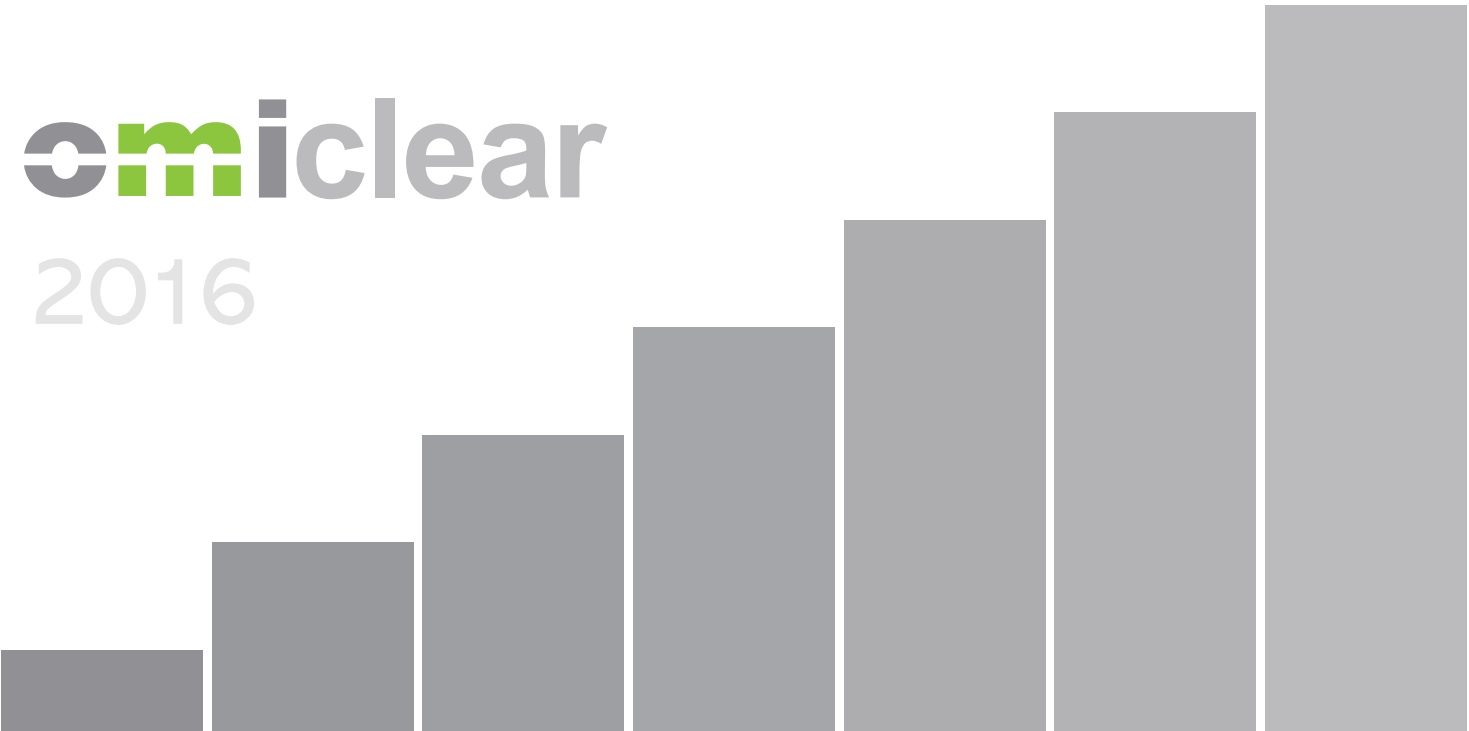
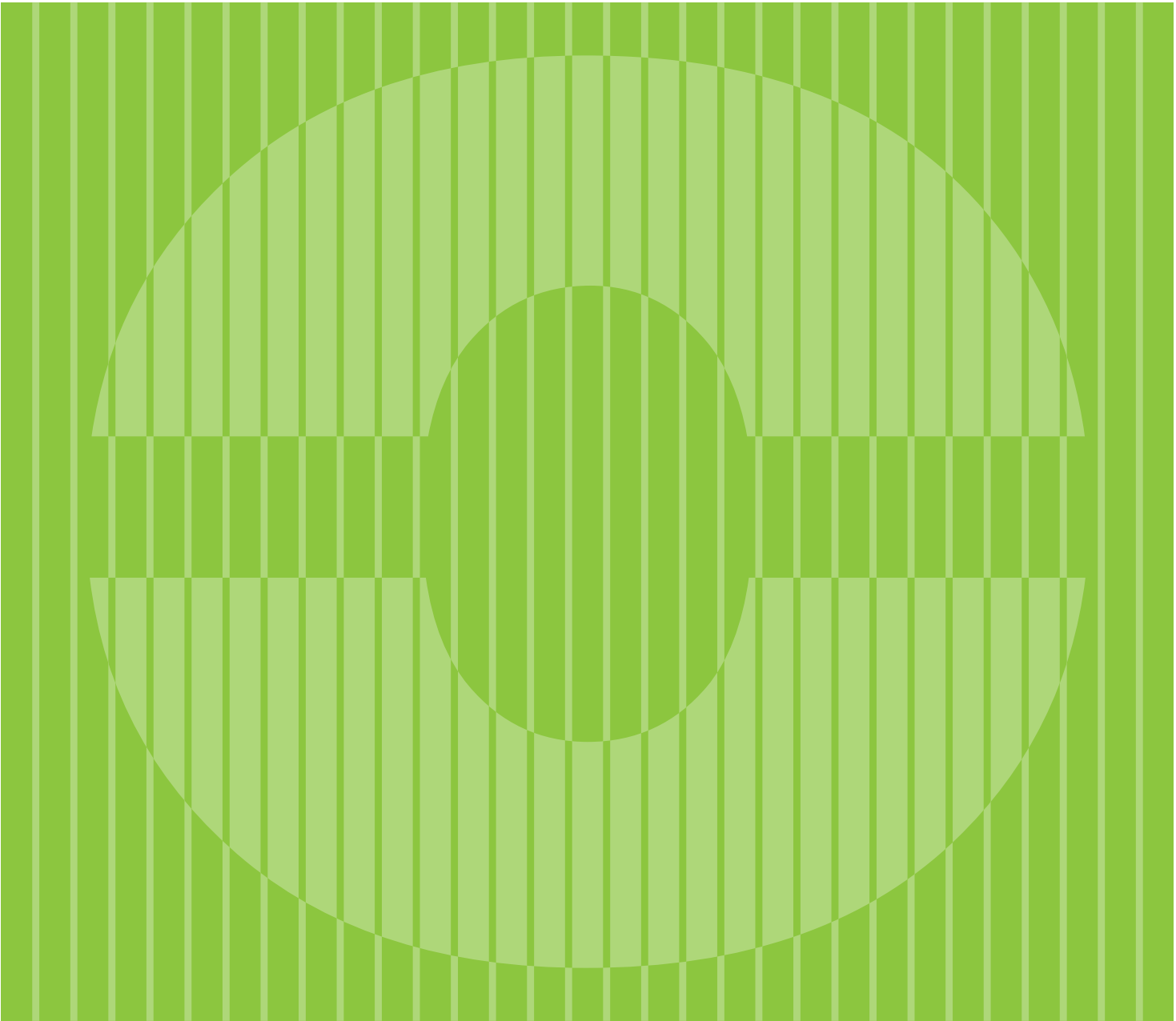


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2016



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:

OMIClear

OMIClear, C.C., S.A.

OMIP

OMIP – Pólo Português, S.G.M.R., S.A.

OMIE

OMI – Polo Español, S.A.

OMIP SGPS

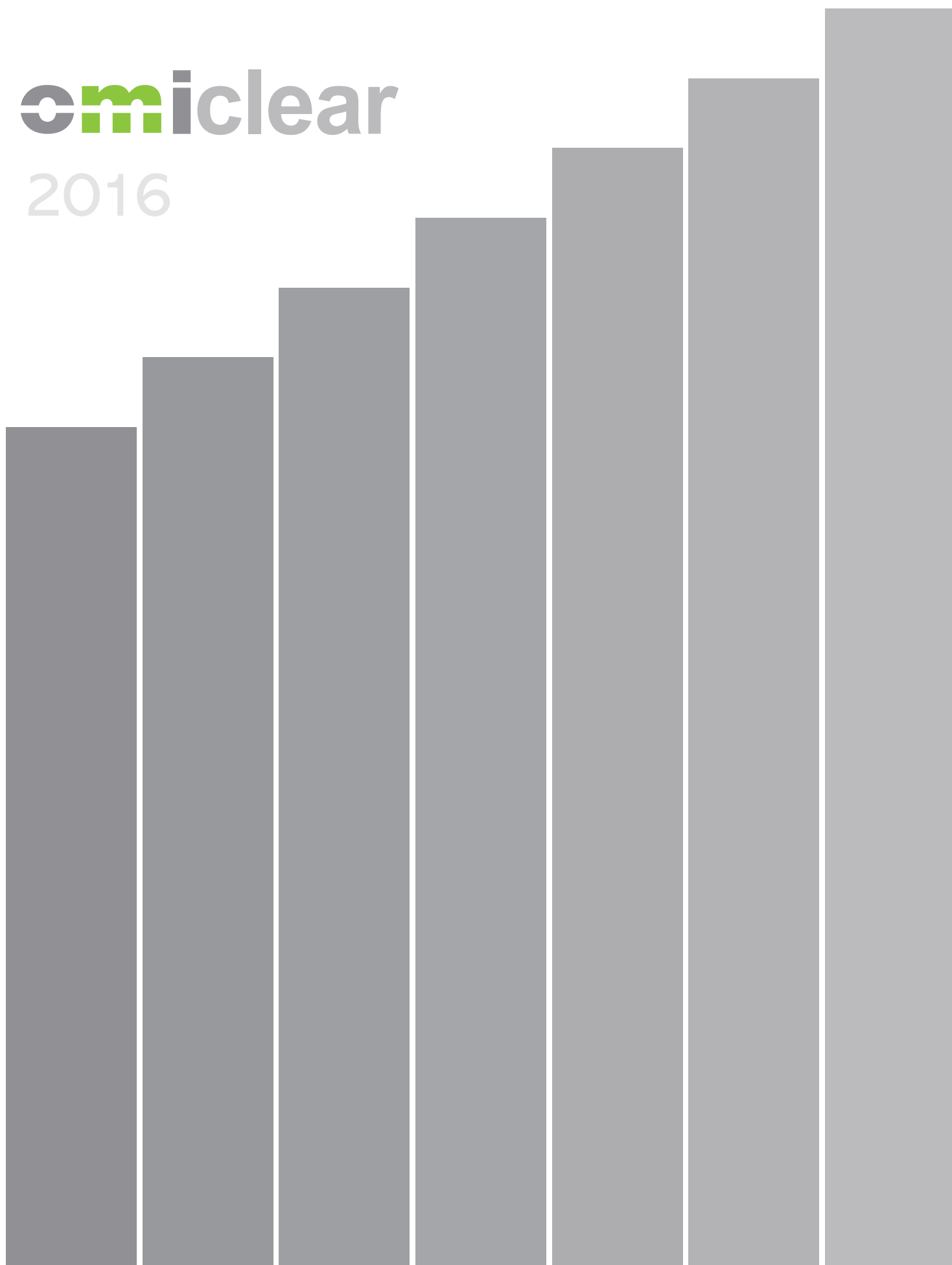
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.

OMEL

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

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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

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MESSAGE FROM
THE CHAIRMAN



Pedro Jesús Mejía Gómez

Deputy-Chairman of the Board of Directors

2016 was again a particularly difficult year for OMIClear.

The combination of an alleviated economic and financial crisis, stable share prices for a substantial part of the year, the fact that some banks and investment funds withdrew from commodities markets, and the uncertainties linked to anticipated regulatory changes contributed to the persistence of the 2015 scenario, during which the participants in the MIBEL derivatives market showed little interest in and need for trading and risk hedging. Even so, traded and cleared volumes increased, albeit at levels well below those recorded in 2014.

The numbers speak for themselves: while the total energy demand in the Iberian Peninsula dropped about 1.75% to 311.4TWh, the volume traded in the market managed by OMIP increased by about 15.32% to 34.43 TWh. At the same time, the OTC market, according to CNMC data, reached 169.66 TWh, making for an increase of 20.4% compared to 2015 (140.86 TWh). Consequently, the to-

tal clearing volume of OMIClear was of 71.8 TWh (this includes continuous trading, regulated auctions of special regime generation, and the interconnection capacities on the Portuguese-Spanish border, in addition to the bilateral volume registered in OMIP) resulting in an increase of 17.3% compared to 2015 (61.21 TWh)

With its core business showing vague signs of improvement, OMIClear continued to aim high and diversify its activities, and was thus able to finish the year with a positive net result.

In 2016 we continued with our strategy to expand the portfolio of products accepted for clearing and settlement, both for electricity derivatives outside the Iberian Peninsula, and for natural gas derivatives. In the first case, OMIClear began to accept German and French products for clearing, while in the second case the authorisation from the regulator is still pending. The launch of gas products appears to be essential for the development of the Iberian gas market.

This strategy to expand the portfolio designed to meet the needs of the market agents together with the high level of service always provided by OMIClear gives our company the trust and courage needed to face the challenges ahead, in particular the fierce increase in competition.

We will therefore continue to diversify in order to mitigate risks, most of which are beyond our control, and to maintain a very tight cost structure, yet flexible enough to efficiently respond to any opportunity.

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

Lisbon, 21 March 2017



RELEVANT FACTS

2016

16 May	OMIP and OMIClear launch the trading and registration of French and German products.
01 July	XXIX meeting of the Clearing and Settlement Committee, in Lisbon, on the 10th anniversary of the company.
03 October	OMIP and OMIClear organise two training sessions in Madrid.
17 November	XXX meeting of the Clearing and Settlement Committee, in London.
28 November	OMIP and OMIClear organise a training session in Madrid.
August	OMIClear submitted to the regulator (CMVM) the documents required for expanding its CCP function to the new gas derivatives market which will be managed by OMIP, including the possibility of accepting gas OTC registration.
19 December	OMIP and OMIClear organise a training session in Madrid.
December	<i>Open Interest</i> reached an all-time high of 26 TWh.

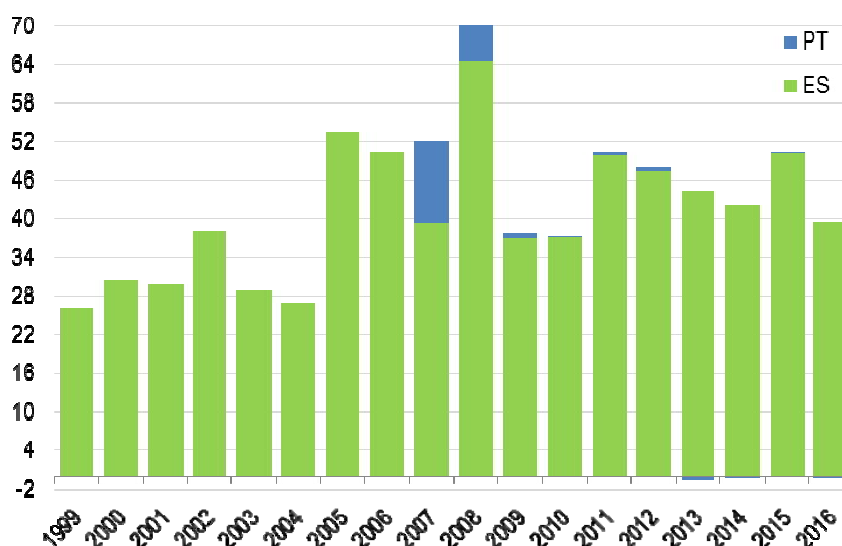


DERIVATIVES MARKET

3.1. Background

In contrast to the previous year, 2016 recorded an increase in average annual spot prices of electricity, with differences compared to last year of -10.66 EUR/MWh and - 10.99 EUR/MWh, respectively, in the Spanish and Portuguese MIBEL zones.

Figure 1 Spot prices (EUR/MWh) 1998 to 2016. Annual average. Spanish and Portuguese zones.



It is also important to note that in 2016 the average Spanish price was higher than the Portuguese one by 0.23 EUR/MWh.

Regarding Futures, and considering the premium contracts (following month, following quarter and following year) there was a sharp decline in the annual average of the 3 maturities. As regards monthly contracts, they fell 48.66 EUR/MWh in 2015 to 43.01 EUR/MWh in 2016, while quarterly contracts dropped from 47.53 EUR/MWh in 2015 to 43.36 EUR/MWh in 2016, and the average price of annual contracts shrunk from 46.76 EUR/MWh in 2015 to 42.29 EUR/MWh in 2016.

Figura 2 Price of Futures for the first Contracts (EUR/MWh). Spanish zone.

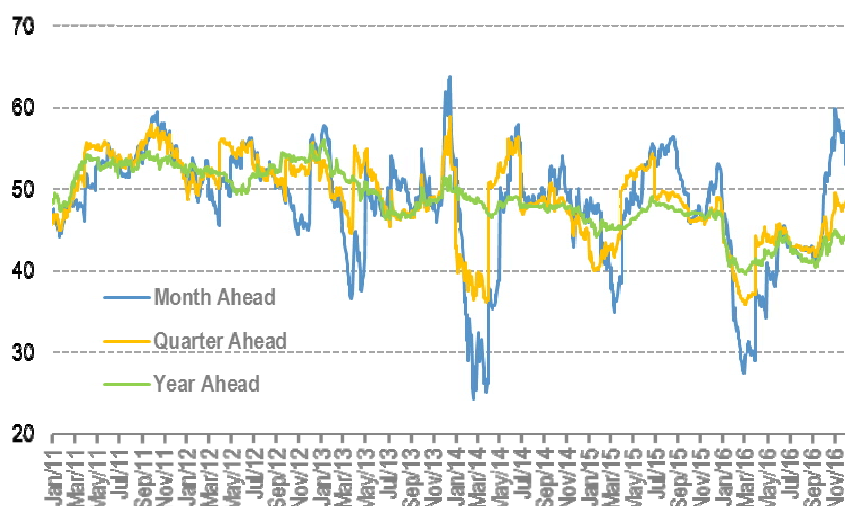
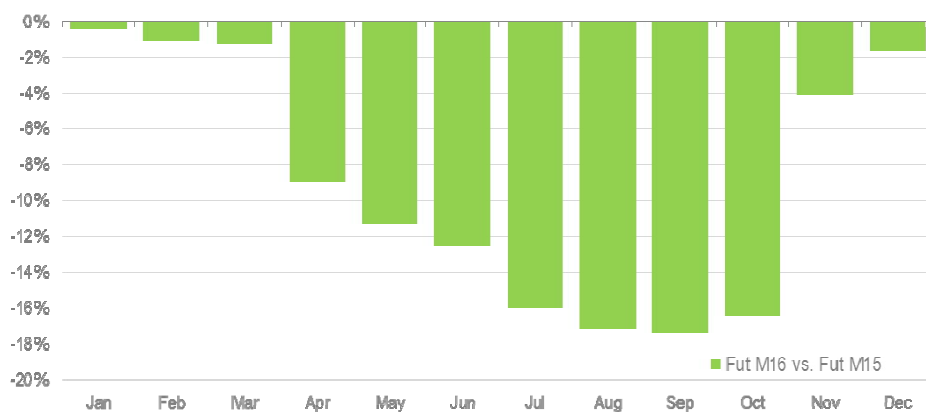


Figure 3 Variation in Average Monthly Futures Prices 2016 vs. 2015. Spanish Zones.



When comparing Futures with the French market, 2016 was an atypical year compared to what was noted in recent years.

Until mid-September, and as in previous years, the prices in French market were lower than in the Spanish market in quarterly and annual products, but in October/November 2016 the trend was reversed and the French products outweighed the Spanish products. This is justified by some problems faced by the nuclear power plants in France during that period.

In November, the situation was again “normal”, with the prices of (quarterly) French products matching the Spanish ones, and (annual) French prices being lower than the price of Spanish products.

Figure 4 Prices of the first Quarterly Futures Contract (EUR/MWh). Iberian Market vs. French Market.

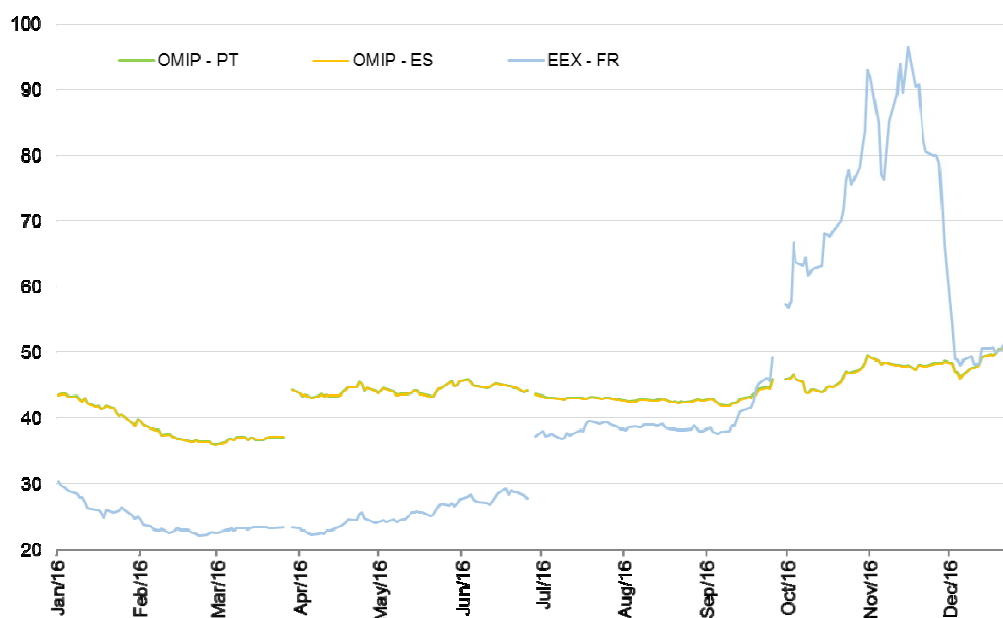
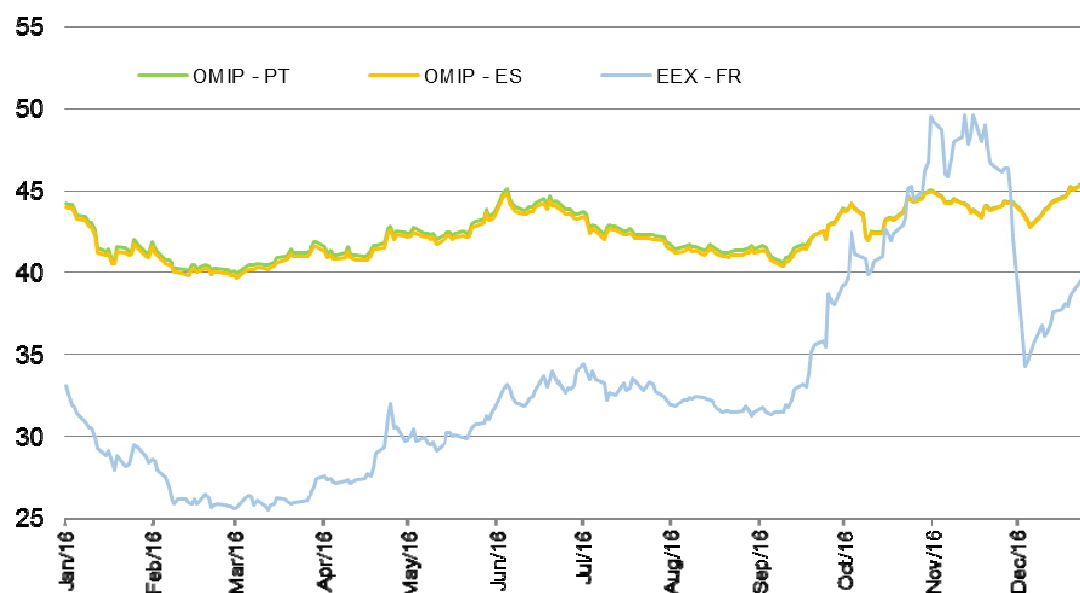


Figura 5 Prices of Futures Contract 2016 (EUR/MWh). Iberian Market vs. French Market.



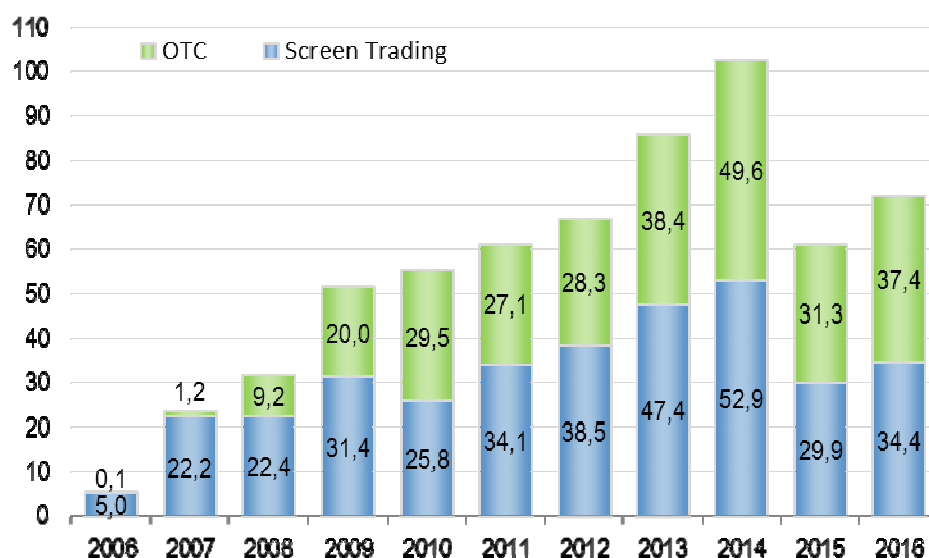
3.2. Clearing and Settlement

The volume recorded and cleared by OMIClear increased 17% compared to the previous year, from 61.2 TWh to 71.8 TWh, the notional value representing 2 637 million EUR.

Table 2 OMIClear Activity Indicators

	2016	2015
Registered volume (TWh)	71,80	61,21
Registered notional principal amount (Million EUR)	2 637	2 415

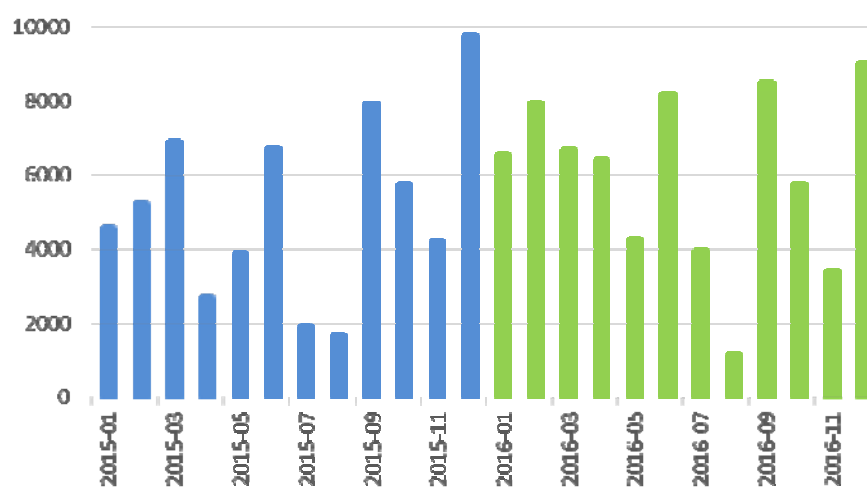
Figure 6 Annual volumes cleared by OMIClear (TWh).



In 2016, of the total cleared volumes, 34.4 TWh was cleared either through trading or auctioned by OMIP and 37.4 TWh was done through OTC registrations, directly by OMIClear.

The separate analysis of each month shows that cleared volumes are somewhat volatile throughout the year, as is natural. September and December were the months with the largest volume, while August was clearly the one with the least volume registered by the CCP.

Figure 7 Monthly Energy Volumes registered at OMIClear (MWh).



- > The setting up of an annual contract with all Market Makers;
- > In 2016 the same companies continued as Market Makers: Endesa, EDF Trading and AXPO Ibérica.
- > In 2016, the monthly, quarterly and annual Futures contracts in the Spanish zone had the intermediation of Market Makers, as well as options relating to these contracts.

Almost half of the registrations with OMIClear in both the Iberian and Non-Iberian markets results from the volumes traded on the stock market, the rest being from OTCs registered directly at the CCP.

Regarding contract maturity, contracts with the most volumes cleared by OMIClear are those delivered yearly, with a market share close to 47% traded on the stock market, and close to 52% in OTCs; contracts with shorter maturities (Days, Weekends and Weeks) are those whose volume has less impact on the total volume registered by OMIClear.

Figure 10 Volumes traded in the market and cleared by OMIClear (MWh). Historical distribution by maturity.

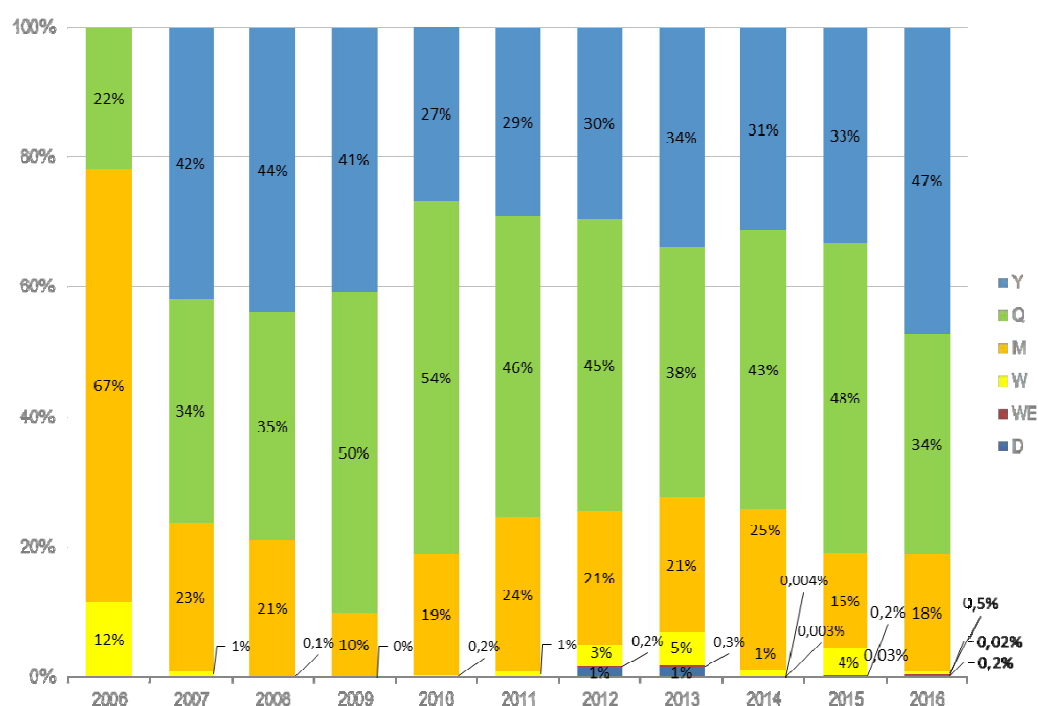
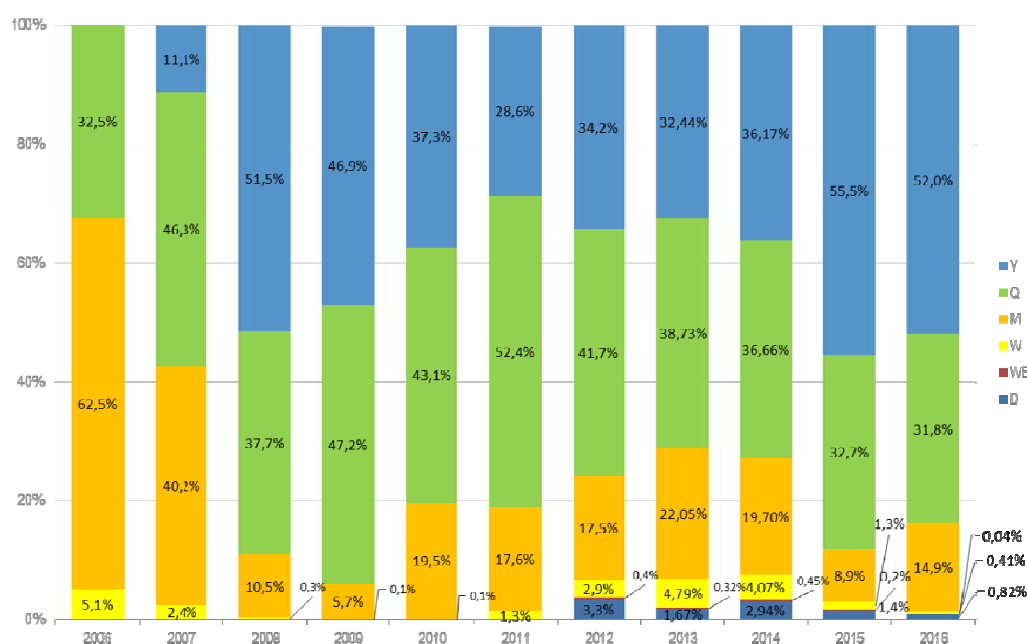
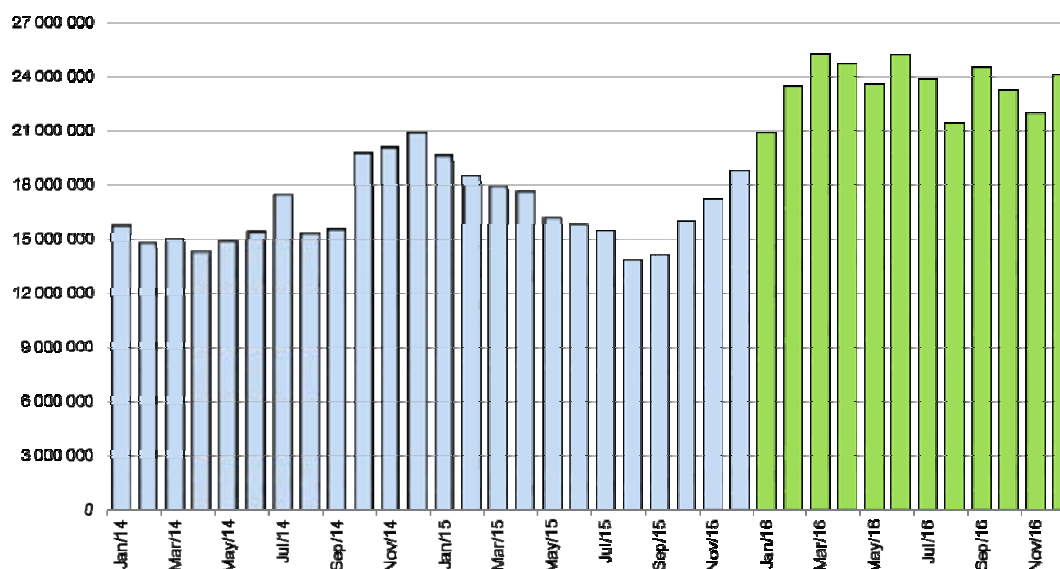


Figure 11 Volume traded on the OTC market and cleared by OMIClear (MWh). Historical distribution by maturity.



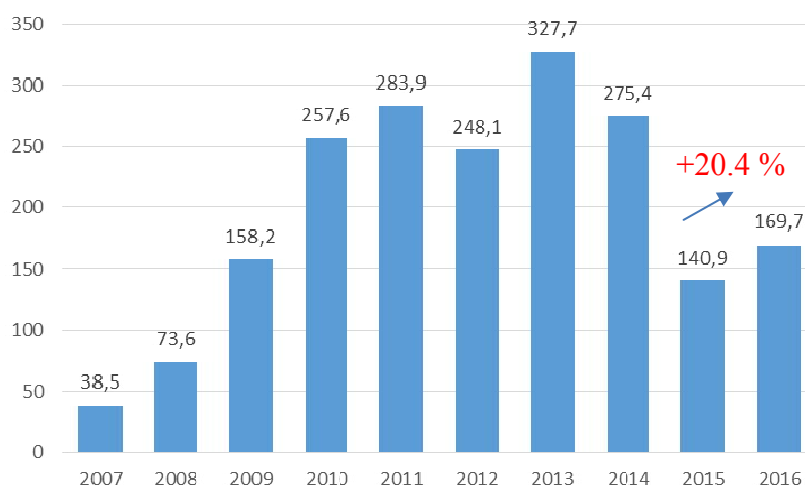
Open Interest positions revealed a stable trend throughout the year; however, a record of 25.67 TWh was reached on 29 December.

Figure 12 Value at month end of *Open Interest* positions registered at OMIClear (MWh).



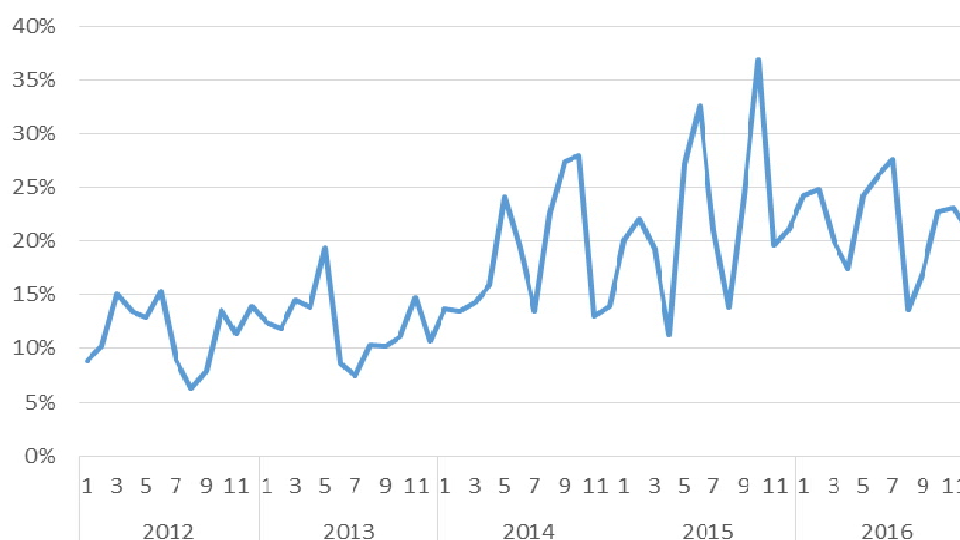
The volume traded on the OTC market increased 20.4% compared to 2015 due to multiple national and international factors, in particular because large energy companies and investment funds have come back as active players in the Spanish market, and due to the commodities trading business.

Figure 13 Total annual OTC value. Data provided by (TWh).



OMIClear maintained its market share in terms of OTC registrations, (close to 20%) and kept its position as one of the main Clearing Houses for Iberian electricity derivative products.

Figure 14 Share of the total volume cleared by OMIClear of the Total OTC market.



Following an internationalisation and globalisation strategy, OMIClear prepared and developed its platforms to offer to its clients the registration of products in the German and French zones.

Also during 2016 OMIClear submitted all documentation required by the authorities for the launch and registration of a new gas market business to be managed by OMIP, and is currently waiting for the authorisation to launch these new products. OMIClear is confident that the offer of registration of gas products is an important challenge for the company, because it not only meets the needs of some of its current members, but will also attract new members who will appreciate the opportunity of registering electricity and gas products on the same platform.

3.3. Participants

OMIClear has three types of participants: (i) clearing members, which are counterparties in the registered operations; (ii) settlement agents, who only play the complementary role of facilitating or providing settlement services to the clearing members, through the TARGET2 System of European Central Banks in the case of financial settlements, and through OMIE in the case of physical settlements, OMIClear thus not being a counterparty in the transactions; and (iii) registration agents, who are the clients of the clearing members, with whom they deal with, and who are able to register operations cleared or settled by OMIClear through access to the platforms of negotiation, registration or clearing.

No clearing member was admitted in 2016.

At the end of the year, there were a total of 14 clearing members and 53 registration agents. In turn, the number of settlement agents remained the same as in 2014 (22 entities), 17 of which dealing with physical settlement and 5 with financial settlement.

The table below lists the OMIClear participants as at 31 December 2016, specifying the status of each participant.

Table 3 List of Participants (31.Dec.2016).

	Direct Clearing Member	General Clearing Member	Financial Settlement Agent	Physical Settlement Agent	Registration Agent
Acciona Green Energy Developments, S.L.					
Alpiq AG					
AXPO Iberia, S.L.					
Banco L.J. Carregosa, S.A.					
Banco Santander, S.A.					
BP Gas Marketing Limited					
Caixa Geral de Depósitos, S.A.					
Céltica Energía, S.L.					
Cepsa Gas y Electricidad					
CIMD – Corretaje e Información Monetaria y de Divisas, S. V., S.A.					
Citadel Financial Products S.à.r.l.					
Citibank International PLC, Sucursal en España					
Citigroup Global Markets Ltd.					
City Financial Investment Company Limited					
Cumulus Master Fund					
Deutsche Bank, AG – Sucursal em Portugal					
Dreue Electric S.L.					
Ecochoice SA					
EDF Trading Markets Limited					
EDP - Energias de Portugal, S.A.					
EDP - Serviço Universal, S.A.					
EDP Comercializadora de Último Recurso, S.A.					
EGL, A.G.					
Endesa Energía XXI, S.L.					
Endesa Generación, S.A.					
Enérgya VM Gestión de Energía, S.L.U.					
Eni Trading & Shipping					
Engie Global Markets					
Enforresco SA					
Evergreen Eléctrica SL					
Factor Energía, S.A.					
Fenie Energía					
Foener Comercialización, S.L.U.					
Fortia Energía Servicios, S.L.					
Fortia Energía, S.L.					
Freepoint Commodities Europe LLP					
Galp Power, S.A.					
Gás Natural Electricidad SDG, S.A.					
Gás Natural SUR SDG, S.A.					
Gás Natural SDG, S.A.					
Gesternova S.A.					
Goldman Sachs International					
Hidroeléctrica del Cantábrico, S.A.					
Iberdrola Comercialización de Último Recurso, S.A.U.					
Iberdrola Generación España, S.A.U.					
Luzboa Comercialização de Energia					
J. Aron & Company					
Macquarie Bank Limited					
Mercuria Energy Trading S.A.					
Morgan Stanley Bank, AG					
Nexus Energía, S.A.					
Noble Clean Fuels Limited					
PH Energía Lda					
Red Eléctrica de España, S.A.					
REN - Rede Electrica Nacional, S.A.					
Shell Energy Europe Ltd.					
Solvay Energy Services Ibérica S.L.					
Total Gas & Power Ltd.					
Tradition Financial Services Derivatives Ltd.					
TrailStone GmbH					
Tullett Prebon (Securities) Limited					
Uniper Global Commodities SE					
Viesgo Comercializadora de Referencia, S.L.					
Viesgo Generación, S.L.					
Viesgo Renovables, S.L.					
Villar Mir Energía S.L.U.					

Excluding the registration agents, Spain and Portugal account for the majority of companies registered with OMIClear as clearing members and settlement agents, though the distribution is not symmetrical for all functions: general clearing members and financial settlement agents are almost equally distributed between the Iberian region and other European countries, whereas in the case of direct clearing members and physical settlement agents the prevalence of Iberian members is significant.

Figure 15 Origin of OMIClear's participants (Dec.2016), excluding Registration Agents.

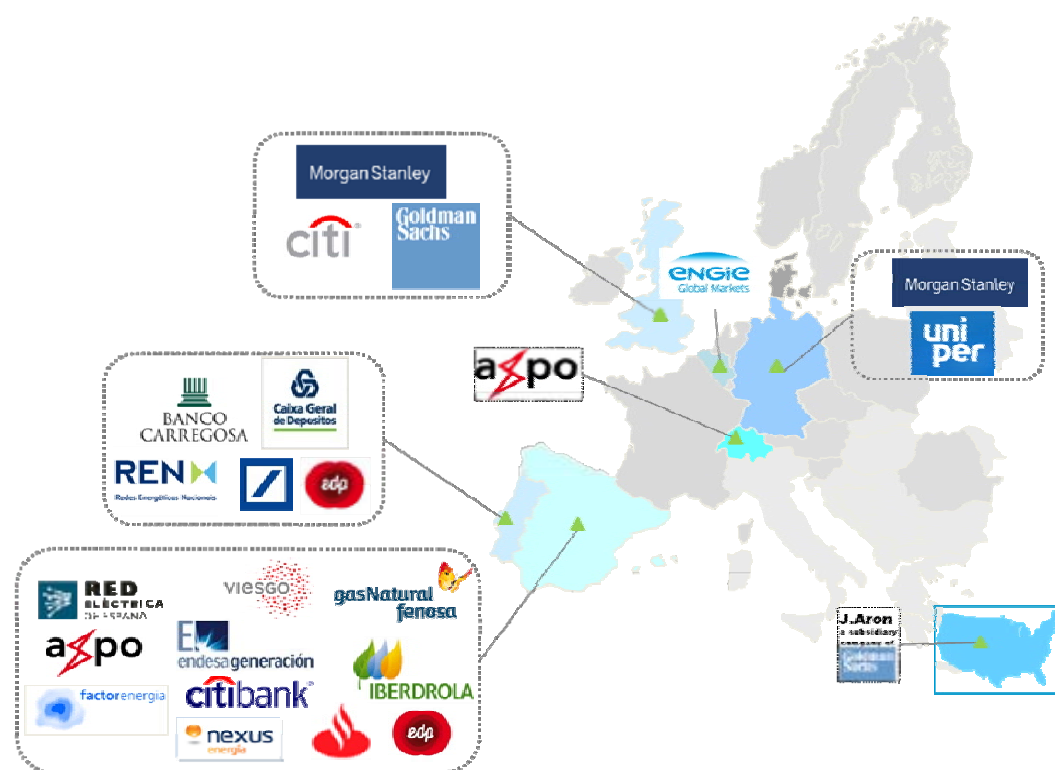


Table 4 Countries of Origin of OMIClear participants (Dec.2016), excluding Registration Agents.

Country	Direct Clearing Member	General Clearing Member	Physical Settlement Agent	Financial Settlement Agent
Spain	5	1	13	2
Portugal	1	2	2	3
United Kingdom	1	1	0	0
Germany	1	0	0	0
Switzerland	0	0	1	0
Caiman Islands	1	0	0	0
Belgium	1	0	0	0
U.S.A.	0	0	1	0
Total	10	4	17	5
Iberian	6	3	15	5
Non Iberian	4	1	2	0

As in recent years, a study was carried out among clearing members to analyse the levels of risk taken on by OMIClear. The main conclusions are that both the systems and the management model have responded very adequately to the needs of the market and that each member's risk level lies within very comfortable parameters given the guarantees deposited.



RISK MANAGEMENT
SYSTEM

RISK MANAGEMENT SYSTEM

OMIClear's risk management system is designed in accordance with the EMIR and the respective implementing legislation.

The Board of Directors is responsible for the implementation of the strategy and for OMIClear's risk management system.

OMIClear breaks down risks into the following categories, each of which is controlled according to specific principles:

- > Credit Risk
- > Operational Risk
- > Liquidity Risk
- > Market Risk
- > Commercial Risk

Given that credit risk is the most relevant risk to which OMIClear is subject, it is fully covered by the margin system. In 2016, the risks measured according to the rules laid down in Commission Delegated Regulation 152/2013 were always hedged by the available funds.

In operational terms, the Board of Directors is directly responsible for assessing commercial risk. In agreement with the risk management principles in force, the follow-up, monitoring and control of credit, liquidity and market risks, as well as the reporting to the Board of Directors and the Risk Committee were carried out by the Chief Risk Officer with the support of the clearing department. The monitoring of operational risk and the reporting to the Board of Directors were carried out by the Chief Internal Audit.

A risk report, which is the key tool to inform the administration body about the risk situation of OMIClear, is prepared every month. This report is complemented by *ad hoc* reporting on specific topics whenever materially relevant situations occur. At least three times a year the situation is communicated to the Risk Committee.

The Internal Audit office assesses the suitability and operability of the risk management system.

4.1. Credit risk

One of the key elements of the risk strategy is to fully cover the counterparty risk by building several lines of defence, consisting of the following main components:

> Conditions of admission

Only institutions with a sufficient financial capacity and with the appropriate technical and operational conditions to carry out the settlement of the registered operations are admitted as clearing members.

> Daily settlement of the daily market-to-market

Daily market-to-market during the trading and delivery period of all products registered and cleared with OMIClear (with the exception of FTR – Financial Transmission Rights Portugal-Spain) are credited or debited

to the respective clearing members on a daily basis. In the specific case of FTR contracts, financial settlement occurs monthly, which is why OMIClear requires a settlement margin (covered by guarantees).

> **Margin system of the clearing member**

Clearing members must at all times have constituted guarantees with OMIClear to cover both their own responsibilities and those of their clients.

The responsibilities of each clearing member include a margin (initial margin) that aims to cover the risk of incurring in losses in the closing of positions in a short period of time, arising from the worst estimate of price variation. The parameters used to calculate this margin follow the principles defined in chapter VI (Margins) of the Commission Delegated Regulation (EU) no. 153/2013, namely in terms of: (i) confidence interval (OMIClear: 99%); (ii) a time horizon that captures a full range of market conditions, including periods of stress (OMIClear: since the first observation – with the exception of Futures SPEL Base, for which the period considered goes from January 2008 to the most recent date when the margin was calculated); (iii) period of liquidation of positions in a default scenario (two days); (iv) margin credits based on evidence of price correlation and in accordance with the limit imposed in Article 27 of said Regulation, and (v) limitation of the procyclicality effect (OMIClear: application of a 25% weighting factor to stress situations observed in the period under analysis). Furthermore, to calculate the initial margin OMIClear applies aggravating factors over positions that go beyond a specific volume and for which a liquidation period of three days is considered.

> **Autonomous reserve**

The autonomous reserve consists of the amount resulting from the enforcement of fines and pecuniary payments by OMIClear on participants, less costs and charges that OMIClear may have incurred during the respective sanction procedures.

The autonomous reserve is a specific OMIClear fund intended to cover default cases and is indicated as such in its balance sheet.

> **Other OMIClear funds (Skin in the game – SIG)**

OMIClear has also established a cash reserve in the amount of 1 875 000 EUR, fully available and intended to cover defaults.

> **Clearing Fund**

The clearing fund is an additional form of security that is shared by all the clearing members. This fund is designed to respond to the default of a clearing member whose costs to solve it are greater than the guarantees provided by the defaulting member for that purpose, namely those constituted as margins and additional collateral.

The amount of the clearing fund is established according to the results of the stress tests carried out daily, in extreme but plausible scenarios. The clearing fund is defined according to the following assumptions: (i) it should allow OMIClear to cover the default of the clearing member to which it is more exposed, or of the second or third clearing members to which it is more exposed, if the total of those exposures is higher, and (ii) along with OMIClear's other own financial resources, (SIG and autonomous reserve), it should cover a default situation of at least two clearing members to which it is more exposed in extreme but realistic market conditions.

Additionally, a minimum individual contribution of 150 000 EUR is established for each clearing member.

> Additional liability in the clearing fund

Each clearing member takes on an additional liability in an amount equal to its reference value used to set up the clearing fund, therefore the value of its overall liability is equal to twice the reference value. This liability is only required in a default situation where the amount of the contribution to the clearing fund (pre-collateralised as guarantee) is not sufficient.

> Establishment of guarantees and haircut applied to guarantee value

OMIClear only accepts guarantees in the form of cash and financial instruments representative of public debt. To avoid the exchange rate risk, only amounts in EUR are accepted. Price fluctuation of financial instruments is covered by applying properly evaluated haircuts. Guarantees are re-evaluated daily and the risk of concentration is taken into consideration.

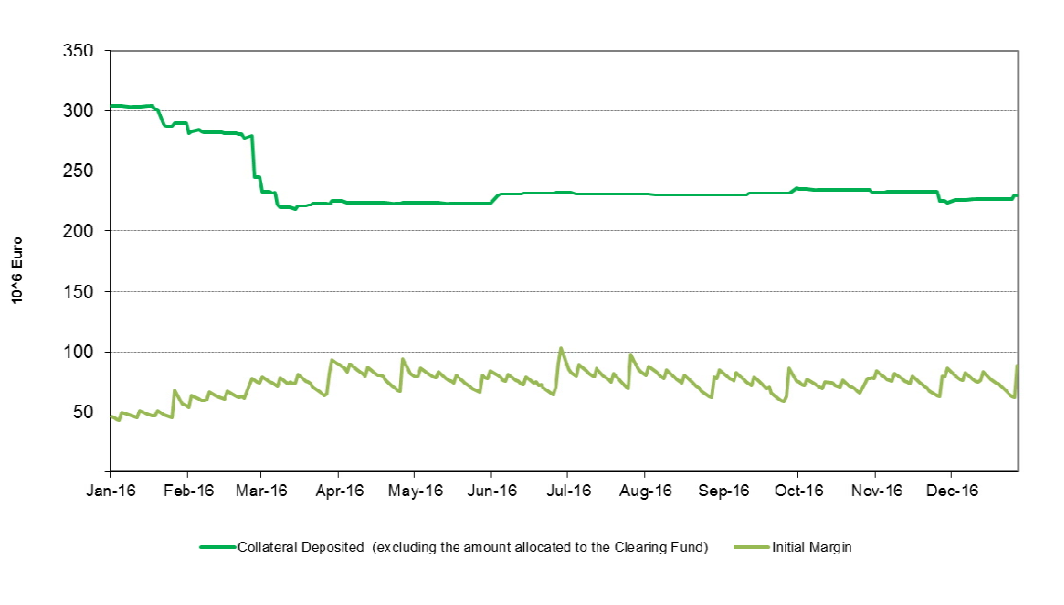
Additionally, there is a counterparty credit risk arising from the enforcement of the cash guarantees received from clearing members. For this reason, these funds are used (i) in repo operations against titles with a low risk and high liquidity, (ii) in short term collateralised deposits with a low risk and high liquidity titles, or (iii) in non-collateralised one-day deposits, and in every case with credit institutions recognised by OMIClear (subject to an external credit risk evaluation carried out by OMIClear, in agreement with its internal policy).

The counterparty risk in 2016 – measured by the initial margins required of the clearing members – peaked at 103.0 million EUR, on 1 July, and a mean value of 72.9 Million EUR, compared to the mean value of 62.6 million EUR in 2015.

Throughout 2016, the total value of guarantees deposited with OMIClear to meet the liabilities taken on by the clearing members by way of margins represented, on average, 3.4 times the total value required as initial margins. Note that the average calculated for the various members was of 5.5.

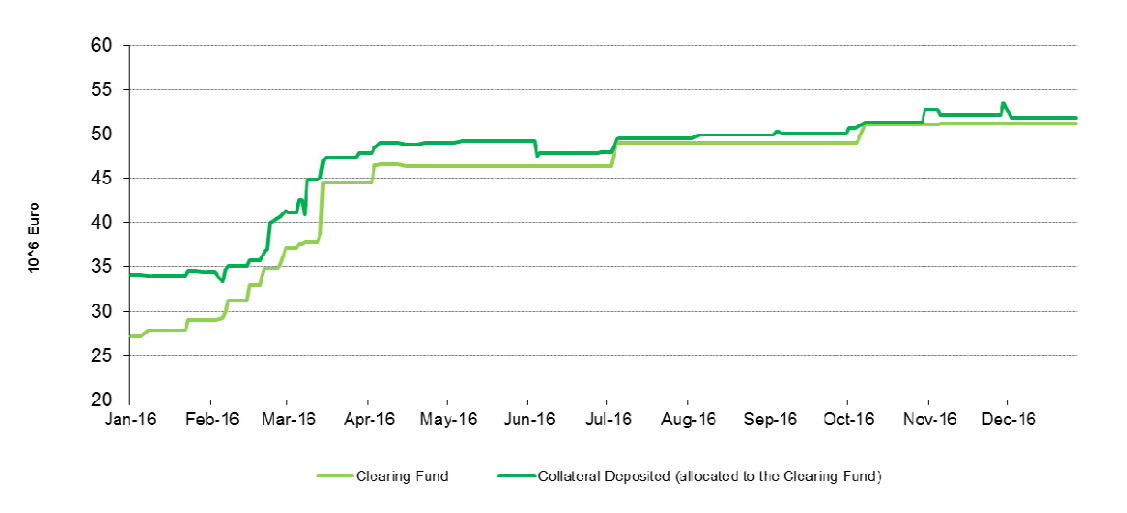
In 2016, the evolution of the total initial margin and of the guarantee deposited to meet the liabilities of clearing members by way of margins developed as shown below:

Figure 16 Evolution of the total initial margin and of the collateral (excluding the amount allocated to the Clearing Fund) deposited in 2016.



In 2016, the evolution of the Clearing Fund and of the amounts deposited with OMIClear to cover this liability was as follows:

Figure 17 Evolution of the Clearing Fund and of the collateral (allocated to the Clearing Fund) deposited in 2016.



Regarding the Daily Operative Limit (LOD), which essentially indicates the value of collateral available to be used in additional margins, no negative situation occurred.

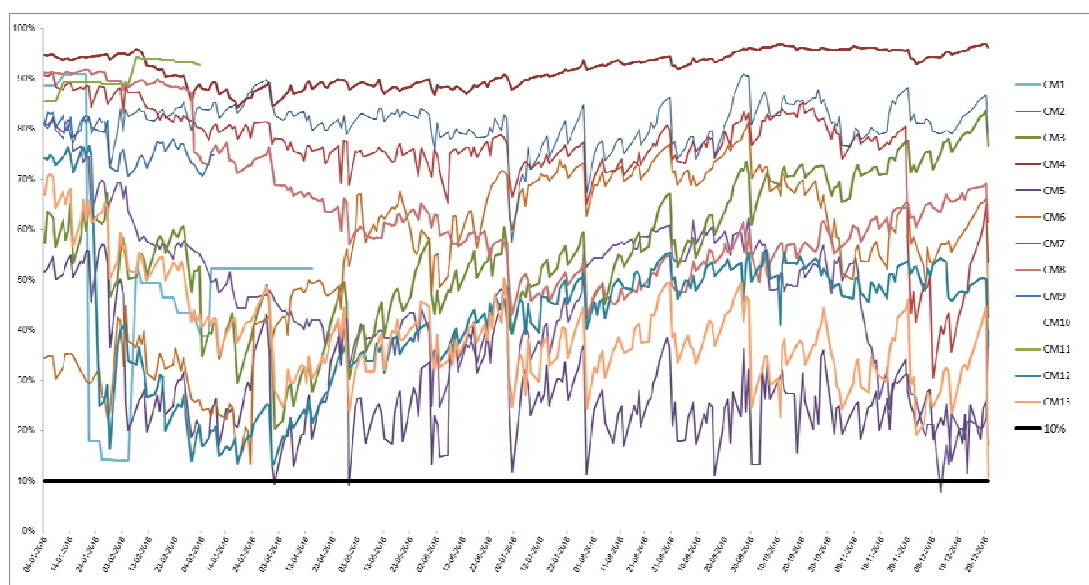
For risk control purposes, OMIClear monitors, on a daily basis, for clearing each member, the percentage (%) represented by the DOL in relation to the respective guarantee deposited. Whenever this percentage falls below 10%, OMIClear contacts the entity in question and advises it to increase the guarantee deposit.

Below are the DOL values for all OMIClear's clearing members in the period under analysis, excluding those whose activity is limited to FTR and to the two clearing members that since last March have only secured guarantees to cover the liability relating to the clearing fund (as at present they do not intend to open positions and are, therefore, not allowed to register any business), for which the DOL references mentioned above do not apply.

Since 14 July 2014, as a result of the change of OMIClear's rules, four general clearing members (GCM) started distinguishing between their own guarantees and those of their clients through two distinct guarantee accounts – own guarantee account and clients' guarantee account. Furthermore, at the level of the responsibilities used to calculate the DOL, a separation was also introduced between the GCM's own responsibilities and those of its clients. Given that (i) these four GCM's own responsibilities only correspond to their contribution for the clearing fund, which is stable throughout the month, and (ii) OMIClear recommends a DOL ratio over the guarantee deposited of more than 10% only for members who present responsibilities arising from open position, the results presented below only take into consideration: the amounts referring to the accounts of these GCM's clients and the own accounts of the remaining direct clearing members.

The development of the DOL/collateral deposited ratio (%) in 2016, per clearing member, is described as follows:

Figure 18 Evolution of the DOL/collateral deposited ratio (%) in 2016



Two clearing members achieved, for three times, a DOL/collateral deposited lower than the minimum limit of 10% as recommended by OMIClear. Two of those cases occurred on a Friday, which is the day when the initial margin increases due to the start of the trading week days of the following week, while in the other case it was due to losses registered by the member during the session. In all cases, the said ratio was never below 7.8% and on the following clearing day it was already above 12.7%.

By the end of the year, the assets handed as guarantee in transactions in which OMIClear assumes the counterparty risk (MIBEL Derivatives Market) were distributed as follows:

Table 5 Assets held as guarantee (31 December.2016).

Type of Asset	Derivatives Market of MIBEL
Cash	281 296 055 Euros
Securities	-
TOTAL	281 296 055 Euros

4.2. Operational risk

Operational risk is defined by the potential losses arising from the following situations:

- > Poor functioning of information systems;
- > Non-compliance with applicable laws and regulations;
- > Mistakes made by employees;
- > Errors or non-compliance by external service providers;

- > Failure in the processing of transactions;
- > Fraud;
- > Unserviceability of the physical infrastructure.

The risk strategy aims to minimise operational risks by increasing the automation of operations coupled with testing procedures. The risk arising from the use of external service providers is minimised by assessing the service quality before procurement.

OMIClear implemented back-ups for critical transactions, which are regularly tested.

Internal procedures of relevant processes are properly documented. Control sheets are available for some of these procedures with the purpose of reducing errors or omissions.

Legal and non-compliance risks are minimised through the strict observation and compliance of the applicable laws together with the use of predefined contractual templates and forms.

4.3. Liquidity risk

Liquidity risk may arise from the daily settlement process or from the default of a clearing member.

The business management strategy takes into consideration the fact that settlements arising from daily transactions do not generate materially relevant time differences. In this sense, OMIClear's risk management strategy aims to avoid time differences between assets and liabilities through a suitable policy of allocation of liquidity surplus. The financing needs to settle current expenses (including the disbursement of results) are planned and covered in the context of medium term liquidity planning.

The risk of default of a clearing member and the potential impact that this situation may have on liquidity are controlled through the stringent stipulations of convertibility of guarantees in cash, through haircuts applied to guarantees received and the limiting of the risk of concentration regarding the guarantees received. Additionally, OMIClear negotiated credit lines that are designed to meet the liquidity needs arising from the simultaneous default of the two clearing members with the most substantial potential losses.

4.4. Market risk

Since the clearing members positions are constantly evaluated at market values, they do not present this type of risk.

The risk arising from price fluctuations of securities acquired in repo transactions is covered by the application of duly evaluated haircuts.

Below is a summary of the hedging of the values applied in repo transactions:

Table 6 Values applied in repo transactions .

	Amount invested	Market value of securities	Haircut		Market value of securities after haircut
			Amount	%	
Repurchase operations	276.402.811	337.285.396	59.625.394	17,68%	277.660.002
% of cover		122%			100%

(Euros)

Note that the value applied includes guarantees in cash presented by the clearing members and OMIClear's own funds, and that the applicable regulation stipulates, for both cases, the obligation to collateralise a minimum of 95%.

4.5. Commercial risk

OMIClear, whose core business consists of providing clearing and settlement services of energy derivative financial products in the Iberian Peninsula, France and Germany, has its commercial risk associated to the volumes cleared in these contracts.

As a central counterparty, and as part of its activity, it is also highly exposed to the direct competition from other central counterparties.

The income from commissions is closely linked with the volume of transactions registered with OMIClear. Consequently, commercial risk arises from the income's dependence on a limited number of products, relating to the potential drop in volumes at the same time that fixed costs remain unchanged. Since commercial risk is mostly centered on the reduction of profits through possible variations in the volume of registered transactions, in a scenario of decreased volumes it will be more difficult to offset this situation by adjusting the fixed costs within a reasonable period of time.

With this in mind, OMIClear's strategy involves monitoring this risk by constantly overseeing the evolution of income, and avoid incurring in fixed costs, opting, where possible, for variable costs.

OMIClear aims to consistently reduce its exposure to the risks inherent to its economic activity by adopting management measures specifically aimed at strengthening the client base, both in terms of numbers and of geographical spread, and at increasing the number of services provided to market participants.

4.6. Summary of OMIClear's risk situation

The authorisation granted to OMIClear to operate as a central counterparty is conditional upon the maintenance of a minimum amount of capital. The capital, including retained earnings and reserves, must at all times be proportional to the risk arising from its activities, so as to ensure that the company is adequately capitalised against credit, counterparty, market, operational, legal and commercial risks that are not already covered by specific financial resources, and has the ability to duly settle or restructure its activities if necessary.

Potential losses arising from the default of clearing members are covered by OMIClear's margin system.

OMIClear's own capital, minus the reserves intended to address default situations, which as at 31 December 2016 amounted to 8 630 389 EUR, is about four times as much as the capital needed to deal with risks assumed, calculated according to the rules stipulated in the EMIR regulations.

The overall assessment of 2016 does not show any threat to business continuity wither as a result of individual risks or of the aggregated risks. The Board of Directors does not foresee major changes to the company's risk profile in the course of 2017.



INFORMATION SYSTEMS

INFORMATION SYSTEMS

In 2016, the information systems area focused on four key components:

- 1. Management of the relationship with external suppliers;**
 - > Support the communication between supplier and operational departments;
 - > Maintain the service support infrastructure;
 - > Manage service levels.
- 2. Support and maintenance of applications and internal and external services:**
 - > Specification and testing of new technical functionalities or change of existing functionalities;
 - > Coordinate the implementation of changes in a productive environment or in non-productive environments;
 - > Support and communication with agents to notify changes or solve problems;
 - > First line of support in the resolution of technical problems (helpdesk service);
 - > Analysis and adjustment to regulatory changes.
- 3. Design, specification and implementation of new solutions and functionalities, and upgrading of applications in use;**
- 4. Maintain business continuity as well as the company's information security management system:**
 - > Document verification and updating;
 - > Carry out periodical tests on systems and infrastructure.

The following events took place in 2016 and were carried out by or had the help of the Information System Department:

- > Launch of French and German products;
- > Migration to the Jira system – centralisation of the company's incident and task management in a single platform;
- > Replacement of the provider of the clearing system development and maintenance services: Safira/KPMG exits and Premium-Minds is taken on board;
- > Testing of the disaster recovery system applied to offices;
- > Auditing of the Information Systems and Business Continuity System.



ORGANISATIONAL STRUCTURE

6.1 Shareholders

OMIP – Pólo Português, S.G.M.R., S.A. (50%)

OMI – Polo Español, S.A. (50%)

6.2 Governing bodies (3-year period 2015-2017)

Board of the Shareholder's General Meeting

Rafael Lapeña Galán.....Chairman

Pedro Filipe Raio Félix.....Secretary

Board of Directors

Por preencher.....Chairman

(to be filled, following the resignation submitted by José Isidoro d'Oliveira Carvalho Netto on 31 May 2016)

Pedro Jesus Mejia Gómez.....Deputy-Chairman

Ángel Berges Lobera.....Member

José Manuel Amado da Silva.....Member

Gonzalo Solana González.....Member

Paulo Alexandre da Rocha Henriques.....Member

Audit and Compliance Committee

Gonzalo Solana González.....Chairman

José Manuel Amado da Silva.....Deputy-Chairman

Remunerations Committee

Ángel Berges Lobera.....Chairman

Gonzalo Solana González.....Member

José Manuel Amado da Silva.....Member

Supervisory Board/Statutory Auditor

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

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

6.3 Risk Committee

OMIClear's Risk Committee comprises the representatives of clearing members and their clients, elected in June 2016.

Below is the composition of the Risk Committee:

José Manuel Amado da Silva (Independent).....Chairman

Gonzalo Solana González (Independent).....Deputy-Chairman

Cristóbal Lovera (Endesa).....Member

Ricardo Covas (EDP)*.....Member

Julián Calvo Moya (Iberdrola).....Member

Olmo Garcia Pepin (Enérgya VM)*.....Member

Mario Hélaire Margarita Claeys (Uniper Global Commodities SE).....Member

* Took office on 1 July 2016 to replace Rui Ribeiro and Manuel Maeso Plaza, who completed their term of office as members of the Risk Committee on 30 June 2016.

All members have solid expertise and knowledge of OMIClear's areas of activity.

The functions of the Risk Committee are set out in Article 28 of the EMIR and involve advising the Board of Directors on matters related to the different types of risks to which the central counterparty is exposed, as well as its risk management structure, organisation and procedures. The Risk Committee met three times in 2016 and gave its opinion on a broad number of issues, namely the new margin system, the methodology used to test market risks, new products, the credit risk policy and the liquidity plan.

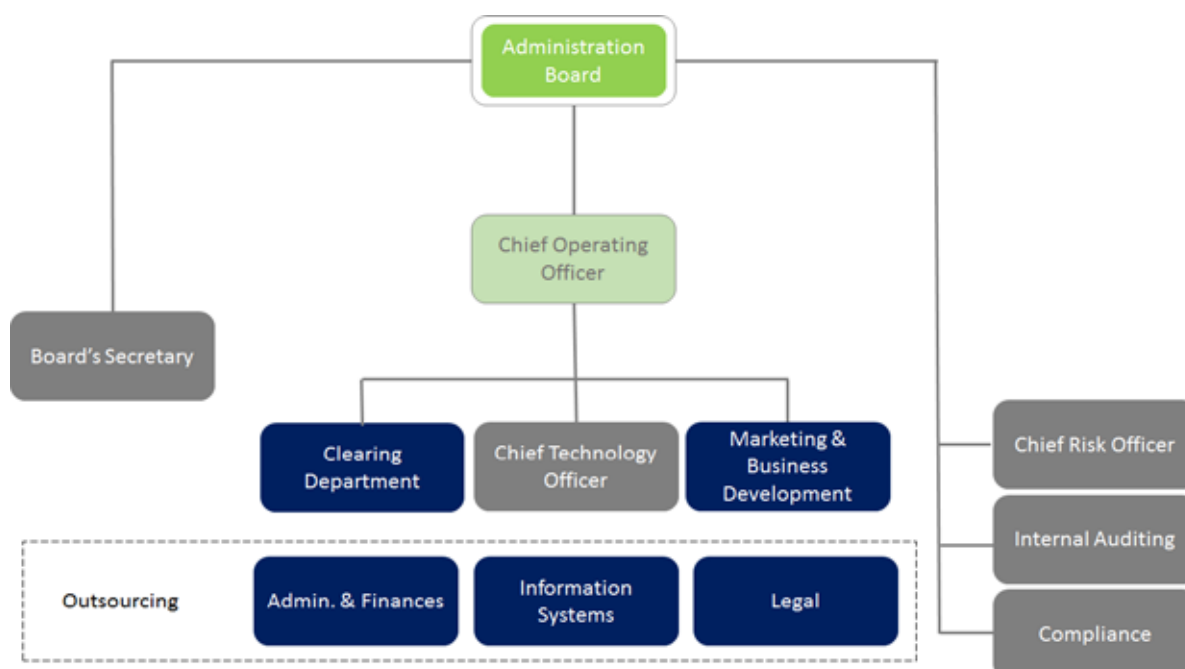
With the exception of the two independent members, the mandate of the members of the Risk Committee ends in June 2018.

6.4. Staff

In terms of organisational structure, OMIClear has a specific operational area dedicated to the central management of the clearing house, including all the inherent functions and, in particular, risk management.

OMIClear benefits from a set of services in some support areas, which, according to the limits and the conditions set out in the applicable legislation, are contracted to other companies of the group.

Figure 19 Organisational chart



As at 31 December 2016, OMIClear had, apart from the six members of the Board of Directors, twelve staff, seven male and five female, four of which working exclusively with clearing and settlement.



OUTLOOK FOR 2017

Business development in 2017 poses several challenges to OMIClear.

The trend in 2016 of the increase in the clearing volume should continue after the strong fall in the Iberian forward market in 2015. As the request for the authorisation to provide clearing services for natural gas derivatives with physical settlement in the virtual Spanish platform (PVB-ES) was submitted to the regulator in 2016, it should be operational in 2017. The launch of clearing services for natural gas derivatives, once the regulator's authorisation is obtained, will be a relevant milestone for the diversification of the services provided by OMIClear. The clearing of natural gas derivatives, in addition to its actual effect on the increase in clearing volumes, should also contribute to the increase in the number of participants and of the cleared volume in electricity derivatives.

OMIClear's institutional role should also be strengthened in 2017 with the possibility of the development of the Guarantee Manager role for the national Electricity Sector and for the Portuguese National Natural Gas System, under the project being developed by the ERSE. The eventual acceptance of the Guarantee Manager position in the project developed by ERSE will receive an agile and efficient response from OMIClear, able to meet the demands of the energy sector in the strict compliance with the applicable regulations.

In the electricity market, OMIClear will remain vigilant so as to ensure the high service level that has been provided to market participants, and also in the development of new solutions and functionalities specifically requested by participants, in particular for the clearing of special regime generation.

OMIClear will continue to support OMIP in the clearing of products traded in auctions, such as auctions of financial transmission rights Portugal-Spain and the special regime electricity auctions for the Portuguese MIBEL zone.

OMIClear will therefore continue to work according to the highest standards of efficiency and innovation, to meet the increasing needs of its members and the requirements of the business sector in which the company operates, and will continue to maintain the high level of requirement as imposed by EMIR and the subsequent implementing regulations.

In terms of international cooperation, OMIClear will continue to participate actively in the activities carried out by the various international associations, including the European Association of Clearing Houses (EACH) 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 amount of 104 670.94 EUR (one hundred and four thousand, six hundred and seventy euros and ninety-four cents), be appropriated as follows:

To legal reserve	10 467.09 EUR
To retained earnings.....	94 203.85 EUR

Lisbon, 21 March 2017

The Board of Directors,

Pedro Jesus Mejía Gómez

Ángel Berges Lobera

José Manuel Amado da Silva

Gonzalo Solana González

Paulo Alexandre da Rocha Henriques



FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2016

FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2016

Balance sheet as at 31 December 2016

		Currency: Euros	
	Note	31-12-2016	31-12-2015
Assets			
Non-current			
Property, plant and equipment	7	27.403	40.748
Intangible assets	8	668.424	28.333
Other financial investments	9	2.987	6.199
		<u>698.814</u>	<u>75.280</u>
Current			
Clients	10	113.889	2.315
State and other public entities	11	42.547	429.585
Other receivables	12	123.154	552.701
Deferrals	13	28.723	32.590
Other financial assets	14	281.575.347	198.861.505
Cash and bank deposits	5	11.018.287	10.382.474
		<u>292.901.947</u>	<u>210.261.170</u>
Total assets		<u>293.600.761</u>	<u>210.336.450</u>
Equity capital			
Paid-up capital	15	7.500.000	7.500.000
Legal reserves	16	221.391	218.101
Other reserves	16	1.941.895	2.091.895
Retained earnings		804.327	624.718
		<u>10.467.613</u>	<u>10.434.714</u>
Net result for the period		104.671	32.899
Total equity capital		<u>10.572.284</u>	<u>10.467.613</u>
Liabilities			
Non-current			
Loans granted	17	530.440	14.635
		<u>530.440</u>	<u>14.635</u>
Current			
Suppliers	18	28.439	38.326
State and other public entities	12	73.495	34.540
Loans granted	17	141.958	9.826
Other accounts payable	19	678.804	909.036
Other financial liabilities	14	281.575.342	198.862.474
		<u>282.498.038</u>	<u>199.854.202</u>
Total liabilities		<u>283.028.478</u>	<u>199.868.837</u>
Total equity capital and liabilities		<u>293.600.762</u>	<u>210.336.450</u>

Income statement by nature as at 31 December 2016

	Note	Currency: Euros	
		31-12-2016	31-12-2015
Sales and services	20	1.597.246	1.294.179
Supplies and external services	21	(557.663)	(529.489)
Staff costs	22	(1.131.863)	(1.185.477)
Other income	23	882.967	947.464
Other expenses	24	(460.560)	(479.417)
Results before depreciation, financial expenses and taxes		330.127	47.261
(Expenses) / reversal depreciation and amortisation	7 e 8	(152.459)	(17.184)
Operational results (before financial expenses and taxes)		177.668	30.077
Interest and similar earnings	25	-	20.164
Interest and similar costs incurred	25	(32.162)	(1.734)
Pre-tax results		145.506	48.507
Income tax for the period	26	(40.835)	(15.608)
Net result		104.671	32.899
Earnings per share - basic		0,14	0,04

Statements of Changes in Equity in 2016

	Note	Share Capital	Legal Reserves	Other Reserves	Retained Earnings	Net Results for the Period	Total
On 1 January 2015		7.500.000	186.770	2.091.895	624.718	313.303	10.716.687
Changes in the period							
Other changes recognised in equity capital		-	31.330	-	281.973	(313.303)	-
		-	31.330	-	281.973	(313.303)	-
Net result for the period		-	-	-	-	32.899	32.899
Integral result		-	-	-	-	32.899	32.899
Operations with equity holders in the period							
Distributions	27	-	-	-	(281.973)	-	(281.973)
Other variations		-	-	-	-	-	-
		-	-	-	(281.973)	-	(281.973)
On 31 December 2015		7.500.000	218.101	2.091.895	624.718	32.899	10.467.613
Changes in the period							
Other changes recognised in equity capital		-	3.290	-	29.609	(32.899)	-
		-	3.290	-	29.609	(32.899)	-
Net result for the period		-	-	-	-	104.671	104.671
Integral result		-	-	-	-	104.671	104.671
Operations with equity holders in the period							
Other variations		-	-	(150.000)	150.000	-	-
		-	-	(150.000)	150.000	-	-
On 31 December 2016		7.500.000	221.391	1.941.895	804.327	104.671	10.572.284

Cash Flow Statement as at 31 December 2016

	Note	Currency: Euros	
		31-12-2016	31-12-2015
Cash flow of operating activities			
Receivables from clients		92.614.777	2.262.134
Payments to suppliers		(94.383.497)	(1.766.517)
Payments to staff		(974.328)	(1.070.003)
Cash flow generated by the operations		(2.743.048)	(574.386)
(Payment) / refund of income tax		54.154	32.772
Other (payments) / receipts		2.070.898	164.870
Cash flow generated by the operations		(617.997)	(376.744)
Cash flows of investment activities			
Receivables from:			
Property, plant and equipment		-	50
Interest and similar income		640.759	493.222
Cash flows of investment activities		640.759	493.272
Cash flows of financial activities			
Receipts from:			
Other financing operations		746.648	(25)
Payments regarding:			
Interest and similar expenses		(49.732)	(632)
Dividends		-	(246.726)
Other financial activities		(83.815)	-
Cash flows of financial activities		613.101	(247.383)
Variation of cash flow and its equivalents		635.863	(130.855)
Cash and cash equivalents at the start of the period	5	10.382.474	10.513.302
Cash and cash equivalents at the end of the period	5	11.018.287	10.382.474

The headings "Receivables from clients" and "Payments to suppliers", on 31 December 2016 include the transactions of "Deposits of Guarantees to be Paid" and "Deposits of Guarantees to be Received" which total 82 712 868.24 Euros (2015: 1 034 842.52 Euros)

ANNEX TO THE FINANCIAL STATEMENTS

1. Identification of the company and reporting period

OMIClear – C.C., S.A., whose previous name was OMIClear – Sociedade de Compensação de Mercados de Energia, S.G.C.C.C.C., S.A, with its registered office at Avenida Casal Ribeiro, n.º 14 – 8.º piso, in Lisbon, was duly constituted under Article 488(1) of the *Código das Sociedades Comerciais* (Commercial Companies Code) and had its public deed signed on 6 April 2004.

The company began its activity on 7 April 2004, its purpose being the management of a clearing house and of a settlement system, as well as playing the role of central counterparty in spot and futures market operations, namely: futures, forwards, swaps and options, whose underlying assets are electricity, other energy-related commodities or equivalents, real or notional, electricity indices of energy-based products or other equivalent assets, regardless of whether settlement is by delivery or merely financial.

The company may also engage in activities that are subsidiary or accessory to its main purpose, provided that these do not constitute an intermediary financial activity, namely:

- (i) Managing systems of book-entry accounts and calculation of net positions;
- (ii) Providing members of the systems under its management with the services which are required for the intervention of such members in markets or systems managed by a foreign similar entity in another country;
- (iii) Providing consultancy services related to the systems under its management;
- (iv) Participation in research studies, preparation, distribution and commercialisation of market-related information;
- (v) Development, management and marketing of computer hardware and software, as well as data transmission networks for the contracting and transmission of orders and/or data.

The company may also participate in other companies with similar or complementary corporate purpose, even if governed by special laws, as well as in complementary groups of companies.

OMIClear has a share capital of 7.5 million EUR, represented by 750 000 shares each with a nominal value of 10 EUR, which, on 31 December 2016 were 50% owned by OMIP – Pólo Português, S.G.M.R., S.A., and 50% by the lawfully registered Spanish company OMI – Polo Español, S.A. (OMIE).

The entry of OMIE into the shareholding structure in September 2013 was possible after it agreed to a capital increase, fully paid up by this company, in the amount of 6 200 000 EUR, of which 3 000 000 EUR were allocated to share capital and the remaining 3 200 000 EUR to share premiums.

The share premiums were later used as follows: 1.5 million EUR in a capital increase and the remaining 1.7 million EUR in the establishment of a reserve (SIG B), provided for in Article 35 of the Commission Delegated Regulation (EU) 153/2013, of 19 December 2012, which supplements Regulation (EU) 648/2012 of the European Parliament and of the Council concerning the regulatory technical standard requirements for central counterparties.

On 22 November 2010 OMIClear opened its Spanish branch with tax identification number W0106378C. This Spanish branch is called OMIClear – Sociedade de Compensação de Mercados de Energia, Sociedade Gestora de Câmara de Compensação com assunção de Contraparte Central (SGCCCC), S.A., Sucursal en España and has its registered office at Calle Ribera de Loira, 46, 28046 Madrid, Spain.

The activities described below constitute the main business objectives of the Spanish branch, which are partially similar to the corporate objectives of its mother company:

- (i) The management of a clearing house and a settlement system, as well as playing the role of central counterparty in spot and futures market operations, namely: futures, forwards, swaps and options,

whose underlying assets are electricity, other energy-related commodities or equivalents, real or notional, electricity indices of energy-based products or other equivalent assets, regardless of whether settlement is by delivery or merely financial;

- (ii) Engage in activities that are subsidiary or accessory to its main objective, provided that these are not a financial intermediation activity, in particular: a) manage book-entry account systems and calculation of net positions; b) provide members of the systems under its management services which are required for the intervention of such members in markets or systems managed by a foreign similar entity in another country, c) provide consultancy services related to the systems under its management; d) participate in research studies, preparation, distribution and commercialisation of market-related information, and e) develop, manage and market computer hardware and software, as well as data transmission networks for the contracting and transmission of orders and/or data;
- (iii) The branch may also participate in other companies with similar or complementary corporate purpose, even if governed by special laws, as well as in complementary groups of companies;
- (iv) The branch may grant loans and other forms of lending and provide supplementary benefits to subsidiary companies.

The initial cash assets of the company totalled 5 000 EUR, which were transferred by OMIClear to a bank account opened in the name of the Branch at a credit institution domiciled in Spain. The Branch may exist for an indefinite period of time, but may not go beyond the duration of OMIClear.

These financial statements were approved by the Board of Directors 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 OMIClear, 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 rules on accounting and financial reporting (NCRF), 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 OMIClear, with a significant impact on the accounting value of assets and liabilities, and on income and expenses for the reporting period.

Although these estimates are based on the Board's best knowledge and expectations of current and future events and activities, the current and future results may be different. Note 3.17 presents the areas involving greater judgement calls and complexity, or the areas in which the assumptions and estimates are relevant to the financial statements.

2.2 Derogation to the SNC provision (Accounting Standardisation System)

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

2.3 Comparability of financial statements

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

4 Significant Accounting Policies

The significant accounting policies used to prepare the financial statements are described below. Unless otherwise stated, these policies have consistently been applied to all topics presented.

4.1 Currency translation

i) FUNCTIONAL AND PRESENTATION CURRENCY

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

ii) 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 income statement, under Interest and similar income obtained and Interest and similar expenses incurred, if related to loans or Other income and gains or Other expenses and losses, for all other balances/transactions.

iii) EXCHANGE RATES USED

The 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

4.2 Property, plant and equipment

Property, plant and equipment are valued at cost deducted from accumulated depreciation and accumulated impairment losses. This cost includes the estimated cost at the date of transition to IFRS, 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 cost of repairs and maintenance services are recorded as expenses in the period in which they occurred.

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

	Years
Vehicles	Between 4 and 6 years
Office equipment	Between 3 and 10 years
Other property, plant and equipment	Between 3 and 10 years

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

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

4.3 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 situation 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 on the possible reversal of impairment losses.

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

4.4 Financial assets

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

Financial assets can be classified as:

- a) Financial assets at fair value through profit or loss – they include non-derivative financial assets held for trading regarding short-term investments and assets at fair value through profit or loss on the date on which they were first recognised;
- b) Loans granted and accounts receivable – they include non-derivative financial assets with fixed or determinable payments not quoted in an active market;
- c) Investments held to maturity – they include non-derivative financial assets with fixed or determinable payments and fixed maturities for which the entity has the intention and capacity to hold until maturity;
- d) Financial assets held for sale – they include available-for-sale non-derivative financial assets that are designated as available for sale on initial recognition or that do not fit the above categories. They are recorded as non-current assets except if there is intention to sell them within 12 months after the balance sheet date.

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.

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

4.5 Clients and Other accounts receivable

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

Impairment losses on Clients and Trade receivables 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 income statement, under Impairment in accounts receivable, and are subsequently reversed through profit or loss if the impairment indicator ceases to exist.

4.6 Cash and Cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, other short-term high liquidity financial investments with original maturities of up to three months, bank guarantees and overdrafts. These are presented in the Balance Sheet in the current or not current liabilities depending on whether they are short term or medium long term, under the heading "Loans granted", and are taken into consideration in the preparation of the statements of cash flow, as cash or cash equivalents.

4.7 Share capital

Ordinary shares are registered under equity capital.

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

4.8 Suppliers and Other accounts payable

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

4.9 Financial liabilities

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

Financial liabilities may be recorded / measured:

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

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

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

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

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

4.10 Income tax

The company is subject to corporate income tax (IRC) at a rate of 17% over the taxable amount up to 15 000.00 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 income statement, except if they relate to items directly recorded in the equity capital. The amount of current income tax payable is determined based on total income before tax, adjusted in agreement with tax regulations.

Payments on account and special payments on account were recorded in the company accounts and will be deducted from tax payable.

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.

4.11 Provisions, contingent liabilities and contingent assets

Provisions are recorded when OMIClear 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, OMIClear discloses it as a contingent liability, unless the evaluation of the enforceability of the outflow of funds for the payment thereof is considered remote.

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 the possibility of an outflow of funds embodying economic benefits is not remote.

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

4.12 Leases

Leases of tangible fixed assets in relation to which OMIClear 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 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 income statement in the period to which they relate.

Tangible assets acquired through financial leases are depreciated over the shorter of the lifespan of the asset and the leasing period when the company 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 owed are recorded as cost in the income statement on a straight-line basis over the lease term.

4.13 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.

4.14 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 OMIClear'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 stating the appropriate liabilities. Where there is a formal agreement for the deferral of amounts receivable, the fair value of the revenue is determined based on the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts for the expected reimbursement period.

Revenue from the sale of products is recorded when: *i)* the revenue amount can be reliably estimated; *ii)* the economic benefits are likely to flow to OMIClear; 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.

4.15 Distribution of dividends

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

4.16 Netting of balances and transactions

Assets, liabilities, income and expenses are not netted unless required or permitted by the IFRS.

4.17 Significant estimates and assumptions presented

Estimates and assumptions with impact on OMIClear'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

4.17.1. PROVISIONS

OMIClear 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.

4.17.2. TANGIBLE AND INTANGIBLE ASSETS

The determination of the lifespan of assets and the depreciation/amortisation method to use is key to determining the amount of depreciation/amortisation recorded in the income statement 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.

4.17.3. IMPAIRMENT

The determination of an eventual impairment loss may be triggered by various events, many of which outside OMIClear'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 OMIClear.

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, lifespan and residual values.

4.18 Events after the balance sheet

The events after the financial statement 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 date of the financial statements 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 use

OMIClear has no cash balance or cash equivalent with restrictions of use for the periods presented.

5.2 Breakdown of values posted in “Cash”

On 31 December 2016, the breakdown of cash and cash equivalents was the following:

	31-12-2016	31-12-2015
Cash	1.778	1.117
Bank deposits	11.016.509	10.381.356
	<u>11.018.287</u>	<u>10.382.474</u>

The breakdown of the amount considered as final balance under “Cash and cash equivalents” for the purpose of preparing the cash flow statement for the year ending on 31 December was the following:

	31-12-2016	31-12-2015
Cash resources		
- Cash	1.778	1.117
	<u>1.778</u>	<u>1.117</u>
Bank deposits		
- Checking accounts	369.216	457.623
- Savings accounts	10.647.293	9.923.734
	<u>11.016.509</u>	<u>10.381.356</u>
	<u>11.018.287</u>	<u>10.382.474</u>

6 Accounting policies, changes in accounting estimates and errors

6.1 Changes in rules

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

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 ending 31 December 2015 the movements recorded under the heading of property, plant and equipment were as follows:

Movements in property, plant and equipment – 2015

	Vehicles	Office Equipment	Other Property, Plant and Equipment	Total
1 January 2015				
Aquisition cost	40.192	1.783.372	6.370	1.829.934
Accumulated depreciation	(6.699)	(1.769.751)	(459)	(1.776.909)
Net book value	33.493	13.621	5.911	53.025
Additions	-	2.497	162	2.659
Depreciation for the period	(10.048)	(4.907)	(562)	(15.517)
Depreciation - disposals	-	581	-	581
Net book value	23.445	11.792	5.511	40.748
31 December 2015				
Aquisition cost	40.192	1.785.869	6.532	1.832.593
Accumulated depreciation	(16.747)	(1.774.077)	(1.021)	(1.791.845)
Net book value	23.445	11.792	5.511	40.748

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

Movements in property, plant and equipment – 2016

	Vehicles	Office Equipment	Other Property, Plant and Equipment	Total
1 January 2016				
Aquisition cost	40.192	1.785.869	6.532	1.832.593
Accumulated depreciation	(16.747)	(1.774.077)	(1.021)	(1.791.845)
Net book value	23.445	11.792	5.512	40.748
Additions	-	3.768	(857)	2.910
Depreciation for the period	(10.048)	(5.624)	(584)	(16.255)
Depreciation - disposals	-	-	-	-
Net book value	13.397	9.936	4.071	27.403
31 December 2016				
Aquisition cost	40.192	1.789.637	5.675	1.835.503
Accumulated depreciation	(26.795)	(1.779.700)	(1.604)	(1.808.100)
Net book value	13.397	9.936	4.071	27.403

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

Additions to property, plant and equipment made in the period ending 31 December 2016 relate mainly to administrative equipment.

On 31 December 2016 and 31 December 2015, OMIClear used the following asset acquired under financial lease:

Financial Leases	31-12-2016	31-12-2015
Gross value	40.192	40.192
Accumulated depreciation	(26.795)	(16.747)
	<u>13.397</u>	<u>23.445</u>

8 Intangible fixed assets

During the period ended 31 December 2015, the movements recorded under intangible assets were as follows:

Movements in intangible fixed assets – 2015

	Development Projects	Computer Programmes	Other Intangible Assets	Total
1 January 2015				
Acquisition cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Additions	-	-	30.000	30.000
Depreciation - disposals	-	-	(1.667)	(1.667)
Net book value	-	-	28.333	28.333
31 December 2015				
Acquisition cost	-	-	30.000	30.000
Accumulated depreciation	-	-	(1.667)	(1.667)
Net book value	-	-	28.333	28.333

During the period ended 31 December 2016, the movements recorded under intangible assets were as follows:

Movements in intangible fixed assets – 2016

	Development Projects	Computer Programmes	Other Intangible Assets	Total
1 January 2016				
Acquisition cost	-	-	30.000	30.000
Accumulated depreciation	-	-	(1.667)	(1.667)
Net book value	-	-	28.333	28.333
Additions	23.210	7.500	746.647	777.357
Depreciation in the period	(1.834)	(1.042)	(134.390)	(137.266)
Net book value	21.376	6.458	640.590	668.424
31 December 2016				
Acquisition cost	23.210	7.500	776.647	807.357
Accumulated depreciation	(1.834)	(1.042)	(136.057)	(138.933)
Net book value	21.376	6.458	640.590	668.424

The asset under intangible assets relates to the Sungard project.

9 Other financial investments

On 31 December 2016, the amount of other investments corresponds to the initial contribution made by OMIClear – C.C., S.A, Sucursal en Españã, in the amount of 5000 EUR and also to the monthly contributions made by the company to the Labour Compensation Fund (FCT – Fundo de Compensação do Trabalho), under Law 70/2013.

10 Clients

In the periods ended 31 December 2016 and 31 December 2015, the heading “Clients” was broken down as follows:

	31-12-2016			31-12-2015		
	Current	Non-current	Total	Current	Non-current	Total
Clients - Related parties (Note 31)	66.000	-	66.000			
Clients - Third parties	1.183	-	1.183	2.315	-	2.315
Third party clients - Branch	46.706	-	46.706	-	-	-
	<u>113.889</u>		<u>113.889</u>	<u>2.315</u>		<u>2.315</u>
Impairment	-	-	-	-	-	-
	<u>113.889</u>		<u>113.889</u>	<u>2.315</u>		<u>2.315</u>

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

11 State and other public entities

In the periods ended 31 December 2016 and 31 December 2015, the balances of the heading “State and other public entities” are as follows:

	31-12-2016		31-12-2015	
	Debtor	Creditor	Debtor	Creditor
Corporate tax	-	23.146	56.731	-
Corporate tax - Branch	-	1.924	-	-
Personal income tax	-	22.475	-	18.631
Personal income tax - Branch	-	457	-	-
Value added tax	42.547	-	372.854	-
Value added tax - Branch	-	8.267	-	-
Contributions to social security	-	15.535	-	-
Contributions to social security - Branch	-	1.692	-	15.909
	<u>42.547</u>	<u>73.495</u>	<u>429.585</u>	<u>34.540</u>

For these periods, the balance of Corporate tax (IRC) is broken down as follows:

	31-12-2016	31-12-2015
Payments on account	-	24.771
Withholding tax	10.792	46.797
Corporate tax estimate	(33.938)	-
Corporate tax estimate - Branch	(1.924)	(14.837)
	<u>(25.070)</u>	<u>56.731</u>

12 Other receivables

In the periods ended 31 December 2016 and 31 December 2015, the heading "Other Receivables" is broken down as follows:

	31-12-2016			31-12-2015		
	Current	Non-current	Total	Current	Non-current	Total
Other debtors						
OMIP SGMR (Note 31)	-	-	-	320.324	-	320.324
OMIP SGPS (Note 31)	-	-	-	21.659	-	21.659
Other	241	-	241	10.202	-	10.202
Accrued income						
Interest receivable	58.863	-	58.863	74.206	-	74.206
Other	64.050	-	64.050	126.310	-	126.310
	<u>123.154</u>	<u>-</u>	<u>123.154</u>	<u>562.723</u>	<u>-</u>	<u>562.723</u>
Impairment	-	-	-	-	-	-
	<u>123.154</u>	<u>-</u>	<u>123.154</u>	<u>562.723</u>	<u>-</u>	<u>562.723</u>

The amount of 58 863 EUR refers to the accrued interest on guarantee deposits for December 2016, which the company will only receive in January 2017.

The heading "Others" is broken down as follows:

EEX - Q4-16	59.609
Q4-16 - Banco Carregosa	1.500
Management fees	2.595
Other	346
	<u>64.050</u>

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

13 Deferrals

On 31 December 2016 and 31 December 2015, OMIClear recorded the following balances under the heading "Deferrals":

	31-12-2016	31-12-2015
Insurance	4.459	5.450
Rents	3.405	3.368
Other	20.859	23.773
	<u>28.723</u>	<u>32.590</u>

14 Other financial assets and liabilities

Cash collateral is recorded under the headings of assets and liabilities.

On 31 December 2016 and 31 December 2015, the values recognised in the balance sheet are as follows:

	31-12-2016	31-12-2015
Guarantee deposits of participants	281.575.347	198.861.505
Amounts to be paid to participants	(281.575.342)	(198.862.474)
	5	(968)

The difference between the guarantees payable to the members and the guarantee deposit in 2016 is due to bank charges. Regarding 2015, the amount refers to interest settlements that were only received in January 2016.

In addition to the guarantee deposits, on 31 December 2015 there were still credit lines and bank guarantees with OMIClear. This no longer existed as from March 2016 when cash collateral became mandatory.

	31-12-2015
Credit lines	20.000.000
Bank guarantees	119.091.549
	139.091.549

15 Share capital

On 31 December 2016 and 31 December 2015, OMIClear's share capital, in the amount of 7 500 000 EUR, was fully subscribed and paid for, represented by 750 000 shares, each with a nominal value of 10 EUR.

On 31 December 2016 and 31 December 2015 the share capital is broken down as follows:

	% share	Capital
OMIP SGMR, SA	50,00%	3.750.000
OMIE	50,00%	3.750.000
	100,00%	7.500.000

16 Legal reserves and other reserves

“Legal reserves” and “Other reserves” recorded the following movements during the periods ended 31 December 2016 and 31 December 2015:

	Legal Reserve	Other Reserves	Total
1 January 2015	186.770	1.875.000	2.061.770
Appropriation of results for the period	31.330	-	31.330
Other operations	-	216.895	216.895
31 December 2015	218.101	2.091.895	2.309.996
Appropriation of results for the period	3.290	-	3.290
Other operations	-	(150.000)	(150.000)
31 December 2016	221.392	1.941.895	2.163.286

The transfer to Legal reserves was made following the approval of appropriation of net income for 2015 by the General Meeting on 15 March 2016.

Pursuant to the law in force, at least 10% of the net annual income must be appropriated to increase the legal reserve until it represents 20% of capital. This reserve cannot be distributed unless the company is liquidated, and can only be used to cover losses after other reserves are used, or added to capital.

Under the law in force, the SIG.B reserve in the amount of 1 875 000.00 EUR constitutes OMIClear's own resources to be used in against the cascading effect of a default.

17 Funding obtained

During the periods ended 31 December 2016 and 31 December 2015, the heading “Funding” was broken down as follows:

	31-12-2016			31-12-2015		
	Current	Non-current	Total	Current	Non-current	Total
Loans (Note 31)	131.938	525.835	657.773	-	-	-
Financial leases	10.020	4.605	14.625	9.826	14.635	24.461
	141.958	530.440	672.398	9.826	14.635	24.461

LOANS:

This amount corresponds to the loans received from the OMIP SGMR and OMIE shareholders in connection with the financing of the Sungard project, in the total amount of 746 648 EUR, to be reimbursed in monthly payments. In 2016, 88 875 EUR were repaid.

The repayment plan up to 2021 is as follows:

	31-12-2016
2017	131.938
2018	125.634
2019	129.440
2020	133.361
2021	137.401
	657.773

FINANCIAL LEASES

The repayment plan is as follows:

	31-12-2016	31-12-2015
2016	-	9.836
2017	10.020	10.020
2018	4.605	4.605
	14.625	24.461

18 Suppliers

During the periods ended 31 December 2016 and 31 December 2015, the heading including all current "Suppliers" is as follows:

	31-12-2016	31-12-2015
Suppliers	28.439	38.326
	28.439	38.326

19 Other accounts payable

On 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
Suppliers - investments						
Suppliers	5.141	-	5.141	30.221	-	30.221
	5.141	-	5.141	30.221	-	30.221
Other creditors						
OMIP SGPS (Note 31)	33.506	-	33.506	34.440	-	34.440
OMIP SGMR (Note 31)	217.179	-	217.179	439.580	-	439.580
Other	4.740	-	4.740	29.714	-	29.714
	255.425	-	255.425	503.734	-	503.734
Other creditors						
ADM, SL	514	-	514	-	-	-
Other	530	-	530	-	-	-
	1.044	-	1.044	-	-	-
Creditors due to accrued expenses						
Holidays and holiday bonuses	36.309	-	36.309	37.434	-	37.434
Other staff costs	53.550	-	53.550	39.433	-	39.433
Productivity bonuses	221.717	-	221.717	170.717	-	170.717
Remuneration paid to members of governing bodies	24.950	-	24.950	48.950	-	48.950
Other staff costs	80.668	-	80.668	78.546	-	78.546
	417.194	-	417.194	375.081	-	375.081
	678.804	-	678.804	909.036	-	909.036

The item "Other" refers to:

- Services provided by market makers	15.455
- Services provided by IOBs	42.886
- OMIE fee	10.000
- Haircuts additions	7.500
- Sundry	4.827
	<u>80.668</u>

20 Service provision

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

	31-12-2016	31-12-2015
Market fees	1.146.918	1.011.888
EEX agreement	197.223	62.440
Services provided in Natural Gas	89.145	95.960
Services provided in Natural Gas - Branch	38.600	-
Services provided in Energy	62.500	62.500
Training	33.400	12.900
EMIR Reporting	29.460	48.491
	<u>1.597.246</u>	<u>1.294.179</u>

21 Supplies and external services

The breakdown of the costs incurred with supplies and external services is as follows:

	31-12-2016	31-12-2015
Specialised works	345.102	258.873
Travel and accommodation	76.531	88.979
Rentals	49.245	39.314
Representation expenses	20.399	42.716
Insurance	17.680	16.240
Salaries/fees	17.017	51.176
Banking services	10.502	9.555
Accounting and human resources - Branch	3.314	-
Office material	2.827	3.786
Other services - Branch	412	-
Other (each under 5000 EUR)	14.634	18.849
	<u>557.663</u>	<u>529.489</u>

The most relevant heading in the category “Supplies” are specialised tasks that essentially include (i) maintenance of systems and access to IT platforms and (ii) management fees that offset within the Group the efforts dedicated to OMIClear by other Group employees.

The heading “Fees” includes consultancy work. We note a decrease compared to the same period in 2015 of 66.8% because at the end of that year consultancy contract ended. The heading also includes all costs incurred by the risk committee members who are not part of the governing bodies.

The heading “representation costs” dropped 47.75% due to the EMART fair in 2015, unlike in 2016.

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	271.536	360.269
Staff	649.229	627.339
Staff - Branch	16.144	-
	<u>936.909</u>	<u>987.608</u>
Social charges	186.312	185.753
Other	8.642	12.117
	<u>194.954</u>	<u>197.869</u>
	<u>1.131.863</u>	<u>1.185.477</u>

The decrease in costs with the corporate bodies is essentially due to the resignation of the company's chairman on 31 May 2016.

The increase in staff costs is mostly due to salary increases. Moreover, a collaborator was hired for the OMIClear branch in Madrid in 2016.

In 2016, the average number of OMIClear staff was 13 (2015: 12).

23 Other income and gains

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

	31-12-2016	31-12-2015
Guarantees	709.279	760.678
Management fees (Note 31)	168.487	165.892
Other	5.201	20.894
	<u>882.967</u>	<u>947.464</u>

“Income from guarantees” refers to operating income and relates to capital income received for the management of guarantees deposited with OMIClear.

The heading “Management fees” includes debits relating to the work provided by OMIClear employees in OMIP management tasks.

24 Other expenses and losses

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

	31-12-2016	31-12-2015
Costs with market operations	201.740	222.217
Services provided by Group companies (Note 31)	228.000	241.000
Taxes	3.473	3.969
Corrections of previous years' balances	561	205
Costs and losses in subsidiaries, associates and joint ventures	11.894	-
Other	14.892	12.026
	<u>460.560</u>	<u>479.417</u>

Costs with market operations in December 2016 and 2015 arose from fixed commissions charged by Market Makers and IOBs.

25 Expenses and financial income

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

	31-12-2016	31-12-2015
Interest and similar earnings		
Interest on deposits	-	20.147
Other interest and similar earnings	-	16
	<u>-</u>	<u>20.164</u>
Interest and similar costs		
Interest paid	(32.162)	(1.734)
	<u>(32.162)</u>	<u>(1.734)</u>
	<u>(32.162)</u>	<u>18.430</u>

26 Income tax

On 31 December 2016 and 31 December 2015, the heading “Income tax” is as follows:

	31-12-2016	31-12-2015
Income tax - current	40.835	15.608
	<u>40.835</u>	<u>15.608</u>

26.1 Deferred taxes

On 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	130.506	15.000	33.507
Tax rate	17,0%	21,0%	17,0%	21,0%
	2.550	27.406	2.550	7.036
	29.956		9.586	
Non-deductible expenses	1.124		(1.050)	
Non-taxable income	(6.027)		(9)	
Surcharge	1.832		664	
Autonomous taxation	7.052		5.645	
Under taxation estimate	4.973		770	
Impact of branch tax	1.924		-	
	40.835		15.608	
Tax on current income	33.938		14.837	
Impact of branch tax	1.924			
Under taxation estimate	4.973		770	
Income tax	40.835		15.608	
Effective tax rate	28,06%		32,18%	

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

	31-12-2016	31-12-2015
Up to 15 000 EUR	17,00%	17,00%
Remaining value	21,00%	21,00%
Surcharge	1,50%	1,50%
	20,50%	20,50%

27 Dividends

OMIClear did not pay dividends during the period ended 31 December 2016 (2015: 281 973 EUR).

28 Commitments

On 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

On 31 December 2016 and 31 December 2015, OMIClear did not record any contingent liabilities.

CONTINGENT ASSETS

On 31 December 2016 and 31 December 2015, OMIClear did not record any contingent assets.

30 Information required by law

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

31 Related parties

On 31 December 2016 and 2015, 50% of OMIClear was held by OMIP – Polo Português, S.G.M.R., S.A. and 50% by OMI – Polo Español, S.A. (OMIE).

NATURE OF THE RELATIONSHIP WITH THE RELATED PARTIES

SHAREHOLDERS:

- OMIP – Polo Português, SGMR, SA
- OMI – Polo Español, SA (OMIE)

OTHER RELATED PARTIES:

- OMIP – Operador do Mercado Ibérico (Portugal), SGPS, SA
- OMEL – Operador del Mercado Ibérico de Energia, Polo Español, SA
- REN – Redes Energéticas Nacionais, SA.
- REN – Serviços, SA.
- Caixa Geral de Depósitos
- Banco Comercial Português, SA

31.1 Transactions with shareholders

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

	31-12-2016	31-12-2015
Services provided		
OMIE	88.575	70.000
OMIP SGMR	147.939	145.344
	<u>236.514</u>	<u>215.344</u>
Services acquired		
OMIP SGMR	242.408	307.764
OMIE	-	10.000
	<u>242.408</u>	<u>317.764</u>

31.2 Debit and credit balances with shareholders

During the period, the company made the following transactions with those related parties:

	31-12-2016	31-12-2015
Clients		
OMIE	66.000	-
	<u>66.000</u>	<u>-</u>
Other accounts receivable		
OMIP SGMR	-	320.324
	<u>-</u>	<u>320.324</u>
Other accounts payable		
OMIP SGMR	217.179	439.580
	<u>217.179</u>	<u>439.580</u>
Financing obtained		
OMIP SGMR	328.886	-
OMIE	328.887	-
	<u>657.773</u>	<u>-</u>

31.3 Transactions with other related parties:

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

	31-12-2016	31-12-2015
Services provided		
OMIP SGPS	20.548	20.548
	<u>20.548</u>	<u>20.548</u>
Services acquired		
OMIP SGPS	48.000	48.000
	<u>48.000</u>	<u>48.000</u>

31.4 Debit and credit balances with other related parties:

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

	31-12-2016	31-12-2015
Other accounts receivable		
OMIP SGPS	-	21.659
	<u>-</u>	<u>21.659</u>
Other accounts payable		
OMIP SGPS	33.506	34.440
	<u>33.506</u>	<u>34.440</u>

31.5 Management remunerations

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

	31-12-2016	31-12-2015
Remunerations	91.644	132.182
Gratuities and bonuses	22.892	15.862
	<u>114.536</u>	<u>148.044</u>

32 Subsequent events

Up to the date on which these financial statements were approved, the Board of Directors had no knowledge of any subsequent events that should be recorded or disclosed herein.

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 2016, in the amount of 104 670.94 EUR (one hundred and four thousand, six hundred and seventy euros and ninety-four cents), be appropriated as follows:

To legal reserve	10 467.09 EUR
To retained earnings.....	94 203.85 EUR

Lisbon, 20 March 2017

Manuela Lopes dos Santos
Certified Accountant no. 85946

The Board of Directors,

Pedro Jesus Mejía Gómez

Ángel Berges Lobera

José Manuel Amado da Silva

Gonzalo Solana González

Paulo Alexandre da Rocha Henriques



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 OMIClear – C.C., S.A. (the Entity), which comprise the balance sheet as at December 31, 2016 (which shows total assets of Euro 293,600,761 and total shareholders' equity of Euro 10,572,284 including a net profit of Euro 104,671), 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 OMIClear – C.C., 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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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

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

- 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;

STATUTORY AUDIT REPORT

03/03

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

f) communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements.

Report on other legal and regulatory requirements***Director's report***

In 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

01/02



Report and Opinion of the Supervisory Body

(Free translation from the original in Portuguese)

To the Shareholders,

In accordance with the law and our mandate, we herewith present the report on our supervisory activity and our opinion on the Directors' Report and financial statements as presented by the Board of Directors of OMIClear – C.C., 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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REPORT AND OPINION OF THE SUPERVISORY BODY

02/02

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

April 13, 2017

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

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



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