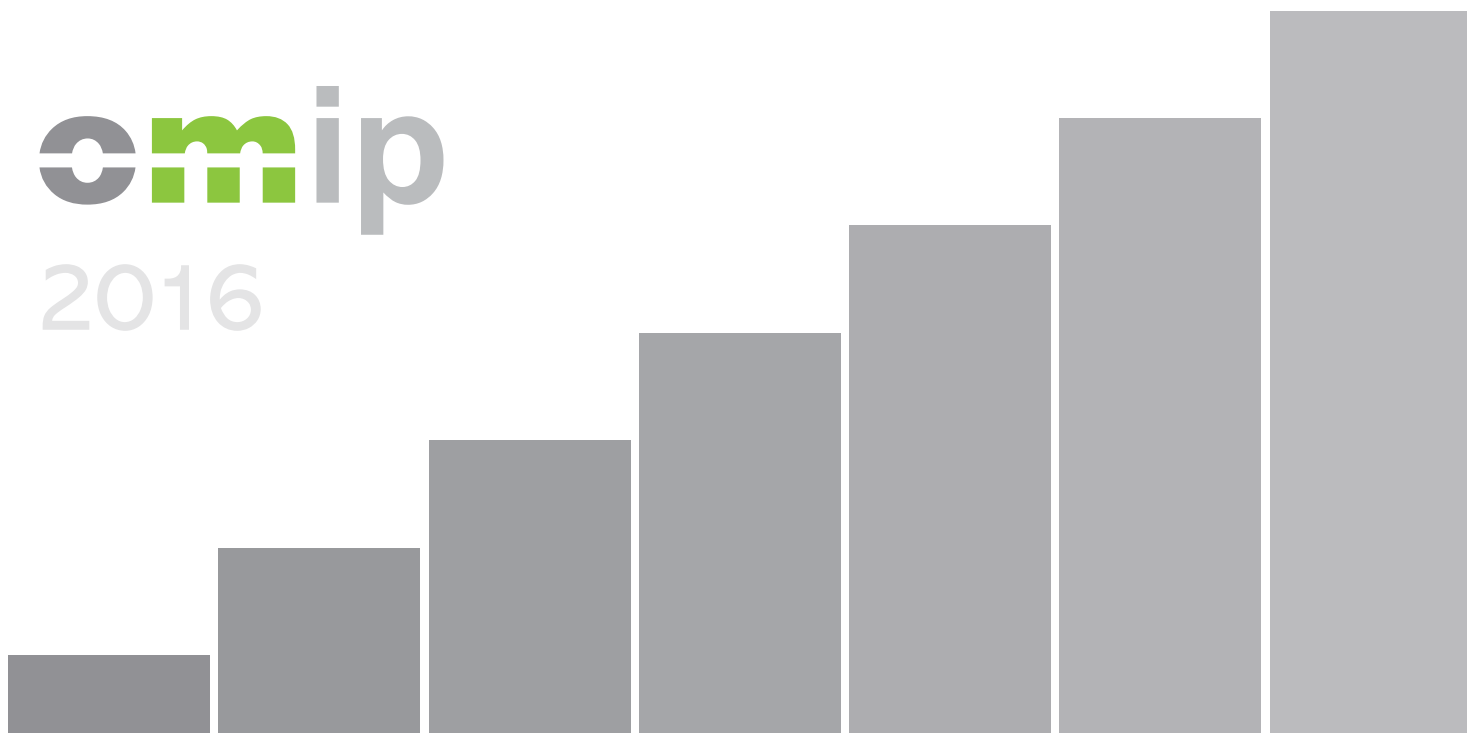
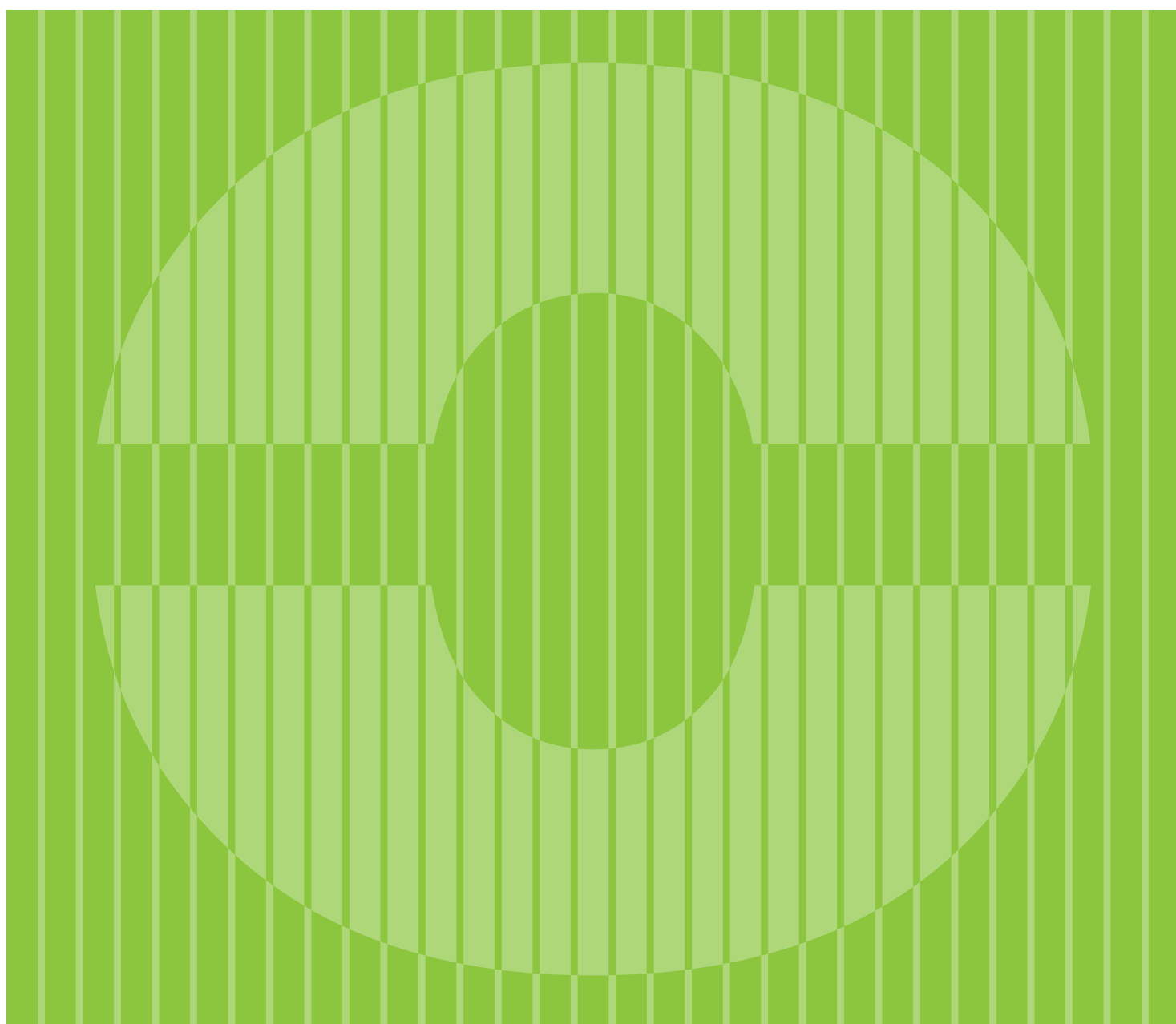


**emip**

2016



A N N U A L   R E P O R T   A N D   A C C O U N T S   2 0 1 6



## 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**

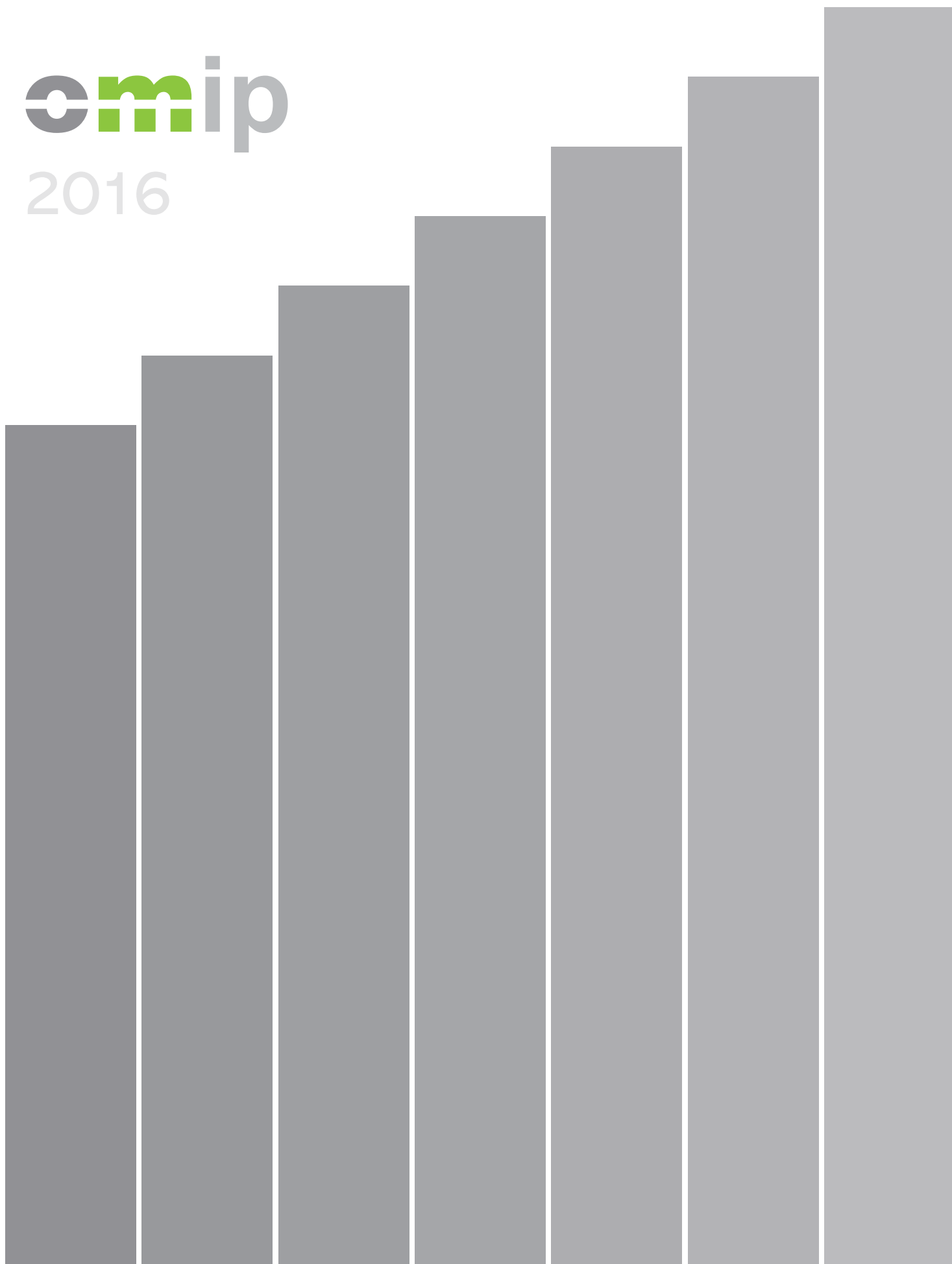
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.

### **OMEL**

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

emip

2016



ANNUAL REPORT AND ACCOUNTS 2016

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MESSAGE FROM  
THE CHAIRMAN



**Pedro Jesús Mejía Gómez**

*Chairman of the Board of Directors*

*OMIP has achieved its best economic outturn ever in the year that marks the 10th anniversary since the start of the MIBEL Derivatives Market. This could only have been achieved through the tremendous dedication of all collaborators, which made it possible to develop a number of services ancillary and complementary to the company's main activity, which in 2016 fell to levels below those of previous years.*

*In this service in particular, and although traded and cleared volumes increased, they nevertheless remain far below those recorded in 2014. This is due to price stability for a substantial part of the year, the fact that some banks and investment funds withdrew from commodities markets, and the uncertainties linked to the regulatory changes, together contributing much to the situation remaining the same as in 2015, characterised by the MIBEL Derivatives Market participants losing interest and appetite for trading and hedging.*

*The numbers are quite clear: the volume traded in the market managed by OMIP increased 15.32% to 34.43 TWh from 2015 to 2016, still considerably lower than in 2014 (52.86 TWh). Comparatively, according to CNMC data the OTC market reached 169.66 TWh in 2016, that is, a 20.4% increase compared to 2015 (140.86 TWh).*

*In 2016, we continued our strategy to expand the portfolio of products accepted for clearing and settlement, either in derivatives with underlying electricity outside the Iberian Peninsula, or in natural gas derivatives. In the first case, OMIP listed German and French products for trading, while in the second case we are still waiting for the regulator's authorisation. The launch of gas products is essential to the development of the Iberian gas market. On another note, an information reporting service to ACER was made available, as part of the second phase of REMIT implementation, relating to non-standard contracts and other information.*

*This portfolio expansion strategy, very oriented to meeting the needs of market agents, together with the high level of service and customer service always provided by OMIP gives our company the trust and enthusiasm needed to cope with the challenges ahead, in particular the increase in competition and the ever more demanding legislative and regulatory framework applicable to its activity.*

*Consequently, the guidelines for future action are to continue to diversify in order to mitigate risks, which, for the most part, are beyond our control, and to maintain a very tight cost structure. This is the background against which OMIP will face the challenges, new projects and business opportunities with the necessary flexibility.*

*Finally, we would like to thank the entire OMIP team, including the non-executive directors, for the excellent work done, and to express our thanks to all the shareholders for their constant support and trust.*

Lisbon, 22 March 2017



2016 FINANCIAL YEAR

## 2.1 Framework

The Iberian Electricity Market (MIBEL), a joint venture of the governments of the Republic of Portugal and the Kingdom of Spain, aims to build a regional market that is consistent with and a facilitator of a much broader market: the Internal 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, and which functions as Central Counterparty 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 Counterparty, both registered with CMVM - *Comissão do Mercado de Valores Mobiliários*, the Portuguese Securities Market Commission).

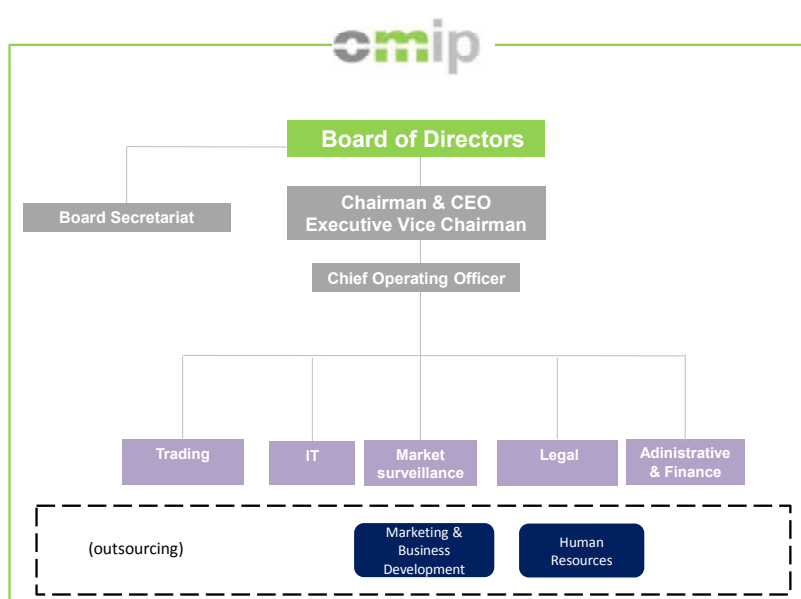
In accordance with the International Agreement of Santiago, MIBEL's supervision is the responsibility of a Board of Regulators comprised of regulators from the financial sector (*CMVM and Comisión Nacional del Mercado de Valores*) and from the energy sector (*Entidade Reguladora dos Serviços Energéticos 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 operational structure



As at 31 December 2016, the company had 12 staff (four female and eight male), plus the Chairman of the Board of Directors, who performs executive duties.

## 2.3 OMI

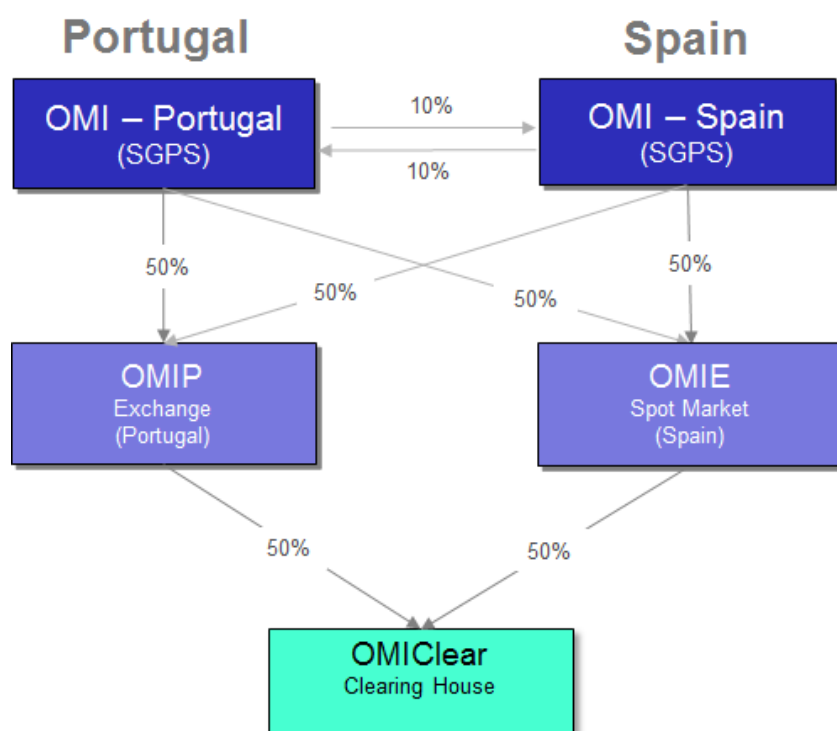
In 2011, OMI's final corporate structure was implemented, as provided for in Article 4 of the International Agreement of Santiago, revised and amended by the Braga Agreement, which states that OMI "shall comprise two holding companies, with head-office in Portugal and Spain respectively, with cross-shareholdings 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 2016 represented OMIP's tenth full year of activity performing the duties entrusted to the Portuguese division of the Iberian Electricity Market Operator.



DEVELOPMENT IN THE MIBEL  
DERIVATIVES MARKET

## DEVELOPMENT IN THE MIBEL DERIVATIVES MARKET

In line with OTC trading, traded volumes in the Mibel Derivatives Market increased in 2016.

A number of positive factors played a part in this increase: some international players who had been away from the Iberian market returned; the development of the economic and financial situation; the stabilisation of market prices; the refocusing of activity by credit institutions and investment funds, among other. This had an impact on the negotiation strategies and hedging of market participants.

As already mentioned, in 2016 traded volumes increased 15.32% compared to 2015. The continuous trading volume reached 19.54 TWh, compared to 15.36 TWh in 2015, while electrical energy consumption in the Iberian Peninsula, compared to the year before, increased 0.72% in Spain and 0.62% in Portugal, making up for the increase of 0.7% in the whole Iberian Peninsula.

Figure 3 Electricity consumption in the Iberian Peninsula (TWh)

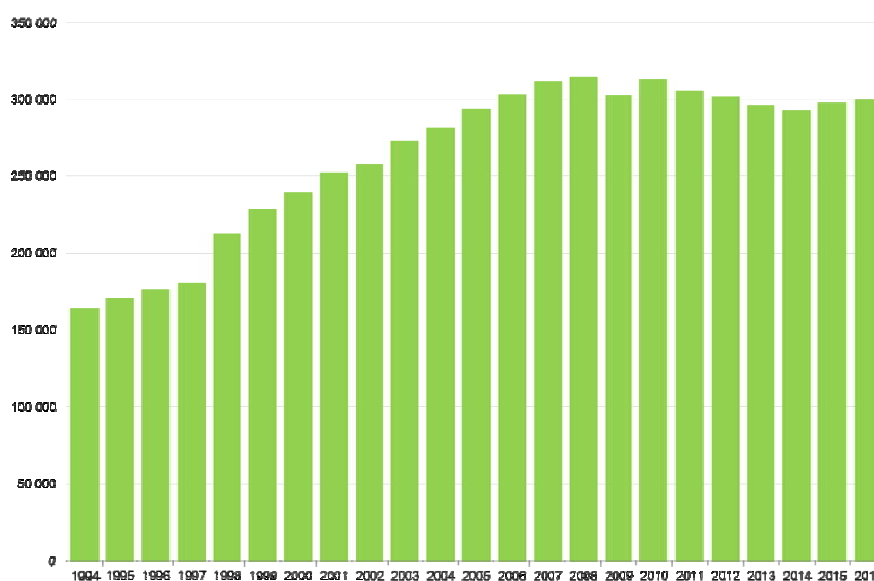


Table 1 Main activity indicators

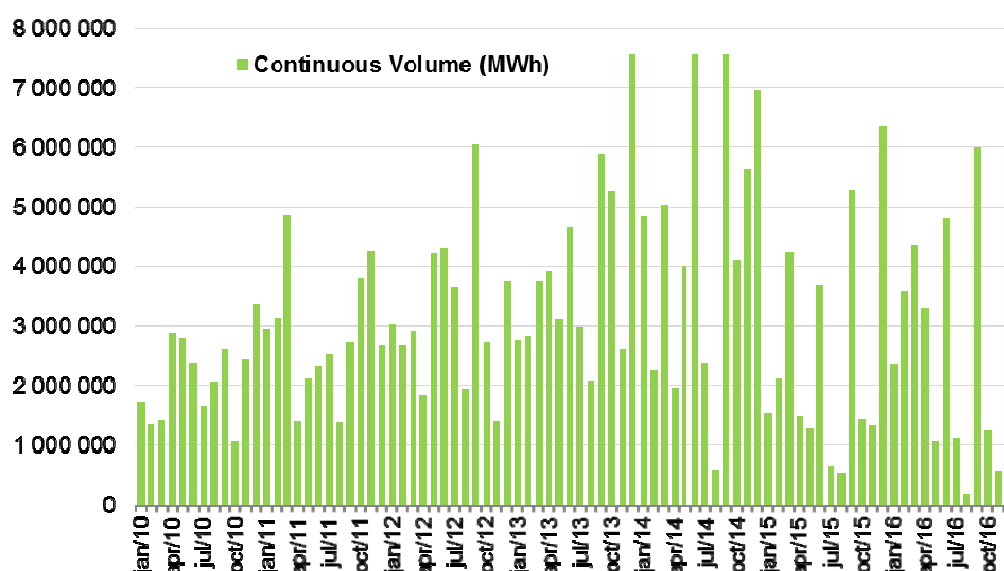
	2016	2015
Traded volume (TWh)	34	30
Notional traded volume (M€)	1 048	1 003
Number of participants	68	63



Regarding the number of participants, and as shown in detail below, in 2016, the market saw a slight growth, with eight new trading members being admitted and 5 entities having their activity suspended/terminated, resulting in a positive balance of 3 new members.

As regards traded volumes, September and December were clearly higher than the rest. Note also that, on average, about 2.87 TWh, were traded each month compared to 2.49 TWh in 2015.

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



The analysis of volumes traded every year shows that in 2016 traded volumes grew again after a decrease in 2015. In 2016, 34.42 TWh were traded online (continuous and auctions), reflecting a 15.32% compared to the previous year.

Figure 5 Annual volume traded on the market (MWh)

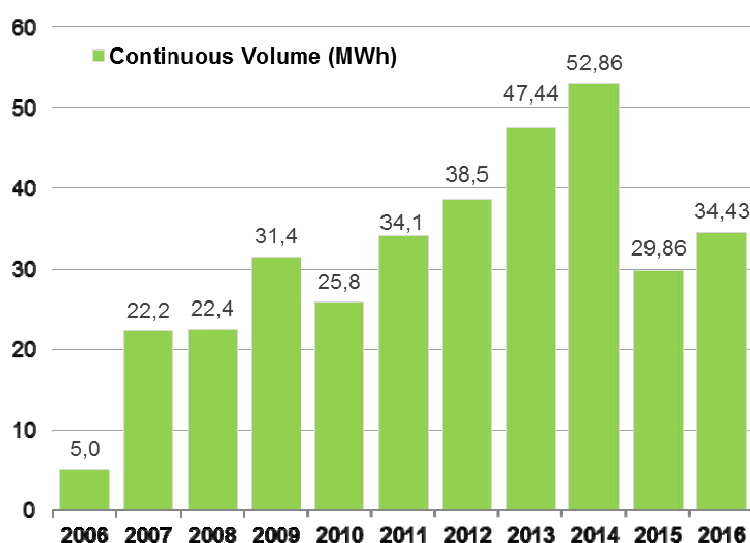
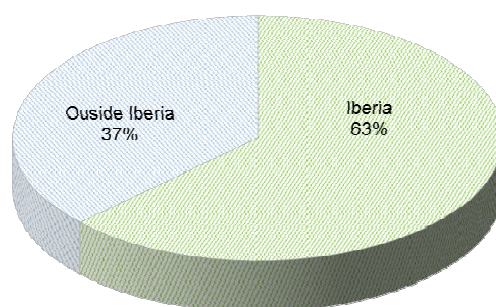


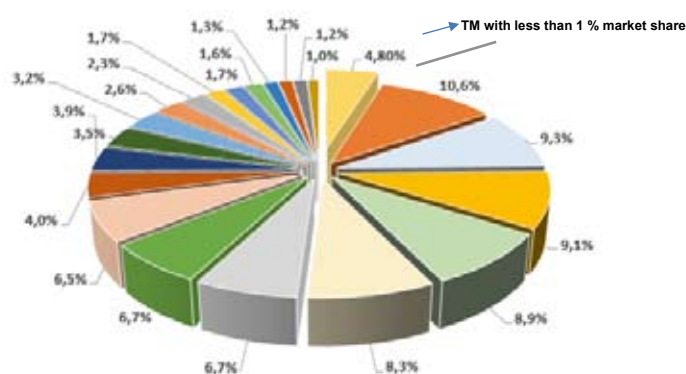
Figure 6 shows that 63% of the total volume was traded by companies domiciled in the Iberian Peninsula, a percentage lower than that in 2015 (71%). As already mentioned in this document, this shows the increasing interest of international entities in the Iberian energy market.

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



The distribution of market share among all trading members in 2016 (see figure 7) is similar to last year's, where the volume continues to be distributed amongst the different market members, the three most active ones representing about 29% (33% in 2015) of total volume traded. This indicator should be highlighted as it confirms that the electricity market in the Iberian Peninsula is still competitive and that in 2016 the weight of the main players was even lower 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 35.43% 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.

Figure 8 Share of traded volume for each type of contract in 2016

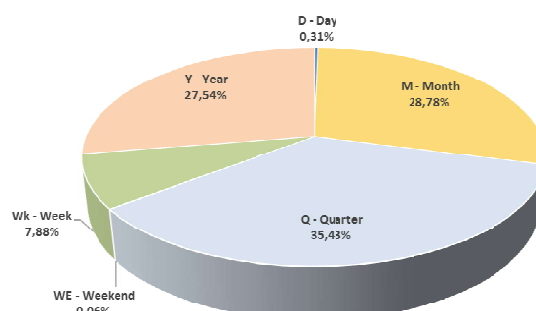


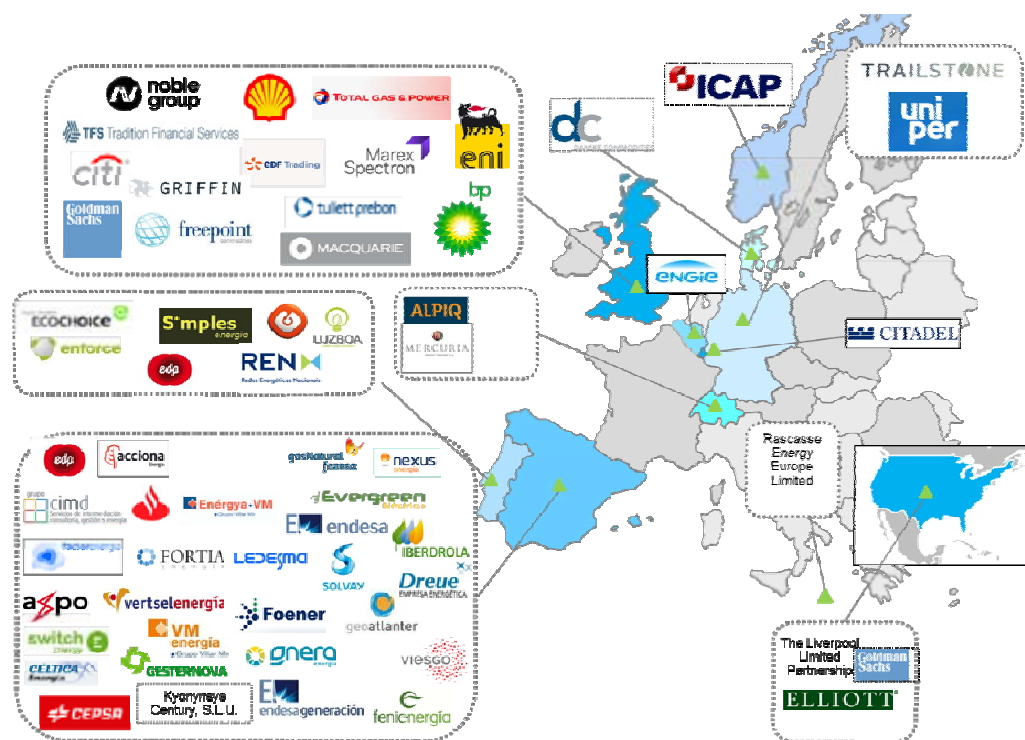
Table 2 lists all the OMIP members, as at 31 December 2016, indicating the trading members for their own account (OA), trading member for third party accounts (TPA) and OTC brokers.

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.	•		
CMD – Corretaje e Información Monetaria y de Divisas, S. V., S.A.		•	•
Citadel Financial Products S.à.r.l.	•		
Citigroup Global Markets Ltd.	•		
City Financial Investment Company Limited	•		
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.	•		
Eliot International, L.P.	•		
Endesa Energía XXI, S.L.	•		
Endesa Generación, S.A.	•		
Energía 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.	•		
Ferrié Energía S.A.	•		
Foener Comercialización, S.L.U.	•		
Fortia Energía Servicios S.L.	•		
Fortia Energía, S.L.	•		
Freemont Commodities Europe LLP	•		
Galp Power, S.A.	•		
Gas Natural SUR SDG, S.A.	•		
Gas Natural SDG, S.A.	•		
GeoAtlántic S.L.	•		
Gestemova, 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		•	•
Kyonymsys Century S.L.U.	•		
Ledesma Comercializadora Eléctrica, S.L.	•		
LUZBOA – Comercialização de Energia, Lda.	•		
Macquarie Bank Limited	•		
Mercuria Energy Trading, S.A.	•		
Nexus Energía, S.A.	•		
Noble Clean Fuels Limited	•		
PH Energía, Lda.	•		
Rascasse Energy Europe Limited	•		
Red Eléctrica de España, S.A. *	•		
REN - Rede Eléctrica Nacional, S.A. *	•		
Shell Energy Europe Ltd.	•		
Solvay Energy Services Ibérica S.L.	•		
Spectron Energy Services			•
Switch Energy, S.L.	•		
The Liverpool Limited Partnership	•		
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.

Figur9 9 Origin of members (December 2016)



As at 31 December 2016, the MIBEL Derivatives Market comprised 64 OA (own account) members, six TPA (Third Party Account) members and six OTC 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 effort in 2016, the following companies were admitted as trading members: Villar Mir Energía, Gesternova, Evergreen Eléctrica, Energia Simples, Ecochoice, Luzboa, Enforresco and Citadel Financial Products. Most of the new members are small traders, and one is a non-Iberian investment fund.

Table 3 Members at the end of 2016

Origin	Trading Member (OA)	Trading Member (TPA)	OTC Brokers
Spain	35	2	1
Portugal	8	0	0
United Kingdom	11	3	4
Germany	2	0	0
Norway	0	1	1
USA	2	0	0
Belgium	1	0	0
Denmark	1	0	0
Luxembourg	1	0	0
Malta	1	0	0
Switzerland	2	0	0
<b>Total</b>	<b>64</b>	<b>6</b>	<b>6</b>
Iberian	43	2	1
Non-Iberian	21	4	5

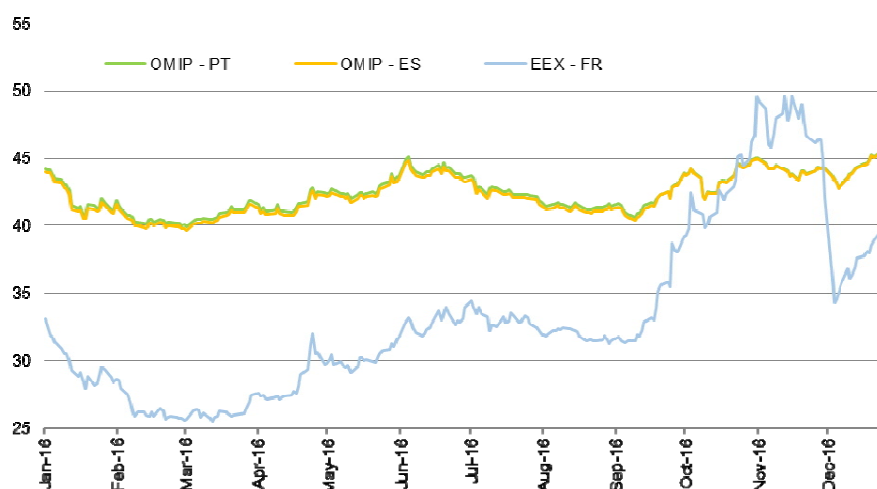
In terms of price rates relating to the first-quarter contracts of the two MIBEL zones listed for trading, as shown in Figure 10, the seasonal nature that characterises the Iberian Peninsula is evident. This is even more striking when compared to the French market, which is far more sensitive to consumption issues and existing technology at their production plants. Besides the more or less known peculiarities of the French market, 2016 was very much influenced by the “crisis” in the French Nuclear Plants, which late in the year caused prices for that market to soar. To show the volatility in the French market, it is enough to say that quarterly contracts reached the maximum value of 96.5 EUR/MWh on 18 November for the French zone and their minimum value of 22.22 EUR/MWh on 26 February for the same zone.

Figure 10 Evolution of price rates for first-quarter trading contracts (EUR/MWh)



The annual contracts (*cfr.* Figure 11) show that the stable trend continues – Portuguese and Spanish prices ranging between 39 and 46 EUR/MWh. Even so, the maximum prices were recorded on 28 December, at 45.75 EUR/MWh in Spain, and on the same day at 45.82 EUR/MWh in Portugal. The price difference for the French market widened in the last quarter of 2016 for the reasons already given.

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



The table below summarises some of the major events that marked 2016.

Table 4 Summary of 2016

Event
Axpo Iberia; EDF Trading Limited and Endesa were selected through tender as market makers for the whole of 2016.
8 new trading members were admitted to OMIP (8 are Iberian companies in the energy sector 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 5.69 TWh and 9.2 TWh respectively.
Two auctions of a product indexed to solar production promoted by Endesa.
OMIP organised 9 seminars on energy derivatives markets, in Madrid and Lisbon, attended by more than 100 participants. Five of these seminars were in-house and the remaining four were general sessions open to all participants.
Launch, in May, of the trading of derivative products on the French and German zones both for trading on the stock exchange and for OTC registration.
OMIP continued to work as RRM, reporting to ACER in accordance with REMIT regulations; almost 80 clients subscribed to this service until the end of 2016.
In October, ERSE appointed OMIP as the entity responsible for operating the Gas Offsetting Auction platform needed to balance the Portuguese National Natural Gas Transmission Network (REN).
OMIP submitted the application to launch the new Gas Derivatives market (PVB-ES Spanish) to the regulators, enabling online trading and OTC registration. Approval should be completed during the first half of 2017.



INFORMATION SYSTEMS

## INFORMATION SYSTEMS

In 2016, work in the field of information systems focused on three essential components:

- 1. Management of contracts with external suppliers;**
  - > Support to communication between supplier and operational departments;
  - > Maintenance of infrastructure to support services;
  - > Service level management.
- 2. 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 adaptation to regulatory changes.
- 3. Design, specification, implementation and testing of new solutions and functionalities, and improvement of applications used;**

The following events took place in 2016, carried out by or done in collaboration with the Information Systems department:

- > Launch of French and German products;
- > Web and FTP platform development for third parties to access the ACER system for REMIT (ARIS). This platform was jointly developed with Premium-Minds and was generically called *OMIP Reporting Platform* (ORP) with the purpose of being reused to help comply with future regulatory obligations;
- > Development and maintenance of an interface between traders, network operators and DGEG to exchange data on the social tariff award process and mass access data related to the natural gas market.
- > Replacement of the maintenance service supplier of the eSwitch/GPMC platform: Finantech exists and Premium-Minds steps in;
- > Migration to the Jira system – centralisation of incident management and company's tasks in a single platform.





OTHER ACTIVITIES

## OTHER ACTIVITIES

### 5.1 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 2016, with all the contracts offered for sale by the last resort supplier being sold.

### 5.2 Auction of capacity in the electrical interconnection between Portugal and Spain

Following the standardization work done by MIBEL's Board of Regulators, 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 safeguard themselves against 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 2015, in which both directions of the interconnection were negotiated.

### 5.3 Auctioning of the new product indexed to solar capability indexes

OMIP also 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 counterparty 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. Two auctions were held in 2016.

### 5.4 Capacity rights of use (gas)

Natural gas requires complex network and terminal infrastructures 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

Transport, 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 agent training, setup and availability of technological platforms, as well as the operation of the primary and secondary markets.

In 2016, OMIP continued to ensure the above functions, the only relevant change being that a new product was added to the portfolio of allocatable products via Trayport platform: the right to storage capacity, on a day-to-day basis, in the natural gas underground storage infrastructure.

## 5.5 Development of the GPMC Project

OMIP continued to ensure the operational 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..

In 2016, the following improvements were introduced in connection with the second part of the first group of the first phase for the installation of new changing supplier procedures in the natural gas sector: review of the Z1 flow (statistical information for ERSE) and automation of B5 and B6 flows (cancellation/restitution of trader switching) to GPMC; due to the new process of granting social tariffs, an ftp was implemented and the D16 flow (change in the network usage tariff by the supplier) and D41 flow (change in the technical data of installation by the ORPE) were adapted; finally, the ftp for the Mass Access was also implemented (mass access by suppliers to the technical and consumption data of all natural gas national points of delivery).



OUTLOOK FOR 2017

2017 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:

- > The gradual increase in 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, 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.

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 the company 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

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 the year 2016, in the positive amount of 631 392.89 EUR (six hundred and thirty-one thousand, three hundred and ninety-two euro and eighty-nine cents) be appropriated as follows:

To legal reserve .....	63 139.29 EUR
To dividends .....	568 253.60 EUR

Lisbon, 22 March 2017

## The Board of Directors,

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**Pedro Jesus Mejía Gómez**

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**Abengoa, S.A.**  
*German Bejarano García*

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**Banco Santander, S.A.**  
*Carlos Martin de los Santos Bernardos*

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**EDP – Energias de Portugal, S.A.**  
*Carlos Manuel Sola Pereira da Mata*

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**Endesa Generación Portugal, S.A.**  
*Adolfo Javier de Rueda Villén*

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**Gas Natural, SDG, S.A.**  
*Rosa María Sanz García*

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**Iberdrola Generación España, S.A.U.**  
*Gregorio Relaño Cobián*

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**Parcaixa, SGPS, S.A.**  
*Paulo Alexandre da Rocha Henriques*

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**REN – Redes Energéticas Nacionais, SGPS, S.A.**  
*Maria José Menéres Duarte Pacheco Clara*

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**REN Serviços, S.A.**  
*Pedro Henriques Gomes Cabral*

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**Viesgo Infraestructuras Energéticas, S.L.**  
*Javier Anzola Pérez*





SHAREHOLDERS, GOVERNING  
BODIES AND SUBSIDIARY

## 8.1 Shareholders

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

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

## 8.2 Governing bodies (triennium 2015 – 2017)

### Board of the General Meeting

Manuela Lopes dos Santos.....Chairman

### Board of Directors

Pedro Jesus Mejía Gómez .....Chairman

.....Deputy Chairman  
(Vacant, following the resignation of José Isidoro d'Oliveira Carvalho Netto on 31 May 2016)

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 (Gregorio Relaño Cobián) .....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

### Fiscal and supervisory body

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

José Manuel Henriques Bernardo (ROC) .....Alternate member

## 8.3 Subsidiary

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



**FINANCIAL STATEMENTS  
AND ANNEXES**

**AS AT 31 DECEMBER 2016**

## FINANCIAL STATEMENTS AND ANNEXES

### AS AT 31 DECEMBER 2016

## Balance Sheet

		Currency: Euros	
	Note	31-12-2016	31-12-2015
<b>Assets</b>			
Non-current			
Property, plant and equipment	7	11.304	13.524
Investments - Equity method	8	5.286.142	5.233.807
Accounts receivable	9	262.917	-
Other financial investments	10	1.995	929
		<u>5.562.358</u>	<u>5.248.260</u>
Current			
Trade receivables	11	309.803	108.546
Other accounts receivable	9	910.141	1.156.232
Deferrals	12	31.380	26.670
Cash and bank deposits	5	531.200	342.322
		<u>1.782.524</u>	<u>1.633.769</u>
Total assets		<u>7.344.882</u>	<u>6.882.029</u>
<b>Equity capital</b>			
Realised capital	13	2.500.000	2.500.000
Issue premium	14	1.193.711	1.193.711
Legal reserves	15	190.435	184.528
Adjustments/Other changes in equity	16	1.114.928	1.114.928
Retained earnings		1.025.810	1.025.810
		<u>6.024.884</u>	<u>6.018.977</u>
Net result for the period		631.393	59.072
Total equity		<u>6.656.277</u>	<u>6.078.049</u>
<b>Liabilities</b>			
Current			
Trade payables	17	162.610	127.952
State and other public entities	18	253.503	56.365
Other accounts payable	19	272.492	619.663
		<u>688.605</u>	<u>803.980</u>
Total liabilities		<u>688.605</u>	<u>803.980</u>
Total equity and liabilities		<u>7.344.882</u>	<u>6.882.029</u>

Notes on pages 35 to 55 are an integral part of the above financial statements.

## Statement of profit and loss for the year ended 31 December 2016

	Note	Currency: Euros	
		31-12-2016	31-12-2015
Sales and services rendered	20	2.513.909	1.928.986
Gains/(losses) charged to subsidiaries	8	52.335	16.450
Supplies and external services	21	(965.875)	(955.379)
Staff costs	22	(972.492)	(1.097.482)
Other income and gains	23	305.389	367.028
Other expenses and losses	24	(129.408)	(112.976)
Results before depreciation, financial expenses and taxes		803.858	146.627
(Expenses) / depreciation and amortisation reversals	7	(4.517)	(21.692)
Operating income (before financial expenses and taxes)		799.341	124.935
Interest and similar earnings	25	7.898	17.025
Interest and similar costs incurred	25	(11)	(311)
Pre-tax results		807.228	141.649
Income tax for the period	26	(175.835)	(82.577)
Net results for the period		631.393	59.072
Basic earnings per share		2,53	0,24

Notes on pages 35 to 55 are an integral part of the above financial statements.

## Statement of changes in equity

	Note	Realised capital	Issue premium	Legal reserves	Adjustments in financial assets	Retained earnings	Net result for the period	Total
Position at the start of 2015		2.500.000	1.193.711	165.345	1.114.928	1.025.810	191.829	6.191.623
Changes in the period								
Other changes recognised in equity		-	-	19.183	-	172.646	(191.829)	-
		-	-	19.183	-	172.646	(191.829)	-
Net result for the period		-	-	-	-	-	59.072	59.072
Integral result		-	-	-	-	-	59.072	59.072
Operations with equity holders in the period								
Distributions	27	-	-	-	-	(172.646)	-	(172.646)
		-	-	-	-	(172.646)	-	(172.646)
Position at the end of 2015		2.500.000	1.193.711	184.528	1.114.928	1.025.810	59.072	6.078.049
Changes in the period								
Other changes recognised in equity		-	-	5.907	-	53.165	(59.072)	-
		-	-	5.907	-	53.165	(59.072)	-
Net result for the period		-	-	-	-	-	631.393	631.393
Integral result		-	-	-	-	-	631.393	631.393
Operations with equity holders in the period								
Distributions	27	-	-	-	-	(53.165)	-	(53.165)
		-	-	-	-	(53.165)	-	(53.165)
Position at the end of 2016		2.500.000	1.193.711	190.435	1.114.928	1.025.810	631.393	6.656.277

Notes on pages 35 to 55 are an integral part of the above financial statements.

## Statement of cash flow for the year ended 31 December 2016

	Note	Currency: Euros	
		31-12-2016	31-12-2015
Cash flows of operating activities			
Trade receivables		2.792.343	1.844.669
Trade payables		(1.133.576)	(1.071.621)
Payments to staff		(839.532)	(1.014.859)
Cash flow generated by the operations		819.236	(241.811)
(Payment) / refund of income tax		(12.173)	50.294
Other (payments) / receipts		(250.706)	(25.791)
Cash flow of operating activities		556.357	(217.309)
Cash flow of investment activities			
Payments regarding:			
Other assets		-	(500.000)
Receipts from:			
Property, plant and equipment		1	-
Other assets		-	250.000
Dividends	27	-	105.740
Interest and similar income		8.057	8.747
Cash flow of investment activities		8.058	(135.513)
Cash flow of financial activities			
Receipts from:			
Other financial operations		44.306	-
Payments regarding:			
Interest and similar expenses		-	-
Dividends	27	(46.519)	(151.065)
Other financial operations		(373.324)	-
Cash flow of financial activities		(375.537)	(151.065)
Variation of cash flow and its equivalents		188.878	(503.887)
Cash and cash equivalents at the start of the period	5	342.322	846.209
Cash and cash equivalents at the end of the period	5	531.200	342.322

Notes on pages 35 to 55 are an integral part of the above financial statements.

## ANNEX TO THE FINANCIAL STATEMENTS

### 1 Identification of entity 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.

On 18 October 2011, OMIP's share capital became 50% held 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 counterparty, and of the settlement system.

These financial statements were approved by the Board of Directors at its meeting held on 21 March 2017 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 2016.

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 Main 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 income, 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	2016	2015
USD	1,0536	1,0925
GBP	0,8564	0,7369

## 4.3. Property, plant and equipment

Property, plant and equipment are valued at cost less accumulated depreciation and accumulated impair-



ment 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	3 - 5 years
Office equipment	3 - 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 income.

#### 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. In cases 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:

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

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

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

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

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

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

Accounts receivable are classified on the balance sheet as “Other 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. Trade receivables and other accounts receivable**

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

Impairment losses on “Trade receivables” 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 income, 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. These 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 classified under equity capital.

Costs directly attributable to the issuance 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 classified / 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 income.

OMIP classifies 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 income, 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 liabilities 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 classified 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 income 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 income 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. Critical 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 income 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 2016 and 31 December 2015, the breakdown of cash and bank deposits is the following:

	31-12-2016	31-12-2015
Cash	2.752	2.056
Bank deposits	528.448	340.266
	<b>531.200</b>	<b>342.322</b>

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 2016 and 31 December 2015 is as follows:

	31-12-2016	31-12-2015
<b>Cash resources</b>		
- Cash	2.752	2.056
	<b>2.752</b>	<b>2.056</b>
<b>Bank deposits</b>		
- Checking accounts	528.448	340.266
	<b>528.448</b>	<b>340.266</b>
	<b>531.200</b>	<b>342.322</b>

As at 31 December 2016, the company no longer has any term deposit.

## 6 Accounting policies, changes in accounting estimates and errors

### 6.1. Changes in standards

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 2015 the movements recorded under the heading of property, plant and equipment were as follows:

	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
<b>1 January 2015</b>			
Acquisition cost	120.000	1.735.634	1.855.634
Accumulated depreciation	<u>(103.958)</u>	<u>(1.719.316)</u>	<u>(1.823.274)</u>
<b>Net book value</b>	<b><u>16.042</u></b>	<b><u>16.318</u></b>	<b><u>32.360</u></b>
Additions	-	2.857	2.857
Depreciation - period	<u>(16.333)</u>	<u>(5.359)</u>	<u>(21.692)</u>
<b>Net book value</b>	<b><u>(291)</u></b>	<b><u>13.816</u></b>	<b><u>13.524</u></b>
<b>31 December 2015</b>			
Acquisition cost	120.000	1.738.491	1.858.491
Accumulated depreciation	<u>(120.291)</u>	<u>(1.724.675)</u>	<u>(1.844.966)</u>
<b>Net book value</b>	<b><u>(291)</u></b>	<b><u>13.816</u></b>	<b><u>13.524</u></b>

During the period ended 31 December 2016 property, plant and equipment is broken down as follows:

	<u>Vehicles</u>	<u>Office equipment</u>	<u>Total</u>
<b>1 January 2016</b>			
Acquisition cost	120.000	1.738.491	1.858.491
Accumulated depreciation	<u>(120.291)</u>	<u>(1.724.675)</u>	<u>(1.844.966)</u>
<b>Net book value</b>	<b><u>(291)</u></b>	<b><u>13.816</u></b>	<b><u>13.524</u></b>
Additions	-	2.288	2.288
Disposals	(70.000)	-	(70.000)
Depreciation - period	-	(4.800)	(4.800)
Depreciation - disposals	70.291	-	70.291
<b>Net book value</b>	<b><u>(0)</u></b>	<b><u>11.304</u></b>	<b><u>11.304</u></b>
<b>31 December 2016</b>			
Acquisition cost	50.000	1.740.779	1.790.779
Accumulated depreciation	<u>(50.000)</u>	<u>(1.729.475)</u>	<u>(1.779.475)</u>
<b>Net book value</b>	<b><u>-</u></b>	<b><u>11.304</u></b>	<b><u>11.304</u></b>

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

Additions to property, plant and equipment made in the period ended 31 December 2016 consist mainly of office equipment.

## 8 Investments – Equity method

As at 31 December 2016 and 31 December 2015, 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:

	<u>31-12-2016</u>	<u>31-12-2015</u>
	<u>OMIClear</u>	<u>OMIClear</u>
Assets		
Non-current	698.814	75.280
Current	<u>292.901.947</u>	<u>210.261.170</u>
	<b><u>293.600.761</u></b>	<b><u>210.336.450</u></b>
Liabilities		
Non-current	530.440	14.635
Current	<u>282.498.038</u>	<u>199.854.202</u>
	<b><u>283.028.478</u></b>	<b><u>199.868.837</u></b>
Equity capital	<b><u>10.572.283</u></b>	<b><u>10.467.613</u></b>
<b>Activity in the year</b>		
Revenue	2.480.213	2.261.808
Expenses	<u>(2.375.541)</u>	<u>(2.228.907)</u>
Net result	<b><u>104.671</u></b>	<b><u>32.899</u></b>
% shareholding	<u>50%</u>	<u>50%</u>
	<b><u>52.335</u></b>	<b><u>16.450</u></b>



Investments in the periods are detailed below:

	<u>OMIClear</u>
<b>1 January 2015</b>	5.358.343
Dividends received	(140.986)
Gains / (Losses)	16.450
<b>31 December 2015</b>	<b><u>5.233.807</u></b>
Gains / (Losses)	52.335
<b>31 December 2016</b>	<b><u>5.286.142</u></b>

No dividends were received from Omiclear in 2016 relating to 2015.

## 9 Accounts receivable

In the period ended 31 December 2016 the heading "Accounts receivable" is broken down as follows:

	<u>31-12-2016</u>			<u>31-12-2015</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Loans granted (Note 31)	66.018	262.917	328.936	-	-	-
Other debtors						
OMIClear (Note 31)	217.536	-	217.536	439.936	-	439.936
OMIP SGPS (Note 31)	259.590	-	259.590	288.904	-	288.904
REN - Gasodutos (Note 31)	42.530	-	42.530	21.516	-	21.516
REN - Serviços (Note 31)	-	-	-	5.250	-	5.250
Other	276	-	276	277	-	277
Accrued income						
Other	324.190	-	324.190	400.348	-	400.348
	<u>910.141</u>	<u>262.917</u>	<u>1.173.058</u>	<u>1.156.231</u>	<u>-</u>	<u>1.156.231</u>
Impairment	-	-	-	-	-	-
	<u>910.141</u>	<u>262.917</u>	<u>1.173.058</u>	<u>1.156.231</u>	<u>-</u>	<u>1.156.231</u>

Repayment plan for the loan granted:

	<u>31-12-2016</u>
2017	66.018
2018	62.817
2019	64.720
2020	66.680
2021	68.701
	<b><u>328.936</u></b>

In early 2016, OMIP SGMR, SA granted a loan to its invested company Omiclear to acquire Sungard.

Breakdown of “Other income accruals”:

GPMC accruals	229.558
DUCs accruals	24.917
EEX - Q4-15 accrual	56.593
Interest receivable	13.008
Sundry	114
<b>TOTAL</b>	<b>324.190</b>

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

## 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 Trade receivables

The breakdown of the heading “Trade receivables” for the periods ended 31 December 2016 and 31 December 2015 is as follows:

	31-12-2016			31-12-2015		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables - Related parties (Note 31)	223.825	-	223.825	61.918	-	61.918
Trade receivables - Third parties	85.978	-	85.978	46.628	-	46.628
	<b>309.803</b>	<b>-</b>	<b>309.803</b>	<b>108.546</b>	<b>-</b>	<b>108.546</b>
Impairment	-	-	-	-	-	-
	<b>309.803</b>	<b>-</b>	<b>309.803</b>	<b>108.546</b>	<b>-</b>	<b>108.546</b>

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

## 12 Deferrals

As at 31 December 2016 and 31 December 2015, OMIP recorded the following balances under the heading “Deferrals”:

	31-12-2016	31-12-2015
Insurance	5.030	6.751
Membership fees	808	196
Bloomberg	3.957	3.840
Other	21.585	15.884
	<b>31.380</b>	<b>26.670</b>

### 13 Share capital

As at 31 December 2016 and 31 December 2015, 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:

	<u>% participação</u>	<u>Capital</u>
OMIP SGPS	50,00%	1.250.000
OMEL	50,00%	1.250.000
	<b>100,00%</b>	<b>2.500.000</b>

### 14 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.

### 15 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 2016 this reserve amounted to 190 435 EUR (2015: 184 528 EUR), therefore short of the 20% of share capital.

### 16 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.

### 17 Suppliers

In the periods ended 31 December 2016 and 31 December 2015 all current "Suppliers" are broken down as follows:

	<u>31-12-2016</u>	<u>31-12-2015</u>
Trade payables	162.610	127.952
	<b>162.610</b>	<b>127.952</b>

## 18 State and other public entities

The balances for this heading as at 31 December 2016 and 31 December 2015 are as follows:

	31-12-2016		31-12-2015	
	Debtor	Creditor	Debtor	Creditor
Corporate tax - IRC	-	172.146	-	10.813
Income tax - IRS	-	22.525	-	21.955
Value added tax - IVA	-	43.059	-	5.195
Contributions to Social Security	-	15.773	-	18.402
	-	<b>253.503</b>	-	<b>56.365</b>

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

	<b>31-12-2016</b>	<b>31-12-2015</b>
Payments on account	4.658	-
Withholding tax	-	36.707
Corporate tax estimate	(176.804)	(47.520)
	<b>(172.146)</b>	<b>(10.813)</b>

## 19 Other accounts payable

In the periods ended 31 December 2016 and 31 December 2015, the breakdown of the heading “Other accounts payable” is as follows:

	31-12-2016			31-12-2015		
	Current	Non-current	Total	Current	Non-current	Total
Fixed asset suppliers						
General trade payables/suppliers	688	-	688	-	-	-
	688	-	688	-	-	-
Other creditors						
OMIClear (Note 31)	-	-	-	320.324	-	320.324
OMIP SGPS (Note 31)	-	-	-	33.963	-	33.963
Other	4.333	-	4.333	5.276	-	5.276
	4.333	-	4.333	359.563	-	359.563
Staff						
Staff	-	-	-	488	-	488
	-	-	-	488	-	488
Creditors due to accrued expenses						
Staff costs	206.194	-	206.194	209.969	-	209.969
Other	61.277	-	61.277	49.643	-	49.643
	267.471	-	267.470	259.612	-	259.612
	272.492	-	272.491	619.663	-	619.663

## 20 Services rendered

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

	31-12-2016	31-12-2015
Variable fees	731.953	320.918
Admission and maintenance fees	481.594	429.544
Services rendered - Natural Gas	374.332	510.437
Licences	312.822	272.018
REMITT	210.215	16.157
EEX	169.093	45.033
Services rendered - Electricity	162.500	266.779
Other	71.400	68.100
	<b>2.513.909</b>	<b>1.928.986</b>

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

## 21 Supplies and external services

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

	31-12-2016	31-12-2015
Specialised works	750.560	716.271
Travel and accomodation	44.189	47.589
Rentals and leases (includes condominium)	44.073	41.321
Materials	28.320	30.291
Entertainment fees	24.870	40.010
Fees	21.642	18.193
Insurance	17.048	17.896
Communication	13.143	15.935
Water and electricity	6.908	13.299
Other (each under 5 000 EUR)	15.122	14.574
	<b>965.875</b>	<b>955.379</b>

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.

## 22 Staff costs

Staff costs incurred during the periods ended 31 December 2016 and 2015 were as follows:

	31-12-2016	31-12-2015
Remunerations		
Governing bodies	153.616	317.940
Staff	636.921	590.827
	<b>790.537</b>	<b>908.767</b>
Social charges	165.638	174.016
Other	16.316	14.698
	<b>181.955</b>	<b>188.715</b>
	<b>972.492</b>	<b>1.097.482</b>

In 2016, the average number of OMIP staff was 12 (2015: 12).

## 23 Other income and gains

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

	<u>31-12-2016</u>	<u>31-12-2015</u>
Management fees (Note 31)	235.437	238.437
Business fees	62.408	77.740
Other	7.544	50.851
	<u>305.389</u>	<u>367.028</u>

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.

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.

## 24 Other expenses and losses

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

	<u>31-12-2016</u>	<u>31-12-2015</u>
Market operation costs	86.402	60.214
Contributions/levies	24.240	25.859
Taxes	2.222	3.475
Other	16.546	23.428
	<u>129.408</u>	<u>112.976</u>

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 2016 the traded volumes were greater than those in 2015.

“Contributions / Levies” includes the costs borne by the company in 2015 as a result of being a member of representative entities in the sector, namely the APE (Association of Power Exchanges), EUROPEX, among others.

## 25 Expenses and financial income

The breakdown of expenses and financial income in 2016 and 2015 is as follows:

	<u>31-12-2016</u>	<u>31-12-2015</u>
Financial income		
Interest earned	7.898	17.025
	<u>7.898</u>	<u>17.025</u>
Financial costs		
Other financial costs	11	311
	<u>11</u>	<u>311</u>

The company's financial income was lower than that of 2015, due to the low interest rates on investments paid by the banks.

## 26 Income tax

As at 31 December 2016 and 31 December 2015, the heading "Income tax" is as follows:

	31-12-2016	31-12-2015
Current income tax	176.805	47.520
Tax relating to prior periods (2011 and 2012)	-	48.926
Excess tax estimate	(970)	(13.869)
	<b>175.835</b>	<b>82.577</b>

The tax rate used for the valuation of taxable differences at the balance sheet date for the year ended 31 December 2016 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% (2015: 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%)

The shortfall in tax estimate was due to a tax adjustment on profits that the company had to make for the years 2011 and 2012.

### 26.1. Deferred taxes

As at 31 December 2016 and 31 December 2015, no situations generated deferred tax assets or liabilities.

### 26.2. Reconciliation of tax rate

The reconciliation of the effective tax rate for the periods ended 31 December 2016 and 2015 is shown below:

	31-12-2016		31-12-2015	
Pre-tax results	15.000	792.228	15.000	126.650
Tax rate	17,0%	21,0%	17,0%	21,0%
	<b>2.550</b>	<b>166.368</b>	<b>2.550</b>	<b>26.596</b>
	<b>168.918</b>		<b>29.146</b>	
Non-deductable expenses	1.379		4.953	
Non-taxable income	(11.163)		(3.747)	
Surcharge	11.410		2.211	
Separate settlement	6.260		14.957	
Additional corporate tax (2011 and 2012)	-		48.926	
Excess corporate tax estimate	(970)		(13.869)	
	<b>175.835</b>		<b>82.578</b>	
Current income tax	176.805		47.520	
Additional corporate tax (2011 and 2012)	-		48.926	
Excess corporate tax estimate	(970)		(13.869)	
Income tax	<b>175.835</b>		<b>82.577</b>	
Effective tax rate	<b>21,8%</b>		<b>58,3%</b>	

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

	2016	2015
Tax rate up to 15 000 EUR	17,00%	17,00%
Tax rate for remaining amounts	21,00%	21,00%
Surcharge	1,50%	1,50%
	<b>20,50%</b>	<b>20,50%</b>

## 27 Dividends

OMIP paid dividends during the period ended 31 December 2016 in the amount of 53 165 EUR to the OMIP SGPS and OMEL shareholders, in proportion to their shares in the company's capital (2015: 172 646 EUR). Dividends paid were subject to a 25% withholding tax rate.

## 28 Commitments

As at 31 December 2016 and 31 December 2015, there were no other commitments undertaken by the company and not reflected in the financial statements.

## 29 Contingencies

### CONTINGENT LIABILITIES

As at 31 December 2016 and 31 December 2015, OMIP did not record any contingent liabilities.

### CONTINGENT ASSETS

As at 31 December 2016 and 31 December 2015, OMIP did not record any contingent assets.

## 30 Information required by law

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

## 31 Related companies

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

### NATURE OF THE RELATIONSHIP WITH THE RELATED PARTIES:

#### Shareholders:

- OMIP, SGPS
- OMEL

#### Subsidiaries:

- OMIClear – C.C., SA

#### Other related parties:

- OMI – Polo Espanol, 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 Espana, SAU



### 31.1. Transactions with shareholders:

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

	<u>31-12-2016</u>	<u>31-12-2015</u>
<b>Services acquired</b>		
OMIP SGPS	25.350	25.350
	<u>25.350</u>	<u>25.350</u>
 <b>Services rendered</b>		
OMIP SGPS	55.437	55.437
	<u>55.437</u>	<u>55.437</u>

### 31.2. Debit and credit balances with shareholders

As at 31 December 2016 and 31 December 2015, the balances resulting from transactions made with shareholders were the following:

	<u>31-12-2016</u>	<u>31-12-2015</u>
<b>Other accounts receivable</b>		
OMIP SGPS (Note 11)	259.590	288.904
	<u>259.590</u>	<u>288.904</u>
 <b>Other accounts payable</b>		
OMIP SGPS (Note 18)	-	33.963
	<u>-</u>	<u>33.963</u>

### 31.3. Transactions with subsidiaries:

During the periods concerned, OMIP made the following transactions with the following subsidiaries:

	<u>31-12-2016</u>	<u>31-12-2015</u>
<b>Services acquired</b>		
OMIClear	145.344	145.344
	<u>145.344</u>	<u>145.344</u>
 <b>Services rendered</b>		
OMIClear	242.408	237.764
	<u>242.408</u>	<u>237.764</u>

**31.4. Debit and credit balances with subsidiaries:**

As at 31 December 2016 and 31 December 2015, the balances resulting from transactions made with subsidiaries were the following:

	<u>31-12-2016</u>	<u>31-12-2015</u>
<b>Other accounts receivable</b>		
OMIClear (Note 9)	328.936	439.936
	<u>328.936</u>	<u>439.936</u>
<b>Other accounts payable</b>		
OMIClear (Note 19)	-	320.324
	<u>-</u>	<u>320.324</u>

**31.5. Transactions with other related parties:**

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

	<u>31-12-2016</u>	<u>31-12-2015</u>
<b>Services rendered</b>		
REN - Gasodutos	374.332	173.078
REN - Rede Energética Nacional	62.500	62.500
	<u>436.832</u>	<u>235.578</u>

**31.6. Debit and credit balances with other related parties:**

At the end of the periods ended 31 December 2016 and 31 December 2015, the balances resulting from transactions made with other related parties are as follows:

	<u>31-12-2016</u>	<u>31-12-2015</u>
<b>Trade receivables</b>		
REN - Gasodutos	223.825	61.918
	<u>223.825</u>	<u>61.918</u>
<b>Other accounts receivable</b>		
REN - Gasodutos	42.530	21.516
REN - Serviços	-	5.250
	<u>42.530</u>	<u>26.766</u>

**31.7. Management remunerations**

During the periods ended 31 December 2016 and 2015, the remunerations earned by OMIP's Board of Directors were as follows:

	<u>31-12-2016</u>	<u>31-12-2015</u>
Salaries and other short-term remunerations	153.616	317.940
	<u>153.616</u>	<u>317.940</u>

## 32 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.

## 33 Proposed appropriation of profits

The Board of Directors, under the terms and for the purposes of Article 25 of the Company Statutes, decided to propose that the net profit for the year 2016, in the positive amount of 631 392.89 EUR (six hundred and thirty-one thousand, three hundred and ninety-two euro and eighty-nine cents) be appropriated as follows:

To legal reserve .....	63 139.29 EUR
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To dividends .....	568 253.60 EUR
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Lisbon, 20 March 2017

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**Manuela Lopes dos Santos**

The Certified Accountant, Licence no. 85946

## **The Board of Directors,**

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**Pedro Jesus Mejía Gómez**

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**Abengoa, S.A.**

*German Bejarano García*

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**Banco Santander, S.A.**

*Carlos Martín de los Santos Bernardos*

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**EDP – Energias de Portugal, S.A.**

*Carlos Manuel Sola Pereira da Mata*

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**Endesa Generación Portugal, S.A.**

*Adolfo Javier de Rueda Villén*

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**Gas Natural, SDG, S.A.**

*Rosa María Sanz García*

---

**Iberdrola Generación España, S.A.U.**

*Gregorio Relaño Cobián*

---

**Parcaixa, SGPS, S.A.**

*Paulo Alexandre da Rocha Henriques*

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

*Maria José Menéres Duarte Pacheco Clara*

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**REN Serviços, S.A.**

*Pedro Henriques Gomes Cabral*

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**Viesgo Infraestructuras Energéticas, S.L.**

*Javier Anzola Pérez*



A N N E X

# 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 financial statements of OMIP – Polo Português, S.G.M.R., S.A. (the Entity), which comprise the balance sheet as at December 31, 2016 (which shows total assets of Euro 7,344,882 and total shareholders' equity of Euro 6,652,277 including a net profit of Euro 631,393), 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 – Polo Português, S.G.M.R., S.A. as at December 31, 2016, 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. 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

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- 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;



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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 our opinion, the Director's report has been prepared in accordance with applicable requirements of the law and regulation, 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.

April 13, 2017

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

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### ***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, 2016.

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

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

April 13, 2017

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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