) to enable the transmission of relevant information to be used in the reports to ESMA was also updated.

As regards the trading area, the market agents provided the static information required to comply with the DMIF II obligations, collected under a "MiFIDII Report Agreement". Under this new regulatory context, mandatory identification elements were also collected from all operators relevant to the trading system. This information is kept in the OMIP Reporting Platform (ORP) and is updated by the agents themselves. The trading platform was also refitted so as to include a series of new fields, for example, for classifying the nature of transactions and their risk, and to include the system evaluation metrics required by DMIFII.

INFORMATION SYSTEMS

05

INFORMATION SYSTEMS

Following on from the work carried out in previous years, in 2017 work in the field of information systems focused on three essential aspects:

Management of contracts with external suppliers

- > Support to communication between supplier and operational departments;
- > Maintenance of infrastructure to support services;
- > Service level 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 of support in solving technical problems (helpdesk service);
- > Analysis and adjustment to regulatory changes.

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

An important cross-cutting issue to these 3 vectors was the effort made in adjusting to the new European directive and regulation (DMIF II), to enter into effect on 3 January 2018. In this connection, and to prepare OMIP for the new legislative frame, listed hereunder.

- > Develop the internal reporting system in order to include the reporting to CMVM of information on market activity and the accumulated position of market trading members. These internal developments are in line with the changes implemented in the trading and reporting systems described in the following paragraphs.
- > Development of the OMIP Reporting Platform (ORP) to add a functionality that will allow market trading members to update, autonomously, the static information of the entity and of the people responsible, consult transactions and positions, update the risk reduction classification of trading members, produce reporting files for consultation and for use by OMIP for the purpose of reporting.
- > Update the trading platform version used by OMIP (Trayport) to enable the transmission of relevant information to be used in the reports to ESMA.
- > Development of OMIP's file sharing platform (FTP) to make available and allow the automatic access and sending of files containing reporting information to market agents.
- > Development of a solution for reporting information on market activity to the national financial regulator (CMVM)
- > Development of an application for reporting OMIP market reference information to ESMA (under the FIRDS).
- > Development of a new section in OMIP's new corporate website containing market transparency data to ensure the public availability of mandatory information pursuant to the new regulations.

- > Acquisition and installation of a professional clock synchronisation system to ensure a small maximum error imposed by the new legislation.
- > Development of the Information Security Management System (ISMS) and Business Continuity Management System (BCMS) in order to align the policies, internal rules and procedures with the security requirements imposed by the new regulation.

In addition to the issues directly related with the entry into force of the MIFID II Directive, the following works were also carried out in 2017 and were implemented or had the direct collaboration of the Information System Department:

- > Refitting of the hardware infrastructure: purchase of new servers for the productive services with critical performance or time-keeping needs to comply with regulatory requirements; remaining productive services to be kept in ONI virtualised servers; recovery and re-use of some of the old infrastructure's servers for the virtualisation of non-productive servers and services;
- > Migration of productive and disaster recovery (DR) datacenter service providers and associated services: migration of NOS Sistemas (Productive) and Claranet (DR) providers to exclusively ONI (Productive + DR); migration of the dedicated line to ONI, linking, in a redundant manner, OMIP's office to the ONI datacenter; migration of the security service of the platform infrastructure to a continuous penetration testing model provided by Integrity.
- > Prepare the trading platform to accommodate the Natural Gas futures market.
- > Migration of the fixed telephone service to a switchboard system as a service provided off-site by ONI.
- > Work on the migration of the Management of the Switching Process in the Natural Gas Market, which OMIP provides to REN, to the ADENE infrastructure, in advance of the transition of the GPMC activities to the latter entity in 2018 (GPMC - Entity in charge of managing the switching process in the gas retail market).

The new OMIP corporate website was also launched in 2017, offering an up-to-date public image of the company on the Internet.

OTHER ACTIVITIES

06

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 2017, with all the contracts offered for sale by the last resort supplier being sold.

6.2 Auction of capacity in the electrical interconnection between Portugal and Spain

Following the standardization work done by MIBEL's Board of Regulators, the energy sector regulators, ERSE and CNMC, set up a mechanism for the concerted management of the interconnection Portugal-Spain, based on the auctioning of financial contracts for capacity rights (internationally designated as Financial Transmission Rights - FTR), which allow electricity suppliers to hedge the risk of price differences between Portugal and Spain, in both directions of the interconnection. It was decided that auctions would be integrated into MIBEL and carried out on OMIP's trading platform. Four auctions were held in 2017, in which both directions of the interconnection were negotiated.

6.3 Auctioning of the new product indexed to solar capability indexes

In 2016 OMIP began to offer auctioneer services on a quarterly sales auction, open to any agent that meets the requirements of the solar energy production in Spain, where Endesa acts as counterpart and contracting buyer through descending-price auction rounds. The auction focuses on products listed for trading at OMIP – SPEL Solar Product (Solar Zone IV) with financial clearing and settlement at OMIClear.

6.4 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 aiming to work towards the operationalisation of the new capacity allocation mechanisms in the various infrastructures of the National LNG Transpot, Storage and Infrastructure and Terminal Network (RNTIAT), exploring the concept of *ex-ante*

contracting of Capacity Rights of Use (DUC) 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), 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) 715/2009, 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 capacity of infrastructures. Since September 2013, OMIP has provided the following services to REN in this area (DUCg): active participation in the initial solution design and installation, in close cooperation with REN, ensuring thereon 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 2017 OMIP continued to ensure the above functions. In this regard, note should be made of the development and implementation, by OMIP, of data mapping (bids and results) of DUCg auctions to enable the integration of the OMIP trading system in REN's ATR/Prisma interface.

6.5 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 changes involving rules that must be adopted for the transmission network operator to clear the Natural Gas Transmission Network (RNTGN) through clearing actions through the purchase or sale of 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.

Under this framework, the first natural gas auction (purchase of gas by the GTM) was held on 19 April 2017 to the GTM netting of operations carried out on the OMIP trading platform, wherein all the volumes offered for auction were sold at a break-even price lower than the reserve price. There were 6 more auctions during the year, all involving the purchase of gas by the GTM, with equally positive results for REN Gasodutos.

6.6 Development of the GPMC project

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 requests for supplier change in the gas market in Portugal, as a result of the agreement with REN – Gasodutos, S.A., the entity designated by ERSE to be responsible for the facilitation procedure of changing supplier in the natural gas market.

2017 was marked by the publication of Law 42/2016, of 16 December, approving the state budget for 2017, pursuant to Article 172 and providing 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's 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. However, by the end of 2017 there were no contractual changes (assignment of contractual position from REN to Adene) or operational changes caused by the aforementioned legislative amendment; at technical level, the transfer of the e_Switch platform and of the GPMC's FTP to Adene's infrastructure began at the end of the year.

OUTLOOK FOR 2018

07

2018 is, 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:

- > A recovery of traded volumes;
- > An increase in the number of market participants;
- > The expansion of the portfolio of products listed for trading and registration and the registration of bilateral operations, in particular futures contracts on natural gas in the Iberian Peninsula;
- > To continue organising auctions of financial rights for capacity in the interconnection Portugal-Spain;
- > To continue organising special regime production placement auctions for the Portuguese MIBEL zone;
- > 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.

PROPOSED APPROPRIATION OF PROFITS

08

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 2017, in the positive amount of 170918.31 Euros (one hundred and seventy thousand, nine hundred and eighteen euros and thirty-one cents), be appropriated as follows:

To Legal Reserve 17091.83 Euros

To Dividends 153826.48 Euros

Lisbon, 21 March 2018

The Board of Directors,

Artur Álvaro Laureano Homem da Trindade

Ignacio Grangel Vicente

Abengoa, S.A.

German Bejarano García

Banco Santander, S.A.

Carlos Martín de los Santos Bernardos

EDP – Energias de Portugal, S.A.

Carlos Manuel Sola Pereira da Mata

Endesa Generación Portugal, S.A.

Adolfo Javier de Rueda Villén

Gas Natural, SDG, S.A.

Rosa María Sanz García

Iberdrola Generación España, S.A.U.

Jose Luis Rapún Jiménez

Parcaixa, SGPS, S.A.

Paulo Alexandre da Rocha Henriques

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

María José Menéres Duarte Pacheco Clara

REN Serviços, S.A.

Pedro Henriques Gomes Cabral

Viesgo Infraestructuras Energéticas, S.L.

Javier Anzola Pérez

**SHAREHOLDERS,
GOVERNING BODIES AND SUBSIDIARY**

09

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 2015-2017)

Manuela Lopes dos Santos.....Chairman

Conselho de Administração (3-year period 2018-2020)

Artur Álvaro Laureano Homem da TrindadeChairman

Ignacio Grangel Vicente.....Deputy- Chairman

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

Banco Santander, S.A. (Carlos Martin de los Santos Bernardos).....Voting Member

EDP – Energias de Portugal, S.A. (Carlos Manuel Sola Pereira da Mata).....Voting Member

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

Gas Natural, SDG, S.A. (Rosa María Sanz García)Voting Member

Iberdrola Generación España, S.A.U (Jose Luis Rapun Jimenez).....Voting Member

Parcaixa, SGPS, S.A. (Paulo Alexandre da Rocha Henriques).....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. (Javier Anzola Pérez).....Voting Member

Supervisory Board/Statutory Auditor (3-year period 2015-2017)

PricewaterhouseCoopers & Associados, Lda. (SROC).....Executive

José Manuel Henriques Bernardo (ROC)Alternate

9.3 Subsidiary

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

FINANCIAL STATEMENTS

10

10 FINANCIAL STATEMENTS AND ANNEXES

AS AT 31 DECEMBER 2017

Balance Sheet

		Currency: Euros	
	Note	31-12-2017	31-12-2016
Assets			
Non-current			
Property, plant and equipment	7	102.828	11.304
Investments - Equity method	8	5.428.110	5.286.142
Outros créditos a receber	9	-	262.917
Other financial investments	10	3.079	1.995
		5.534.017	5.562.358
Current			
Clients	11	221.585	309.803
State and other public entities	12	65.372	-
Other receivables	9	574.168	910.141
Deferrals	13	19.561	31.380
Cash and bank deposits	5	546.998	531.200
		1.427.684	1.782.524
Total assets		6.961.701	7.344.882
Equity capital			
Paid-up capital	14	2.500.000	2.500.000
Issue premium	15	1.193.711	1.193.711
Legal reserves	16	253.574	190.435
Adjustments/Other changes in equity	17	1.114.928	1.114.928
Retained earnings		1.025.810	1.025.810
		6.088.023	6.024.884
Net result for the period		170.918	631.393
Total equity capital		6.258.941	6.656.277
Liabilities			
Non-current			
Loans obtained	18	53.030	-
		53.030	-
Current			
Suppliers	19	191.269	162.610
State and other public entities	12	39.417	253.503
Loans obtained	18	19.995	-
Other accounts payable	20	399.049	272.492
		649.730	688.605
Total liabilities		702.760	688.605
Total equity capital and liabilities		6.961.701	7.344.882

Notes on pages 39 to 61 are an integral part of the above financial statements.

Statement of profit and loss by nature as at 31 December 2017

	Note	Currency: Euros	
		31-12-2017	31-12-2016
Sales and services rendered	21	2.141.615	2.513.909
Gains/(losses) charged to subsidiaries	8	(120.949)	52.335
Supplies and external services	22	(877.793)	(965.875)
Staff costs	23	(1.015.091)	(972.492)
Other income	24	250.857	305.389
Other expenses	25	(116.265)	(129.408)
Results before depreciation, financial expenses and taxes		262.374	803.858
(Expenses) / reversal depreciation and amortisation	7	(11.379)	(4.517)
Operational result (before financial expenses and taxes)		250.995	799.341
Interest and similar earnings obtained	26	12.031	7.898
Interest and similar costs incurred	26	(594)	(11)
Pre-tax results		262.432	807.228
Income tax for the period	27	(91.514)	(175.835)
Net result		170.918	631.393
Basic earnings per share:		0,68	2,53

Notes on pages 39 to 61 are an integral part of the above financial statements.

Statement of Changes in equity

	Note	Capital realizado	Prémios de emissão	Reservas legais	Ajustamentos em ativos financeiros	Resultados transitados	Resultado líquido do período	Total
Posição no início de 2016		2.500.000	1.193.711	184.528	1.114.928	1.025.810	59.072	6.078.049
Alterações no período								
Outras alterações reconhecidas no capital próprio		-	-	5.907	-	53.165	(59.072)	-
		-	-	5.907	-	53.165	(59.072)	-
Resultado líquido do período		-	-	-	-	-	631.393	631.393
Resultado integral		-	-	-	-	-	631.393	631.393
Operações com detentores de capital no período								
Distribuições	28	-	-	-	-	(53.165)	-	(53.165)
		-	-	-	-	(53.165)	-	(53.165)
Posição no fim de 2016		2.500.000	1.193.711	190.435	1.114.928	1.025.810	631.393	6.656.277
Alterações no período								
Outras alterações reconhecidas no capital próprio		-	-	63.139	-	568.254	(631.393)	-
		-	-	63.139	-	568.254	(631.393)	-
Resultado líquido do período		-	-	-	-	-	170.918	170.918
Resultado integral		-	-	-	-	-	170.918	170.918
Operações com detentores de capital no período								
Distribuições	28	-	-	-	-	(568.254)	-	(568.254)
		-	-	-	-	(568.254)	-	(568.254)
Posição no fim de 2017		2.500.000	1.193.711	253.574	1.114.928	1.025.810	170.918	6.258.941

Notes on pages 39 to 61 are an integral part of the above financial statements.

Statement of cash flow as at 31 December 2017

		Unidade: Euros	
	Nota	31-12-2017	31-12-2016
Fluxos de caixa das actividades operacionais			
Recebimentos de clientes		2.855.923	2.792.343
Pagamentos a fornecedores		(1.083.848)	(1.133.576)
Pagamentos ao pessoal		(966.383)	(839.532)
Caixa gerada pelas operações		805.692	819.236
(Pagamento) / recebimento do imposto sobre o rendimento		(329.032)	(12.173)
Outros (pagamentos) / recebimentos		(304.322)	(250.706)
Fluxos de caixa das actividades operacionais		172.338	556.357
Fluxos de caixa das actividades de investimento			
Recebimentos provenientes de:			
Ativos fixos tangíveis		-	1
Juros e rendimentos similares		29.170	8.057
Fluxos de caixa das actividades de investimento		29.170	8.058
Fluxos de caixa das actividades de financiamento			
Recebimentos Provenientes de			
Outras Operações de Financiamento		311.512	44.306
Pagamentos respeitantes a:			
Dividendos	28	(497.222)	(46.519)
Outras Operações de Financiamento		-	(373.324)
Fluxos de caixa das actividades de financiamento		(185.710)	(375.537)
Variação de caixa e seus equivalentes		15.798	188.878
Caixa e seus equivalentes no início do período	5	531.200	342.322
Caixa e seus equivalentes no fim do período	5	546.998	531.200

Notes on pages 39 to 61 are an integral part of the above financial statements.

ANNEX TO THE 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 markets of energy-based products;
- d) the provision of settlement services within the 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 operational 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 purposes are the management of a clearing house as central counterpart, and of the settlement system.

These financial statements were approved by the Board of Directors at its meeting held on 21 March 2018 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, performance and cash flows.

2 Accounting standards for financial reporting

2.1. Basis of preparation

These financial statements were prepared in agreement with the accounting and financial reporting standards (NCRF – Normas Contabilísticas e de Relato Financeiro) issued and in force or issued and adopted as at 31 December 2017.

The preparation of financial statements in agreement with the SNC calls for the use of estimates, assumptions and critical judgements when determining the accounting policies to be adopted by OMIP, with a significant impact on the book 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 4.18 presents the areas involving greater judgement calls or complexity, or those in which the assumptions and estimates are relevant to the financial statements.

2.2. Derogation to the SNC (Portuguese Accounting Standards)

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

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 or Other expenses, 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	2017	2016
USD	1,1979	1,0536
GBP	0,8877	0,8564

4.3. Property, plant and equipment

Property, plant and equipment are valued at cost less accumulated depreciation and accumulated impairment losses. This cost includes the estimated cost at the date of transition to the NCRF, and the acquisition costs for assets acquired after that date.

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 to ensure that the depreciation is in accordance with its consumption patterns. Changes in lifespan are treated as alterations 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 useful life 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 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 conclusion 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:

- a) 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;
- b) 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 accounts receivable”. 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 OMIClear’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 through 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 deposits 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 own capital 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 financing 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 EUR, with the 21 % rate applying to the remaining taxable amount. To the corporate income tax thus

obtained is added a surplus 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, except if they relate to items recognised directly in own capital. The amount of current tax payable is determined based on the pre-tax results, adjusted according to tax rules.

Deferred tax is recorded using the liability method, which is based on the balance sheet and takes into account temporary differences arising from the difference between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred taxes are calculated according to the tax rates in force or officially announced at the balance sheet date, and which are expected to be applicable on the effective date of deferred tax assets, or on the date when the deferred tax liabilities are paid.

Deferred tax assets are recorded to the extent that it is likely that future taxable profits will be available to cover the temporary difference. Deferred tax liabilities are recorded for all temporary taxable differences, except for those relating to: (i) the initial recognition of goodwill; or (ii) the initial recording of assets and liabilities that do not result from a concentration of activities, and that, at the time of transaction, will affect neither the accounting nor the tax results. However, in relation to temporary taxable differences related to investments in subsidiaries, these must not be recorded because: (i) the parent company is able to control the timing for reversal of the temporary difference; and (ii) it is likely that the temporary difference will not be reversed in the near future.

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 intention to acquire the assets at the end of the contract.

In operating leases, rents payable 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 reimbursement period provided.

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.

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 flows

5.1. Cash and cash equivalents not available for sale

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 2017 and 31 December 2016, the breakdown of cash and bank deposits is the following:

	31-12-2017	31-12-2016
Cash	2.900	2.752
Bank deposits	544.098	528.448
	546.998	531.200

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 2017 and 31 December 2016 is as follows:

	31-12-2017	31-12-2016
Cash resources		
- Cash	2.900	2.752
	2.900	2.752
Bank deposits		
- Checking accounts	544.098	528.448
	544.098	528.448
	546.998	531.200

6 Accounting policies, changes in accounting estimates and errors

6.1. Changes in rules

During the period in question, no new rules, 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 estimates 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

During the period ended 31 December 2016, the changes recorded under the heading of property, plant and equipment were as follows:

	Vehicles	Office equipment	Total
1 January 2016			
Acquisition cost	120.000	1.738.491	1.858.491
Accumulated depreciation	(120.291)	(1.724.675)	(1.844.966)
Net book value	(291)	13.816	13.524
Additions	-	2.288	2.288
Disposals	(70.000)	-	(70.000)
Depreciation for the period	-	(4.800)	(4.800)
Depreciation - disposals	70.291	-	70.291
Net book value	-	11.304	11.304
31 December 2016			
Acquisition cost	50.000	1.740.779	1.790.779
Accumulated depreciation	(50.000)	(1.729.475)	(1.779.475)
Net book value	-	11.304	11.304

During the period ended 31 December 2017, property, plant and equipment is broken down as follows:

	Vehicles	Office equipment	Total
1 January 2017			
Acquisition cost	50.000	1.740.779	1.790.779
Accumulated depreciation	(50.000)	(1.729.475)	(1.779.475)
Net book value	-	11.304	11.304
Additions	87.406	15.497	102.903
Disposals	(50.000)	-	(50.000)
Depreciation for the period	(6.335)	(5.044)	(11.379)
Depreciation - disposals	50.000	-	50.000
Net book value	81.071	21.757	102.828
31 December 2017			
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

Depreciations 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 2017 consist mainly of office equipment.

As at 31 December 2017, OMIP used the following asset acquired under financial lease:

Locações financeiras	31-12-2017
Valor bruto	87.406
Depreciações acumuladas	(6.335)
	81.071

8 Investments – Equity method

As at 31 December 2017 and 31 December 2016, 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:

	31-12-2017	31-12-2016
	OMIClear	OMIClear
Assets		
Non-current	637.367	698.814
Current	275.000.473	292.901.947
	275.637.840	293.600.761
Liabilities		
Non-current	-	530.440
Current	264.781.620	282.498.037
	264.781.620	283.028.477
Equity capital	10.856.220	10.572.284
Activity in the year		
Revenue	1.921.070	2.480.213
Expenses	(2.162.969)	(2.375.541)
Net result	(241.899)	104.671
% shareholding	50%	50%
	(120.949)	52.335

Investments in the periods are detailed below:

	OMIClear
1 January 2016	5.233.807
Gains / (Losses)	52.335
31 December 2016	5.286.142
Gains / (Losses)	(120.949)
Other equity changes	262.917
31 December 2017	5.428.110

No dividends were received from OMIClear in 2017 and 2016.

Other equity changes correspond to the amount of supplementary payments relating to the share belonging to OMIP SGMR.

9 Other receivables

In the periods ended 2017 and 2016, the heading “Other receivables” is broken down as follows:

	31-12-2017			31-12-2016		
	Current	Non-current	Total	Current	Non-current	Total
Advance payments	3.188	-	3.188	-	-	-
Loans granted (Note 32)	-	-	-	66.018	262.917	328.936
Other debtors						
OMIClear (Note 32)	245.458	-	245.458	217.536	-	217.536
OMIP SGPS (Note 32)	52.799	-	52.799	259.590	-	259.590
REN - Gasodutos (Note 32)	39.532	-	39.532	42.530	-	42.530
Other	947	-	947	276	-	276
Accrued income						
Other	232.244	-	232.244	324.190	-	324.190
	574.168	-	574.168	910.141	262.917	1.173.058
Impairment	-	-	-	-	-	-
	574.168	-	574.168	910.141	262.917	1.173.058

In early 2016, OMIP SGMR, S.A. granted a loan to its invested company OMIClear to acquire Sungard. Amounts were repaid on a monthly basis and in 2017 a total of 66018 Euros (2016: 44438 Euros) was received.

OMIClear's Board of Directors proposed that the General Shareholders Meeting should decide on using the amount owed – 262917 Euros – to increase the equity, which is why these payments were no longer made.

OMIP SGPS, SA settled the debt in the amount of 250000 Euros to this company still in 2017.

Breakdown of “Other income accruals”:

	31-12-2017
GPMC accruals	67.500
Licences	50.400
REMIT - Phase II - Q4-17	48.170
DUCs accruals	24.917
EEX - Q4-17 accruals	22.334
Auctions	18.000
Sundry	923
TOTAL	232.244

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

10 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.

11 Clients

The breakdown of the heading “Clients” for the periods ended 31 December 2017 and 31 December 2016 is as follows:

	31-12-2017			31-12-2016		
	Current	Non-current	Total	Current	Non-current	Total
Clients - Related parties (Note 32)	194.528	-	194.528	223.825	-	223.825
Clients - Third parties	27.057	-	27.057	85.978	-	85.978
	221.585	-	221.585	309.803	-	309.803
Impairment	-	-	-	-	-	-
	221.585	-	221.585	309.803	-	309.803

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

12 State and other public entities

The balances for this heading as at 31 December 2017 and 31 December 2016 are as follows:

	31-12-2017		31-12-2016	
	Debtor	Creditor	Debtor	Creditor
Corporate tax - IRC	65.372	-	-	172.146
Income tax - IRS	-	19.185	-	22.525
Value added tax - IVA	-	295	-	43.059
Contributions to Social Security	-	19.937	-	15.773
	65.372	39.417	-	253.503

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

	31-12-2017	31-12-2016
Payments on account	151.178	4.658
Special payment on account	5.708	-
Corporate tax estimate	(91.514)	(176.804)
	65.372	(172.146)

13 Deferrals

As at 31 December 2017 and 31 December 2016, recorded the following balances under the heading “Deferrals”:

	31-12-2017	31-12-2016
Insurance	4.571	5.030
Contributions/levies	-	808
Bloomberg	3.547	3.957
Other	11.443	21.585
	19.561	31.380

14 Share capital

As at 31 December 2017 and 31 December 2016, OMIP's share capital, in the amount of 2 500 000 EUR, was fully subscribed and paid for, represented by 250 000 shares, each with a par value of 10 EUR.

The breakdown for these periods 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 EUR 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 2017 this reserve amounted to 253574 Euros (2016: 190435 Euros), therefore short of the 20 % of share capital.

17 Adjustments to equity

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

18 Funding obtained

As at 31 December 2017, the heading "Funding obtained" was broken down as follows:

	31-12-2017		
	Current	Non-current	Total
Financial leases	19.995	53.030	73.025
	19.995	53.030	73.025

As at 31 December 2016, the company had not received any funding.

19 Suppliers

During the periods ended 31 December 2017 and 31 December 2016, the heading including all current “Suppliers” is as follows:

	31-12-2017	31-12-2016
Suppliers	191.269	162.610
	191.269	162.610

20 Other accounts payable

In the periods ended 31 December 2017 and 31 December 2016, the breakdown of the heading “Other accounts payable” is as follows:

	Current	Non-current	Total	Current	Non-current	Total
Suppliers - investments						
General suppliers	-	-	-	688	-	688
	-	-	-	688	-	688
Other creditors						
OMIClear (Note 32)	72.247	-	72.247	-	-	-
OMIP SGPS (Note 32)	15.283	-	15.283	-	-	-
Other	9.661	-	9.661	4.333	-	4.333
	97.191	-	97.191	4.333	-	4.333
Creditors due to accrued expenses						
Staff costs	231.300	-	231.300	206.194	-	206.194
Other	70.558	-	70.558	61.277	-	61.277
	301.858	-	301.858	267.471	-	267.471
	399.049	-	399.049	272.492	-	272.492

21 Services rendered

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

	31-12-2017	31-12-2016
Admission and maintenance fees	476.633	481.594
Services provided in Natural Gas	455.985	374.332
Variable fees	355.754	731.953
Licences	305.601	312.822
REMITT	240.880	210.215
Services rendered - Energy	220.778	162.500
EEX	82.984	169.093
Other	3.000	71.400
	2.141.615	2.513.909

The maintenance of management systems were recorded under “Other operating income.”

22 Supplies and external services

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

	31-12-2017	31-12-2016
Specialised works	684.371	750.560
Rentals and leases (includes condominium)	45.434	44.073
Travel and accomodation	42.605	44.189
Materials	25.999	28.320
Fees	16.744	21.642
Insurance	14.546	17.048
Entertainment expenses	14.344	24.870
Communications	11.441	13.143
Water and electricity	9.281	6.908
Other (each under 5 000 Euros)	13.028	15.122
	877.793	965.875

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.

23 Staff costs

Staff costs incurred during the periods ended 31 December 2017 and 2016 were as follows:

	31-12-2017	31-12-2016
Remunerations		
Governing bodies	303.455	271.536
Staff	551.914	649.229
Staff - Branch	28.125	16.144
	883.494	936.909
Social charges	158.659	186.312
Other	13.504	8.642
	172.163	194.954
	1.055.657	1.131.863

The increase in costs with governing bodies was due to the fact that in 2017 the term of office of executive bodies was longer than in 2016. Moreover, the Deputy-Chairman received compensation on leaving the Company.

There were two reasons for the drop in staff costs: (i) two employees left and were not replaced, and (ii) the Company's Director did not receive the variable bonus in 2017.

In 2017, the average number of OMIClear staff was 11 (2016: 13).

24 Other income and gains

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

	31-12-2017	31-12-2016
Costs with market operations	79.400	86.402
Contributions/levies	24.851	24.240
Taxes	6.197	2.222
Corrections of previous years' balances	1.521	-
Other	4.296	16.546
	116.265	129.408

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

The heading “Business fees” includes the business fees charged to OMIClear, as all OMIP businesses are cleared by OMIClear. This service ended on 31 August 2016.

25 Other expenses and losses

The breakdown of “Other expenses and losses” is as follows:

	31-12-2017	31-12-2016
Costs with market operations	79.400	86.402
Contributions/levies	24.851	24.240
Taxes	6.197	2.222
Corrections of previous years' balances	1.521	-
Other	4.296	16.546
	116.265	129.408

Costs with 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 2017 the traded volumes were smaller than those in 2016. These costs also include a fee which CMVM began to charge in 2017, which varies according to the traded volume.

“Contributions / Levies” includes the costs borne by the company in 2017 as a result of being a member of representative entities in the sector, namely the APE (Association of Power Exchanges), EUROPEX, among others.

26 Expenses and financial income

The breakdown of “Expenses and financial income” in 2016 and 2015 is as follows:

	31-12-2017	31-12-2016
Financial income		
Interest earned	12.031	7.898
	12.031	7.898
Financial costs		
Other financial costs	594	11
	594	11

The interest earned relate to the Sungard loan and the loan to OMIP SGPS. The sums in 2017 were higher than those in 2016 because they refer to 12 months, whereas in 2016 they referred to 9 months only (Sungard).

As regards the loan to OMIP SGPS, in 2017 it only referred to 6 months (12 months in 2016).

27 Income tax

As at 31 December 2017 and 31 December 2016, the heading "Income tax" is as follows:

	31-12-2017	31-12-2016
Current income tax	91.514	176.805
Under/Over taxation estimate	-	(970)
	91.514	175.835

The tax rate used for the valuation of taxable differences at the balance sheet date for the year ended 31 December 2017 was of 17% for taxable values up to 15 000 EUR, and 21% for values in excess of this amount, in addition to a surcharge of 1.5% (2016: 17% for taxable values up to 15 000 EUR, and 23% for values in excess of this amount, in addition to a surcharge of 1.5%).

27.1. Deferred taxes

As at 31 December 2017 and 31 December 2016, 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 2017 and 2016 is shown below:

	31-12-2017		31-12-2016	
Pre-tax results	15.000	247.432	15.000	792.228
Tax rate	17,0%	21,0%	17,0%	21,0%
	2.550	51.961	2.550	166.368
	54.511		168.918	
Non-deductible expenses	28.820		1.379	
Non-taxable income	(4.499)		(11.163)	
Surcharge	5.674		11.410	
Autonomous taxation	7.009		6.260	
Under/Over corporate tax taxation	-		(970)	
	91.514		175.835	
Current income tax	91.514		176.805	
Under/Over corporate tax taxation	-		(970)	
Income tax	91.514		175.835	
Effective tax rate	34,9%		21,8%	

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

	2017	2016
Tax rate up to 15 000 Euros	17,00%	17,00%
Tax rate for remaining amounts	21,00%	21,00%
Derrama	1,50%	1,50%
	20,50%	20,50%

28 Dividends

OMIP paid dividends during the period ended 31 December 2017 in the amount of 568254 Euros to the OMIP SGPS and OMEL shareholders, in proportion to their shares in the company's capital (2016: 53 165 Euros were paid as dividends).

Dividends paid were subject to a 25 % withholding tax rate.

29 Commitments

As at 31 December 2017 and 31 December 2016, there were no other commitments undertaken by the company and not reflected in the financial statements.

30 Contingencies

CONTINGENT LIABILITIES

As at 31 December 2017 and 31 December 2016, OMIP did not record any contingent liabilities.

CONTINGENT ASSETS

As at 31 December 2017 and 31 December 2016, 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 2017, OMIP was 50 % owned by OMIP – Operador do Mercado Ibérico (Portugal), SGPS, SA and 50 % by OMEL – Operador del Mercado Ibérico de Energia, Polo Español, SA:

NATURE OF THE RELATIONSHIP WITH THE RELATED PARTIES:

Shareholders:

- OMIP, SGPS
- OMEL

Subsidiaries:

- OMIClear – C.C., SA

Other related parties:

- OMI – Polo Español, SA
- REN – Rede Electrica Nacional, SA.
- REN – Gasodutos, SA
- REN – Serviços, SA.
- Caixa Geral de Depósitos
- Banco Comercial Português, SA
- EDP – Energias de Portugal, SA
- Gás Natural SDG, SA
- Iberdrola Generacion Española, SAU

32.1. Transactions with shareholders:

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

	<u>31-12-2017</u>	<u>31-12-2016</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>

32.2. Debit and credit balances with shareholders

As at 31 December 2017 and 31 December 2016, the balances resulting from transactions made with shareholders were the following:

	<u>31-12-2017</u>	<u>31-12-2016</u>
Other accounts receivable		
OMIP SGPS (Note 9)	52.799	259.590
	<u>52.799</u>	<u>259.590</u>
 Other accounts payable		
OMIP SGPS (Note 20)	15.283	-
	<u>15.283</u>	<u>-</u>

32.3. Transactions with subsidiaries:

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

	<u>31-12-2017</u>	<u>31-12-2016</u>
Services acquired		
OMIClear	145.344	145.344
	<u>145.344</u>	<u>145.344</u>
 Services provided		
OMIClear	180.000	242.408
	<u>180.000</u>	<u>242.408</u>

32.4. Debit and credit balances with subsidiaries:

As at 31 December 2017 and 31 December 2016, the balances resulting from transactions made with subsidiaries were the following:

	<u>31-12-2017</u>	<u>31-12-2016</u>
Other accounts receivable		
OMIClear (Note 9)	245.458	546.472
	<u>245.458</u>	<u>546.472</u>
	<u>31-12-2017</u>	<u>31-12-2016</u>
Other accounts payable		
OMIClear (Note 20)	72.247	-
	<u>72.247</u>	<u>-</u>

As at 31 December 2016, the amount to be paid by OMIClear included 328936 Euros concerning loans. In 2017, OMIClear paid part of this sum, and the remaining amount was used for the increase in equity of that company, as mentioned in note 9.

32.5. Transactions with other related parties:

During the periods concerned, OMIP made the following transactions with the entities below:

	<u>31-12-2017</u>	<u>31-12-2016</u>
Services provided		
REN - Gasodutos	455.985	374.332
REN - Rede Energética Nacional	120.778	62.500
	<u>576.763</u>	<u>436.832</u>

32.6. Debit and credit balances with other related parties:

At the end of the periods ended 31 December 2017 and 31 December 2016, the balances resulting from transactions made with other related parties are as follows:

	<u>31-12-2017</u>	<u>31-12-2016</u>
Clients		
REN - Gasodutos	45.971	223.825
REN - Rede Elétrica Nacional	148.557	-
	<u>194.528</u>	<u>223.825</u>
Other accounts receivable		
REN - Gasodutos	39.532	42.530
	<u>39.532</u>	<u>42.530</u>

32.7. Management remunerations

During the periods ended 31 December 2017 and 2016, the remunerations earned by OMIP's Board of Directors were as follows:

	<u>31-12-2017</u>	<u>31-12-2016</u>
Salaries and other short-term remunerations	190.228	153.616
	<u>190.228</u>	<u>153.616</u>

33 Subsequent events

Until the date when these financial statements were approved, the Board of Directors had no knowledge of any subsequent events that should be recorded or disclosed therein.

34 Proposed appropriation of profits

O Conselho de Administração, nos termos e para os efeitos do artigo 25.º dos Estatutos da Sociedade; deThe 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 the year 2017, in the positive amount of 170918.31 Euros (one hundred and seventy thousand, nine hundred and eighteen euros and thirty-one cents), be appropriated as follows

To Legal Reserve 17091.83 Euros

To Dividends 153826.48 Euros

Lisbon, 21March 2018

Manuela Lopes dos Santos

The Certified Accountant, Licence no. 85946

The Board of Directors,

Artur Álvaro Laureano Homem da Trindade

Ignacio Grangel Vicente

Abengoa, S.A.

German Bejarano García

Banco Santander, S.A.

Carlos Martín de los Santos Bernardos

EDP – Energias de Portugal, S.A.

Carlos Manuel Sola Pereira da Mata

Endesa Generación Portugal, S.A.

Adolfo Javier de Rueda Villén

Gas Natural, SDG, S.A.

Rosa María Sanz García

Iberdrola Generación España, S.A.U.

Jose Luis Rapun Jimenez

Parcaixa, SGPS, S.A.

Paulo Alexandre da Rocha Henriques

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.

Javier Anzola Pérez

ANNEX

11

STATUTORY AUDIT REPORT

01/03



Statutory Audit Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of OMIP – Pólo Português, S.G.M.R., S.A. (the Entity), which comprise the balance sheet as at December 31, 2017 (which shows total assets of Euro 6,961,701 and total shareholders' equity of Euro 6,258,941 including a net profit of Euro 170,918), the statement of income by nature, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of OMIP – Pólo Português, S.G.M.R., S.A. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal.

Basis for opinion

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

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

Responsibilities of management for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with generally accepted accounting principles in Portugal;
- b) the preparation of the Directors' Report in accordance with the applicable law and regulations;

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PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.

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Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000

Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

STATUTORY AUDIT REPORT

02/03

- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is 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:

- a) 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;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) 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;

03/03

e) 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

f) 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 verifying that the information included in the Directors' report is consistent with the financial statements.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

March 28, 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Rui Jorge dos Anjos Duarte, R.O.C.

REPORT AND OPINION OF THE SUPERVISORY BODY

01/02



Report and Opinion of the Supervisory Body

(Free translation from the original in Portuguese)

To the Shareholders,

In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the Directors' Report and financial statements as presented by the Board of Directors of OMIP – Polo Português, S.G.M.R., S.A. with respect to the year ended December 31, 2017.

During the year, we have accompanied the evolution of the Company's activity, as and when deemed necessary. We have verified the timeliness and adequacy of the accounting records and respective supporting documentation, as well as the effectiveness of the internal control system, only to the extent that the controls are of relevance for the control of the Company's activity and the presentation of the financial statements. We have also ensured that the law and the Company's articles of association have been complied with.

As a consequence of our work, we have issued the attached Statutory Audit Report.

Within the scope of our mandate, we have verified that:

- i) the balance sheet, the statement of income by nature and by functions, the statement of changes in equity, the statement of cash flows and the corresponding notes to the accounts, permit an adequate understanding of the financial position, the results, the changes in equity and cash flows of the Company;
- ii) the accounting policies and valuation methods applied are appropriate except for the matters mentioned in the Statutory Audit Report;
- iii) the Directors' Report is sufficiently clear as to the developments of the business and the position of the Company and highlights the more significant aspects;
- iv) the proposed appropriation of results is not contrary with the applicable laws and Company's articles of association.

On this basis, and taking into account information obtained from the Board of Directors and the Company's employees, together with the conclusions in the Statutory Audit Report, we are of the opinion that:

- i) the Directors' Report be approved;
- ii) the financial statements be approved;
- iii) the proposed appropriation of results be approved.

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02/02

Finally, we would like to express our gratitude to the Board of Directors and all those whom we contacted, for their valuable contribution.

March 18, 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Rui Jorge dos Anjos Duarte, R.O.C.



OMIP – Pólo Português, S.G.M.R., S.A.

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