

SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Information

30 June 2016

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SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	30 June 2016 (unaudited)	31 December 2015
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		3,737,709	3,700,211
Other intangible assets		13,919	14,295
Property, plant and equipment		736,301	779,264
Deferred tax assets		42,501	50,597
Other non-current assets		5,371	3,802
Total non-current assets		4,535,801	4,548,169
Current assets			
Cash and cash equivalents	11	1,225,414	893,492
Deposits, treasury bills and government bonds	12	1,761,598	1,987,881
Trade receivables	13	763,047	837,782
Other receivables		22,010	36,804
Inventories		25,225	23,258
Prepayments		6,012	9,460
Green certificates		29,894	31,304
Income tax receivable		23,134	23,135
Total current assets		3,856,334	3,843,116
Total assets		8,392,135	8,391,285
EQUITY AND LIABILITIES			
Equity			
Share capital		3,814,242	3,814,242
Share premium		103,049	103,049
Treasury shares reserve		(75,372)	(75,372)
Pre-paid capital contributions in kind from shareholders		2,862	2,862
Revaluation reserve		128,876	140,358
Other reserves		273,899	273,899
Retained earnings		1,343,891	1,354,595
Total equity attributable to the owners of the Company		5,591,447	5,613,633
Non-controlling interests		789,748	828,957
Total equity		6,381,195	6,442,590

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SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	30 June 2016 (unaudited)	31 December 2015
Liabilities			
Non-current liabilities			
Financing for network construction related to concession agreements		75,363	122,065
Deferred tax liabilities		187,759	181,253
Employee benefits	15	183,780	193,915
Other payables	14	42,506	43,068
Total non-current liabilities		489,408	540,301
Current liabilities			
Financing for network construction related to concession agreements		105,478	99,576
Short term bank borrowings		4,500	59,821
Bank overdrafts	11	126,810	65,963
Trade payables		462,095	656,410
Dividends payable	9	397,767	-
Other payables	14	178,035	249,306
Deferred revenue		21,974	4,235
Employee benefits	15	72,735	134,625
Provisions	17	128,092	127,613
Current income tax liability		24,046	10,845
Total current liabilities		1,521,532	1,408,394
Total liabilities		2,010,940	1,948,695
Total equity and liabilities		8,392,135	8,391,285

The accompanying notes are an integral part of this condensed consolidated interim financial information.

General Manager/Finance Manager

Iuliana Andronache

11 August 2016

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, except per share data)

	Note	Six month period ended	
		30 June 2016 (unaudited)	30 June 2015 (unaudited)
Revenues	6	2,679,491	2,595,002
Other income	7	164,348	130,173
Electricity purchased		(1,331,833)	(1,289,455)
Green certificates		(207,647)	(167,728)
Construction costs related to concession agreements		(184,442)	(175,348)
Employee benefits	16	(318,689)	(316,164)
Repairs, maintenance and materials		(23,150)	(39,827)
Depreciation and amortization		(176,325)	(174,750)
Impairment of property, plant and equipment, net (Impairment)/Reversal of impairment of trade and other receivables, net		(277)	(1,754)
Change in provisions, net	17	(8,717)	3,654
Other operating expenses		(479)	(34,946)
Operating profit		400,418	316,582
Finance income		13,088	20,856
Finance costs		(4,492)	(4,672)
Net finance income		8,596	16,184
Profit before tax		409,014	332,766
Income tax expense	10	(73,103)	(55,681)
Profit for the period		335,911	277,085
Profit for the period attributable to:			
- owners of the Company		269,396	210,469
- non-controlling interests		66,515	66,616
Profit for the period		335,911	277,085
Earnings per share			
Basic and diluted earnings per share (RON)	8	0.79	0.62

The accompanying notes are an integral part of this condensed consolidated interim financial information.

General Manager/Finance Manager
Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, except per share data)

	Three month period ended	
	30 June 2016 (unaudited and not reviewed)	30 June 2015 (unaudited and not reviewed)
Revenues	1,279,631	1,254,637
Other income	46,704	44,643
Electricity purchased	(571,484)	(564,304)
Green certificates	(97,106)	(77,131)
Construction costs related to concession agreements	(109,992)	(108,973)
Employee benefits	(157,873)	(158,263)
Repairs, maintenance and materials	(15,470)	(14,507)
Depreciation and amortization	(88,747)	(89,240)
Impairment of property, plant and equipment, net (Impairment)/Reversal of impairment of trade and other receivables, net	(277)	436
Change in provisions, net	(8,595)	3,554
Other operating expenses	48,242	(4,450)
Operating profit	230,213	174,018
Finance income	3,908	9,209
Finance costs	(1,542)	(172)
Net finance income	2,366	9,037
Profit before tax	232,579	183,055
Income tax expense	(38,473)	(32,788)
Profit for the period	194,106	150,267
Profit for the period attributable to:		
- owners of the Company	151,413	114,531
- non-controlling interests	42,693	35,736
Profit for the period	194,106	150,267
Earnings per share		
Basic and diluted earnings per share (RON)	0.45	0.34

The accompanying notes are an integral part of this condensed consolidated interim financial information.

General Manager/Finance Manager
Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

	Six month period ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Profit for the period	335,911	277,085
Other comprehensive income	-	-
Total comprehensive income	335,911	277,085
Total comprehensive income attributable to:		
- owners of the Company	269,396	210,469
- non-controlling interests	66,515	66,616
Total comprehensive income	335,911	277,085

The accompanying notes are an integral part of this condensed consolidated interim financial information.

General Manager/Finance Manager

Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	30 June 2016 (unaudited and not reviewed)	30 June 2015 (unaudited and not reviewed)
Profit for the period	194,106	150,267
Other comprehensive income	-	-
Total comprehensive income	194,106	150,267
Total comprehensive income attributable to:		
- owners of the Company	151,413	114,531
- non-controlling interests	42,693	35,736
Total comprehensive income	194,106	150,267

The accompanying notes are an integral part of this condensed consolidated interim financial information.

General Manager/Finance Manager
 Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

Note	Attributable to the owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total			
Balance at 1 January 2016	3,814,242	103,049	(75,372)	2,862	140,358	273,899	1,354,595	5,613,633	828,957	6,442,590	
Comprehensive income											
Profit for the period (unaudited)	-	-	-	-	-	-	269,396	269,396	66,515	335,911	
Total comprehensive income (unaudited)	-	-	-	-	-	-	269,396	269,396	66,515	335,911	
Transactions with owners of the Company (unaudited)											
Contributions and distributions											
Dividends to the owners of the Company	9	-	-	-	-	-	(291,582)	(291,582)	-	(291,582)	
Total transactions with the owners of the Company (unaudited)	-	-	-	-	-	-	(291,582)	(291,582)	-	(291,582)	
Other changes in equity (unaudited and not reviewed)											
Dividends to non-controlling interests	9	-	-	-	-	-	-	-	(105,724)	(105,724)	
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(5,056)	5,056	-	-	-	
Loss of control over subsidiaries in financial distress	20	-	-	-	-	(6,426)	6,426	--	-	-	
Balance at 30 June 2016 (unaudited)	3,814,242	103,049	(75,372)	2,862	128,876	273,899	1,343,891	5,591,447	789,748	6,381,195	

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SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Attributable to the owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings			
Balance at 1 January 2015, as previously reported	3,814,242	103,049	(75,372)	3,273	156,018	236,597	1,268,811	5,506,618	810,520	6,317,138
Impact of change in accounting policy	-	-	-	-	-	-	(22,176)	(22,176)	(6,254)	(28,430)
Balance at 1 January 2015 restated	3,814,242	103,049	(75,372)	3,273	156,018	236,597	1,246,635	5,484,442	804,266	6,288,708
Comprehensive income										
Profit for the period (unaudited)	-	-	-	-	-	-	210,469	210,469	66,616	277,085
Total comprehensive income (unaudited)	-	-	-	-	-	-	210,469	210,469	66,616	277,085
Transactions with owners of the Company (unaudited)										
Contributions and distributions										
Land for which ownership rights were obtained	-	-	-	(411)	-	-	-	(411)	-	(411)
Dividends to the owners of the Company	-	-	-	-	-	-	(244,692)	(244,692)	-	(244,692)
Total transactions with the owners of the Company (unaudited)	-	-	-	(411)	-	-	(244,692)	(245,103)	-	(245,103)
Other changes in equity (unaudited)										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(97,208)	(97,208)
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(7,395)	-	7,395	-	-	-
Loss of control over subsidiaries in financial distress	-	-	-	-	(1,443)	-	1,443	-	-	-
Balance at 30 June 2015 (unaudited)	3,814,242	103,049	(75,372)	2,862	147,180	236,597	1,221,250	5,449,808	773,674	6,223,482

The accompanying notes are an integral part of this condensed consolidated interim financial information.

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2016 (unaudited)	30 June 2015 (unaudited)
Cash flows from operating activities			
Profit for the period		335,911	277,085
Adjustments for:			
Depreciation		23,357	20,701
Amortisation		152,968	154,049
Impairment loss of property, plant and equipment, net		277	1,754
Loss/(Gain) on disposal of property, plant and equipment		(213)	2,120
Impairment/(Reversal of impairment) of trade and other receivables, net		8,717	(3,654)
Write-down of inventories, net		-	739
Change in provisions, net	17	479	34,946
Net finance income		(8,596)	(16,184)
Gain on loss of control over subsidiaries in financial distress	20	(73,693)	(38,501)
Income tax expense	10	73,103	55,681
		512,310	488,736
Changes in :			
Trade receivables		26,061	47,120
Other receivables		19,529	12,819
Deposits, treasury bills and government bonds		1,297	-
Prepayments		3,448	15
Green certificates		1,410	(15,122)
Inventories		(1,967)	636
Trade payables		(77,953)	(64,718)
Other payables		(23,522)	(87,342)
Employee benefits		(19,123)	(12,073)
Deferred revenue		17,739	16,408
		459,229	386,479
Interest paid		(3,078)	(4,713)
Income tax paid		(57,728)	(48,469)
		398,423	333,297
Net cash from operating activities			

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SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2016 (unaudited)	30 June 2015 (unaudited)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(27,357)	(17,009)
Payments for network construction related to concession agreements		(233,243)	(131,066)
Payments for purchase of other intangible assets		-	(542)
Proceeds from sale of property, plant and equipment		935	11,032
Purchase of treasury bills and government bonds	12	(1,059,949)	(2,560,218)
Proceeds from maturity of treasury bills and government bonds	12	1,170,659	1,627,262
Increase in deposits with maturity of 3 months or longer		(120,257)	(125,485)
Proceeds from deposits with maturity of 3 months or longer		234,533	344,004
Effect of loss of control over subsidiaries on cash		(1,609)	(2,863)
Interest received		10,029	20,965
Net cash used in investing activities		(26,259)	(833,920)
Cash flows from financing activities			
Proceeds from long term bank loans		-	18,000
Repayment of long term bank loans		-	(2,700)
Repayment of short term bank borrowings		(55,321)	-
Repayment of financing for network construction related to concession agreements		(45,621)	(66,859)
Payment of finance lease liabilities		-	(294)
Dividends paid		(147)	-
Net cash used in financing activities		(101,089)	(51,853)
Net increase/(decrease) in cash and cash equivalents		271,075	(552,476)
Cash and cash equivalents at 1 January		827,529	1,581,376
Effect of movements in exchange rates on cash held		-	523
Cash and cash equivalents at 30 June	11	1,098,604	1,029,423

The accompanying notes are an integral part of this condensed consolidated interim financial information.

General Manager/Finance Manager

Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

1 Reporting entity and general information

This financial information is the condensed consolidated interim financial information of Societatea Energetica Electrica S.A. (“the Company”) and its subsidiaries (together “the Group”) as at and for the six month period ended 30 June 2016.

The registered office of the Company is 9 Grigore Alexandrescu Street, Sector 1, Bucharest, Romania. The Company has unique registration number 13267221 and Trade Register registration number J40/7425/2000.

As at 30 June 2016 the main shareholder of Societatea Energetica Electrica SA is the Romanian State, represented by the Ministry of Energy (48.78%), after the ownership dilution following an initial public offer in July 2014. The second largest shareholder based on the share of ownership is EBRD with 8.66%.

The Company’s subsidiaries are the following:

Subsidiary	Activity	Tax code	Head Office	% shareholding as at 30 June 2016	% shareholding as at 31 Dec 2015
Electrica Distributie Muntenia Nord SA	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	78.0000021%	78.0000021%
Electrica Distributie Transilvania Nord SA	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	77.999999%	77.999999%
Electrica Distributie Transilvania Sud SA	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	78.0000019%	78.0000019%
Electrica Furnizare SA	Electricity Supply	28909028	Bucuresti	77.999997%	77.999997%
Electrica Serv SA	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%	100%
Servicii Energetice Muntenia SA	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%	100%
Servicii Energetice Oltenia SA	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%	100%
Servicii Energetice Moldova SA*	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	100%	100%
Servicii Energetice Dobrogea SA*	Services in the energy sector (maintenance, repairs, construction)	29388378	Constanta	100%	100%

* Societatea Energetica Electrica SA lost the control of Servicii Energetice Dobrogea starting January 2015 and of Servicii Energetice Moldova starting January 2016 when the bankruptcy proceedings of the subsidiary began (see Note 20).

The main activities of the Group include operation and construction of electricity distribution networks and electricity supply to final consumers. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation stations and power lines of 0.4 kV to 110 kV.

SOCIETATEA ENERGETICA ELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

The electricity distribution tariffs approved by National Authority for Energy Regulation (“ANRE”) are as follows (RON/MWh, presented cumulatively for medium and low voltage):

	Order 171, 172, 173/14.12.2015			Order 155, 156, 154/15.12.2014		
	1 January-31 December 2016			1 January-31 December 2015		
	High voltage	Medium voltage	Low voltage	High voltage	Medium voltage	Low voltage
Transilvania Nord	19.93	64.20	167.74	21.10	68.44	180.59
Transilvania Sud	21.22	63.58	172.02	23.41	70.26	192.65
Muntenia Nord	15.93	52.60	171.38	18.47	61.31	199.92

2 Basis of accounting

This condensed consolidated interim financial information (“interim financial information”) has been prepared in accordance with IAS 34 “Interim Financial Reporting” as endorsed by the European Union. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union (“IFRS-EU”). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

This condensed consolidated interim financial information was authorized for issue by the Board of Directors on 11 August 2016.

The Company also issues an original version of this condensed consolidated interim financial information prepared in Romanian language.

Judgements and estimates

In preparing this interim financial information, management makes judgements, estimates and assumptions that affect the application of Group’s accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

SOCIETATEA ENERGETICA ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All amounts are in THOUSAND RON, if not otherwise stated)

3 Basis of measurement

The condensed consolidated interim financial information have been prepared on the historical cost basis except for land and buildings which are measured based on the revaluation model. The assets and liabilities of the subsidiaries in financial distress are not measured on a going concern basis but on an alternate basis.

4 Significant accounting policies

The accounting policies applied in this interim financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2015.

SOCIETATEA ENERGETICA ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All amounts are in THOUSAND RON, if not otherwise stated)

5 Operating segments

(a) Information about reportable segments

	Electricity supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
Six month period ended 30 June 2016 (unaudited)							
External revenues	2,186,960	478,784	13,747	-	2,679,491	-	2,679,491
Inter-segment revenue	31,613	678,577	6,315	-	716,505	(716,505)	-
Segment revenue	2,218,573	1,157,361	20,062	-	3,395,996	(716,505)	2,679,491
Segment profit before tax	146,178	217,749	70,700	349,226	783,853	(374,839)	409,014
Net finance income	596	(109)	10	382,938	383,435	(374,839)	8,596
Depreciation, amortization and impairment, net	(5,081)	(166,814)	(1,885)	(2,822)	(176,602)	-	(176,602)
Gain on loss of control over subsidiaries	-	-	73,693	-	73,693	-	73,693
EBITDA**	150,663	384,672	72,575	(30,890)	577,020	-	577,020
Segment net profit	121,311	169,383	70,830	349,226	710,750	(374,839)	335,911
Employee benefits	(38,852)	(259,262)	(11,405)	(9,170)	(318,689)	-	(318,689)
Capital expenditure	2,385	193,508	-	-	195,893	-	195,893
Six month period ended 30 June 2015 (unaudited)							
External revenues	2,119,543	467,057	8,402	-	2,595,002	-	2,595,002
Inter-segment revenue	46,776	751,995	1,119	-	799,890	(799,890)	-
Segment revenue	2,166,319	1,219,052	9,521	-	3,394,892	(799,890)	2,595,002
Segment profit before tax	102,852	253,158	16,645	304,759	677,414	(344,648)	332,766
Net finance income	2,645	(104)	9	358,282	360,832	(344,648)	16,184
Depreciation, amortization and impairment, net	(3,640)	(166,893)	(4,070)	(1,901)	(176,504)	-	(176,504)
Gain on loss of control over subsidiaries	-	-	38,501	-	38,501	-	38,501
EBITDA**	103,847	420,155	20,706	(51,622)	493,086	-	493,086
Segment net profit	94,808	201,755	20,411	304,759	621,733	(344,648)	277,085
Employee benefits	(37,729)	(253,795)	(17,292)	(7,348)	(316,164)	-	(316,164)
Capital expenditure	1,090	183,827	-	-	184,917	-	184,917

SOCIETATEA ENERGETICA ELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All amounts are in THOUSAND RON, if not otherwise stated)

	Electricity supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
At 30 June 2016 (unaudited)							
Segment assets	1,190,711	5,120,669	164,529	2,613,047	9,088,956	(696,821)	8,392,135
Trade and other receivables	658,855	497,497	17,828	374,839	1,549,019	(763,962)	785,057
Cash and cash equivalents	372,212	313,484	5,775	533,943	1,225,414	-	1,225,414
Deposits, treasury bills and government bonds	-	112,870	-	1,648,728	1,761,598	-	1,761,598
Trade and other payables, dividends payable and short term employee benefits	755,243	664,956	96,372	296,150	1,812,721	(671,190)	1,141,531
Bank overdrafts	-	126,810	-	-	126,810	-	126,810
Financing for network construction related to concession agreements and bank loans	-	185,341	-	-	185,341	-	185,341
At 31 December 2015							
Segment assets	1,179,588	5,137,881	193,747	2,244,312	8,755,528	(364,243)	8,391,285
Trade and other receivables	719,529	611,531	25,084	-	1,356,144	(481,558)	874,586
Cash and cash equivalents	337,912	268,262	4,253	283,065	893,492	-	893,492
Deposits, treasury bills and government bonds	-	87,486	-	1,900,395	1,987,881	-	1,987,881
Trade and other payables, and short term employee benefits	787,518	477,295	260,019	9,692	1,534,524	(463,312)	1,071,212
Bank overdrafts	-	65,963	-	-	65,963	-	65,963
Financing for network construction related to concession agreements and bank loans	-	281,462	-	-	281,462	-	281,462

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The breakdown of the Electricity distribution reportable segment is as follows:

	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
Six month period ended 30 June 2016 (unaudited)						
External revenues	147,740	174,765	141,726	14,553	-	478,784
Inter-segment revenue	227,314	218,812	223,444	148,458	(139,451)	678,577
Segment revenue	375,054	393,577	365,170	163,011	(139,451)	1,157,361
Segment profit before tax	71,770	68,676	73,080	4,223	-	217,749
Net finance income/(cost)	1,083	(558)	(366)	(268)	-	(109)
Depreciation, amortization and impairment, net	(47,238)	(55,486)	(57,237)	(6,853)	-	(166,814)
EBITDA**	117,925	124,720	130,683	11,344	-	384,672
Net profit	61,929	44,589	59,917	2,948	-	169,383
Employee benefits	(59,836)	(58,981)	(53,770)	(86,675)	-	(259,262)
Capital expenditure	62,726	85,014	45,186	582	-	193,508
Six month period ended 30 June 2015 (unaudited)						
External revenues	150,655	151,610	149,613	15,179	-	467,057
Inter-segment revenue	263,973	236,931	246,136	159,339	(154,384)	751,995
Segment revenue	414,628	388,541	395,749	174,518	(154,384)	1,219,052
Segment profit before tax	73,916	87,744	90,209	1,289	-	253,158
Net finance income/(cost)	1,204	(758)	(349)	(201)	-	(104)
Depreciation, amortization and impairment, net	(46,303)	(53,514)	(59,302)	(7,774)	-	(166,893)
EBITDA**	119,015	142,016	149,860	9,264	-	420,155
Net profit	55,538	74,597	73,976	(2,356)	-	201,755
Employee benefits	(60,489)	(56,768)	(55,158)	(81,380)	-	(253,795)
Capital expenditure	57,496	75,442	50,377	512	-	183,827

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	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
At 30 June 2016 (unaudited)						
Segment assets	1,749,342	1,440,309	1,521,399	473,170	(63,551)	5,120,669
Trade and other receivables	129,007	113,763	119,596	198,682	(63,551)	497,497
Cash and cash equivalents	136,721	17,135	149,114	10,514	-	313,484
Deposits, treasury bills and government bonds	112,870	-	-	-	-	112,870
Trade and other payables, dividends payable and short term employee benefits	206,551	234,755	222,661	64,540	(63,551)	664,956
Bank overdrafts	-	65,167	49,643	12,000	-	126,810
Financing for network construction related to concession agreements and bank loans	71,317	17,077	92,447	4,500	-	185,341
At 31 December 2015						
Segment assets	1,746,442	1,440,592	1,526,887	537,146	(113,186)	5,137,881
Trade and other receivables	183,566	140,218	153,593	247,340	(113,186)	611,531
Cash and cash equivalents	123,985	18,551	104,132	21,594	-	268,262
Deposits, treasury bills and government bonds	87,486	-	-	-	-	87,486
Trade and other payables, and short term employee benefits	134,883	165,742	174,050	115,806	(113,186)	477,295
Bank overdrafts	-	12,836	43,127	10,000	-	65,963
Financing for network construction related to concession agreements and bank loans	90,680	70,038	110,844	9,900	-	281,462

** EBITDA (Earnings before interest, tax, depreciation and amortisation) for operating segments is defined and calculated as segment profit (loss) before tax of a given operating segment adjusted for i) depreciation, amortization and impairment/ reversal of impairment of property, plant and equipment and intangible assets in the operating segment and ii) net finance income in the operating segment. EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. As a consequence, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

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(b) Reconciliation of information on reportable segments to IFRS measures

	30 June 2016	31 December 2015
	(unaudited)	
Total assets		
Total assets for reportable segments	9,088,956	8,755,528
Elimination of inter-segment assets	(695,841)	(413,016)
Unallocated amounts	(980)	48,773
Consolidated total assets	8,392,135	8,391,285
Trade and other receivables		
Trade and other receivables for reportable segments	1,549,019	1,356,144
Elimination of inter-segment trade and other receivables	(762,982)	(479,734)
Unallocated amounts	(980)	(1,824)
Consolidated trade and other receivables	785,057	874,586
Trade and other payables, dividends payable and short term employee benefits		
Trade and other payable, dividends payable and short term employee benefits for reportable segments	1,812,721	1,534,524
Elimination of inter-segment trade and other payables, dividends payable and short term employee benefits	(670,210)	(461,488)
Unallocated amounts	(980)	(1,824)
Consolidated trade and other payables, dividends payable and short term employee benefits	1,141,531	1,071,212

6 Revenue

	Six month period ended	
	30 June 2016	30 June 2015
	(unaudited)	(unaudited)
Supply and distribution of electricity	2,449,226	2,378,831
Construction revenue related to concession agreements	188,314	179,237
Repairs and maintenance and other services rendered	34,434	28,618
Re-connection fees	4,701	4,684
Sales of merchandise	2,816	3,632
Total	2,679,491	2,595,002

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	Six month period ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Rent income	44,117	41,904
Late payment penalties from customers	10,871	31,254
Commissions for the collection of radio and TV taxes	7,093	6,890
Gain on loss of control over subsidiaries (Note 20)	73,693	38,501
Other	28,574	11,624
Total	164,348	130,173

8 Earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Profit attributable to ordinary shareholders

	Six month period ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Profit for the period attributable to the owners of the Company	269,396	210,469
Profit attributable to ordinary shareholders	269,396	210,469

Weighted-average number of outstanding ordinary shares (in number of shares)

For the calculation of basic and diluted earnings per share, treasury shares (6,890,593 shares) were not treated as outstanding ordinary shares and were deducted from the number of issued ordinary shares.

The weighted average number of outstanding ordinary ordinary shares (unaudited) as at 30 June 2016 is 339,049,336 (30 June 2015: 339,049,336 shares).

Earnings per share

	Six month period ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Basic and diluted earnings per share (RON per share)	0.79	0.62

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9 Dividends

On 27 April 2016 the General Shareholders Meeting of the Company approved dividend distribution of RON 291,582 thousand. The dividend per share distributed is RON 0.8600 per share.

Also, during the period dividends of RON 105,724 thousand were approved for distribution to non-controlling interests- Fondul Proprietatea, by the General Shareholding Meeting of the following subsidiaries: Electrica Furnizare, Electrica Distributie Muntenia Nord, Electrica Distributie Transilvania Nord and Electrica Distributie Transilvania Sud.

10 Income taxes

	Six month period ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Current year tax expense	48,435	52,305
Deferred tax expense/(benefit)	16,122	(1,626)
Adjustment for prior years current tax	8,546	5,002
Total income tax expense	73,103	55,681

11 Cash and cash equivalents

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Total cash and cash equivalents in the condensed consolidated statement of financial position	1,225,414	1,094,097
Overdrafts used for cash management purposes	(126,810)	(64,674)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	1,098,604	1,029,423

At 30 June 2016 the Group has guarantees on its bank accounts opened at ING Bank Romania, BRD Groupe Societe Generale and OTP Bank Romania for the overdrafts and loan contracted.

In January 2016 Electrica Distributie Transilvania Nord contracted an overdraft facility from Banca Comerciala Romana in order to finance the operational activity and to refinance credit facilities contracted by the subsidiary from other banks. The overdraft has a maximum limit of RON 150,000 thousand and bears an interest rate of ROBOR 1M.

The following information is relevant in the context of the statement of cash-flows. Non-cash activity includes:

- purchases of property, plant and equipment on suppliers' credit of RON 93 million during the six month period ended 30 June 2016 (six month period ended 30 June 2015: RON 35 million);
- set-off between trade receivables and trade payables of RON 39 million during the six month period ended 30 June 2016 (six month period ended 30 June 2015: RON 33 million).
- effect of loss of control over a subsidiary under financial distress (see Note 20).

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12 Deposits, treasury bills and government bonds

	30 June 2016 (unaudited)	31 December 2015
Treasury bills and government bonds denominated in RON with original maturity of more than three months	1,753,550	1,756,339
Deposits with maturity of more than three months	8,048	231,542
Total deposits, treasury bills and government bonds	1,761,598	1,987,881

Treasury bills and government bonds with original maturity of more than three months have an average interest rate (yield) of 1.34%.

Treasury bills and government bonds were classified as held to maturity investments.

13 Trade receivables

	30 June 2016 (unaudited)	31 December 2015
Trade receivables, gross	1,861,029	1,962,899
Bad debt allowance	(1,097,982)	(1,125,117)
Total trade receivables, net	763,047	837,782

Receivables from related parties are disclosed in Note 19.

A significant part of the bad debt allowances refers to clients in litigation, insolvency or bankruptcy procedures, many of them being older than three years. The Group will derecognize these receivables together with the related allowances after the finalization of the bankruptcy process.

14 Other payables

	30 June 2016 (unaudited)		31 December 2015	
	Current	Non-current	Current	Non-current
VAT payable	123,076	-	119,262	-
Late payment penalties to the State budget	883	-	969	-
Other liabilities to the State	17,403	-	90,300	-
Payables related to radio and TV tax	8,283	-	13,428	-
Other liabilities	28,390	42,506	25,347	43,068
Total	178,035	42,506	249,306	43,068

The late payment penalties and other liabilities to the State refer to the services subsidiaries, including those in financial distress (see Note 20).

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In accordance with Law no. 533/2003, that amended Law no. 41/1994 regarding the organization and functioning of Romanian Radio Company and Romanian Television Company, radio and TV taxes are collected by Electrica Furnizare SA on behalf of these companies. The payable of the Group to the above mentioned institutions represents radio and TV tax collected that should be paid according to the contract in the month following the reporting month.

Other liabilities include mainly guarantees and sundry creditors. Other non-current liabilities refer to guarantees from customers related to electricity supply.

15 Employee benefits

	30 June 2016 (unaudited)	31 December 2015
Personnel payables	32,301	32,465
Current portion of defined benefit liability and other long-term employee benefits	11,607	12,197
Social security charges	22,532	52,278
Tax on salaries	6,179	15,187
Termination benefits	116	22,498
Total short-term employee benefits	72,735	134,625
Defined benefit liability and other long-term employee benefits	183,780	193,915
Total long-term employee benefits	183,780	193,915
Total employee benefits	256,515	328,540

As at 31 December 2015 the termination benefits of RON 22,498 thousand referred to compensation indemnities for the employees, based on the voluntary redundancies made during 2015.

In January 2016 the Group ceased the consolidation of Servicii Energetice Moldova (refer to Note 20). As a result, short-term employee benefits of RON 52,902 thousand were deconsolidated.

16 Employee benefit expenses

	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Wages and salaries	231,464	249,888
Social security contributions	56,835	55,904
Meal tickets	9,856	10,372
Termination benefits	20,534	-
Total	318,689	316,164

Termination benefits for the period ended 30 June 2016 refer to lay-off indemnities for the employees of Electrica Distributie Transilvania Nord, Electrica Distributie Transilvania Sud, Electrica Distributie Muntenia

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Nord, Electrica Furnizare, Electrica Serv. Out of this amount, RON 10,267 thousand refer to the restructuring programme of Electrica Serv (refer to Note 17).

17 Provisions

	Provisions
Balance at 1 January 2016	127,613
Provisions made	27,592
Provisions used	(18,043)
Provisions reversed	(9,070)
Balance at 30 June 2016 (unaudited)	128,092

As at 30 June 2016, provisions refer mainly to:

- RON 93,960 thousand representing potential fiscal obligations of the Group (including interest and penalties);
- RON 17,310 thousand representing restructuring provision in respect of Electrica Serv;
- RON 2,388 thousand representing claims of individuals in respect of land of the Group.

The provisions made in the six month period ended 30 June 2016 refer mainly to RON 23,648 thousands representing additional taxes and penalties disputed with ANAF.

Provisions used in the six months period ended 30 June 2016 refer mainly to:

- a) Payment of compensatory indemnities in respect of restructuring programme of Electrica Serv of RON 10,267 thousand;
- b) Payment of fiscal obligations of RON 3,496 thousand by Electrica Distributie Muntenia Nord.

Provision reversed during the six months period ended 30 June 2016 refer mainly to the reduction of the estimated fiscal obligations of Electrica Distributie Muntenia Nord of RON 6,940 thousand following an ANAF decision.

As at 31 December 2015, provisions refer mainly to:

- RON 80,106 thousand representing potential fiscal obligations of the Group (including interest and penalties);
- RON 28,989 thousand representing restructuring provision in respect of Electrica Serv;
- RON 2,388 thousand representing claims of individuals in respect of land of the Group.

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18 Financial instruments – fair values

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2016 (unaudited)								
Financial assets not measured at fair value								
Trade receivables	763,047			763,047				
Deposits, treasury bills and government bonds		1,761,598		1,761,598				
Cash and cash equivalents	1,225,414			1,225,414				
Total	1,988,461	1,761,598		3,750,059				
Financial liabilities not measured at fair value								
Bank overdrafts			126,810	126,810				
Short term bank borrowings			4,500	4,500				
Financing for network construction related to concession agreements			180,841	180,841		184,186		184,186
Trade payables			462,095	462,095				
Dividends payable			397,767	397,767				
Total			1,172,013	1,172,013				
	Carrying amount				Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2015								
Financial assets not measured at fair value								
Trade receivables	837,782			837,782				
Deposits, treasury bills and government bonds		1,987,881		1,987,881				
Cash and cash equivalents	893,492			893,492				
Total	1,731,274	1,987,881		3,719,155				

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	Carrying amount				Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2015								
Financial liabilities not measured at fair value								
Bank overdrafts			65,963	65,963				
Financing for network construction related to concession agreements			221,641	221,641		224,124		224,124
Short-term bank borrowings			59,821	59,821				
Trade payables			656,410	656,410				
Total			1,003,835	1,003,835				

(b) Measurement of fair values

Fair value hierarchy

The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

The following table describes the valuation techniques used in measuring Level 2 fair values.

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities	<i>Discounted cash flows (DCF) method</i>
	The discount rates used are the average 12 M ROBID-ROBOR interest rates of 0.93% as at 30 June 2016 (31 December 2015: 1.43%).

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19 Related parties

(a) Management and administrators' compensation

	Six month period ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Management compensation	1,475	1,031

Compensations granted to the members of the Board of Directors and representatives in the General Meeting of Shareholders were as follows:

	Six month period ended	
	30 June 2016 (unaudited)	30 June 2015 (unaudited)
Members of Board of Directors	1,917	954
Representatives in the General Meeting of Shareholders	16	58
Total	1,933	1,012

(b) Transactions with companies in which the state has control or significant influence

The Group has transactions with companies in which the state has control or significant influence in the ordinary course of business, related mainly to the acquisition of electricity, transmission and system services and sale of electricity. Significant purchases and balances are mainly with energy suppliers, as follows:

Supplier	Purchases (excluding VAT)		Balance (including VAT)	
	Six month period ended 30 June 2016 (unaudited)	Six month period ended 30 June 2015 (unaudited)	30 June 2016 (unaudited)	31 December 2015
Nuclearelectrica	147,763	113,511	4,691	19,682
Transelectrica	292,838	291,115	78,832	119,065
Complexul Energetic Oltenia	13,203	102,189	2,177	39,622
Hidroelectrica	303,087	280,034	58,821	34,889
OPCOM	156,959	202,228	8,628	3,604
Electrocentrale Bucuresti	24,998	29,103	-	-
SNGN ROMGAZ	28,901	-	-	-
CN Posta Romana SA	1,946	3,081	6	437
Enel Distributie Muntenia	14,538	16,871	5,457	6,908
Enel Distributie Banat	4,465	4,794	1,559	2,106
Enel Distributie Dobrogea	2,609	7,566	848	1,469
Others	6,323	8,752	2,990	5,802
Total	997,630	1,059,244	164,009	233,584

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The Group also makes sales to companies in which the state has control or significant influence representing electricity supplied, of which the significant transactions are the following:

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2016 (unaudited)	30 June 2016 (unaudited)		
CFR Telecomunicatii	26,059	3,805	(53)	3,752
CFR Electrificare	5,225	1,009	-	1,009
SNGN Romgaz	7,476	1,510	-	1,510
OPCOM	5,567	1,770	-	1,770
Cupru Min S.A. Abrud	15,877	6,122	(6,122)	-
Transelectrica	5,603	89	-	89
CN Romarm	5,479	861	(4)	857
CN Remin SA	211	71,175	(71,148)	27
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,277	(715,277)	-
Baita SA	1,047	5,349	(4,381)	968
CN Posta Romana SA	3,073	21,532	(2,990)	18,542
E.ON Energie Romania	13,094	4,966	-	4,966
Enel Distributie Muntenia	7,025	4,398	-	4,398
Others	13,599	9,151	(6,449)	2,702
Total	109,335	925,749	(885,159)	40,590

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2015 (unaudited)	31 December 2015		
CFR Telecomunicatii	30,691	7,040	-	7,040
CFR Electrificare	7,717	1,139	-	1,139
SNGN Romgaz	9,193	1,497	-	1,497
OPCOM	6,688	3,537	-	3,537
Cupru Min S.A. Abrud	15,800	10,122	(10,122)	-
Transelectrica	3,446	1,403	-	1,403
CN Romarm	4,905	33	-	33
CN Remin SA	188	71,173	(71,173)	-
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,277	(715,277)	-
Baita SA	971	5,349	(4,770)	579
CN Posta Romana SA	2,358	1,288	-	1,288
E.ON Energie Romania	9,222	5,853	-	5,853
Enel Distributie Muntenia	11,226	4,933	-	4,933
Others	14,986	8,112	(6,790)	1,322
Total	117,301	915,491	(886,867)	28,624

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(All amounts are in THOUSAND RON, if not otherwise stated)

20 Subsidiaries in financial distress

In 2013 the Company approved the liquidation of Servicii Energetice Moldova, Servicii Energetice Banat and Servicii Energetice Dobrogea. Servicii Energetice Moldova entered in bankruptcy in January 2016 and Servicii Energetice Dobrogea in January 2015 and consequently the Company discontinued their consolidation as of these dates as it no longer has control over these entities.

The individual assets and liabilities of Servicii Energetice Moldova and Servicii Energetice Dobrogea at the date the Company ceased their consolidation (31 January 2016 and 31 January 2015, respectively) were as follows:

	Carrying amount	Carrying amount
	Servicii Energetice Moldova as of 31 January 2016	Servicii Energetice Dobrogea as of 31 January 2015
Property, plant and equipment	21,709	3,435
Trade receivables	2,027	1,367
Cash and cash equivalents	1,609	2,863
Total assets	25,345	7,665
Trade payables	2,685	1,802
Other payables	41,931	22,006
Employee benefits	52,902	22,214
Deferred tax liabilities	1,520	144
Total liabilities	99,038	46,166
Gain on loss of control (Note 7)	73,693	38,501

In January 2014 the Board of Directors of Servicii Energetice Oltenia and in October 2014, the Board of Directors of Servicii Energetice Muntenia decided the commencement of the insolvency procedure with a view to reorganization. The insolvency processes were initiated in 2014.

Due to the above conditions that indicated the existence of significant uncertainties that cast significant doubt on the ability of these subsidiaries to continue to operate as going concerns, the Group has measured the carrying amounts of the assets and liabilities of these subsidiaries on a liquidation basis as at 30 June 2016 (for Servicii Energetice Oltenia SA and Servicii Energetice Muntenia) and 31 December 2015 (for Servicii Energetice Moldova SA, Servicii Energetice Oltenia SA, and Servicii Energetice Muntenia).

As at 30 June 2016 and at 31 December 2015, the carrying amount of the assets and liabilities of these companies included in the consolidated financial information are as follows:

SOCIETATEA ENERGETICA ELECTRICA SA**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

(All amounts are in THOUSAND RON, if not otherwise stated)

	Servicii	Servicii	Total
	Energetice Muntenia	Energetice Oltenia	
30 June 2016 (unaudited)			
Property, plant and equipment	105,959	34,967	140,926
Trade receivables	7,812	4,715	12,527
Cash and cash equivalents	4,595	1,180	5,775
Total assets	118,366	40,862	159,228
Trade payables	(25,174)	(3,119)	(28,293)
Payables to the State budget	(279)	(8,000)	(8,279)
Social security and other salary taxes	(430)	(7,799)	(8,229)
Provisions, employee benefits and deferred taxes	(24,509)	(13,934)	(38,443)
Total liabilities	(50,392)	(32,852)	(83,244)

	Servicii	Servicii	Servicii	Total
	Energetice Moldova	Energetice Muntenia	Energetice Oltenia	
31 December 2015				
Property, plant and equipment	21,709	106,389	32,312	160,410
Trade receivables	2,027	7,878	6,780	16,685
Cash and cash equivalents	1,609	2,252	392	4,253
Total assets	25,345	116,519	39,484	181,348
Trade payables	(2,854)	(26,144)	(3,059)	(32,057)
Payables to the State budget	(41,931)	(333)	(8,715)	(50,979)
Social security and other salary taxes	(34,610)	(447)	(7,798)	(42,855)
Provisions, employee benefits and deferred taxes	(19,412)	(24,752)	(14,329)	(58,493)
Total liabilities	(98,807)	(51,676)	(33,901)	(184,384)



2016 HALF YEARLY REPORT (H1 2016)

(based on the consolidated unaudited financial statements prepared in accordance with IFRS)

**REGARDING THE ECONOMIC-FINANCIAL ACTIVITY OF SOCIETATEA
ENERGETICĂ ELECTRICĂ S.A.**

**in compliance with the Romanian Capital Market Law no. 297/2004, and to annex no.31 to
CNVM Regulation no. 1/2006, and the Bucharest Stock Exchange Code**

for the six-month period ended June 30, 2016

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1. IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report date: **August 16th, 2016**

Company name: **Societatea Energetică Electrica S.A.**

Headquarters: **9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania**

Phone/fax no: **004-021-2085999/ 004-021-2085998**

Fiscal Code: **RO 13267221**

Trade Register registration number: **J40/7425/2000**

Subscribed and paid in share capital: **RON 3,459,399,290**

Main characteristic of issued shares: **345,939,929 ordinary shares of 10 RON nominal value, issued in dematerialized form and freely transferable, nominative, tradable and fully paid.**

Regulated market where the issued securities are traded:

- **Bucharest Stock Exchange (BVB), ticker: EL**
- **London Stock Exchange (LSE), ticker: ELSA**

2. HIGHLIGHTS

The Group is the leading distributor and supplier of electricity in Romania. The Group's core business segments are the distribution of electricity to users and the supply of electricity to households and non-household consumers.

Electrica's distribution segment operates through its subsidiaries: Electrica Distributie Muntenia Nord, Electrica Distributie Transilvania Nord, Electrica Distributie Transilvania Sud and Electrica Serv (whose main activity is represented by maintenance and repairs of the distribution network) and it is geographically limited to Northern Muntenia, Northern Transylvania and Southern Transylvania. The Group holds exclusive Distribution Licences for these regions which have a remaining term of 11 years and may be extended for another 25 years.

As part of its distribution business, Electrica provides equipment maintenance, repair and other ancillary services to its network and, to a small degree, to third parties.

Electrica's supply segment operates through its subsidiary Electrica Furnizare and supplies electricity to consumers both on the regulated electricity market (in the regions where the distribution subsidiaries of the Group operate) and the competitive electricity market (throughout Romania). The Group also holds two supply licenses covering the whole of Romania's territory valid until 2021 and 2022, respectively, and extendable afterwards.

A summary of the main indicators is described below:

- During the six month period ending 30 June 2016 the Group distributed to approximately 3.66 million users 8.7 TWh of electricity, representing an increase of 2% compared to the same period last year. The Group operates in highly populated and industrialised areas of Romania.
- During the six month period ending 30 June 2016 the Group supplied to approximately 3.6 million end consumers 5.5 TWh of electricity, an increase of 9% compared to the same period last year
- Revenue from the distribution segment decreased by RON 62 million, or 5%, to RON 1,157 million in the six month period ending 30 June 2016 compared to the six month period ending 30 June 2015;
- Revenue from the supply segment increased by RON 52 million or 2% to RON 2,219 million in the first half of 2016 compared to the first half of 2015;
- The contributions to Electrica's revenue in the first half of 2016 by Electrica's distribution and supply segments were 34% and 65%, respectively;
- The energy acquisition expense increased by RON 42 million or 3% to RON 1,332 million RON in the six month period ending 30 June 2016 from RON 1,289 million in the six month period ending 30 June 2015;
- During the first half of 2016 EBITDA reached 577 RON million, a 17% increase (RON 84 RON million), as compared to the first half 2015;
- Operational profit increased in the first half of 2016 by RON 84 million, or 26%, to RON 400 million, as compared to the same period in 2015;
- The contributions to Electrica's EBITDA in the six month period ending 30 June 2016 by Electrica's distribution and supply segments were 67% and 26%, respectively (taking into consideration all the business segments);
- The investments in the distribution network increased by RON 9 million, or 5%, to RON 184 million in the six month period ending 30 June 2016 from RON 175 million in the six month period ending 30 June 2015.

3. ORGANIZATIONAL STRUCTURE

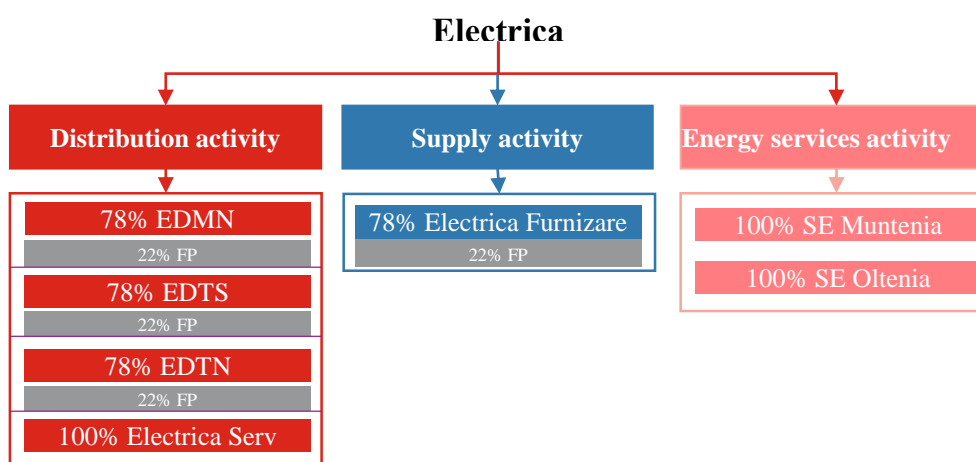
The Company is a holding company for the Group, which comprises four subsidiaries in its distribution segment: Electrica Distributie Transilvania Nord SA (“EDTN”), Electrica Distributie Transilvania Sud SA (“EDTS”), Electrica Distributie Muntenia Nord SA (“EDMN”), FISE Electrica Serv SA (“Electrica Serv”), and one subsidiary, Electrica Furnizare S.A. (“Electrica Furnizare”), in its supply segment.

The Company also owns all shares of Servicii Energetice Oltenia SA (“SE Oltenia”), Servicii Energetice Muntenia SA (“SE Muntenia”), Servicii Energetice Banat (“SE Banat”) and Servicii Energetice Dobrogea (“SE Dobrogea”) and Servicii Energetice Moldova (“SE Moldova”).

Starting with November 2014, January 2015 and January 2016 respectively, the Company has lost control over SE Banat, SE Dobrogea and SE Moldova, as a result of these societies entering bankruptcy proceedings and, consequently, SE Banat, SE Dobrogea and SE Moldova were not consolidated in the financial statements.

As at 30 June 2016 the major shareholder of Electrica SA is the Romanian State, represented by the Ministry of Energy (48.7805%), after the ownership dilution following an initial public offer. The second shareholder based on the share of ownership is EBRD with 8.66559%.

Figure 1: Entities include in the consolidation as of 30 June 2016:



Source: Electrica S.A.

Presentation of Group subsidiaries

Subsidiary	Activity	Registration code	Headquarters	% stake as of 30 June 2016
Electrica Distributie Muntenia Nord SA	Electricity distribution in North Muntenia geographical area	14506181	Ploiesti	78,0000021%
Electrica Distributie Transilvania Nord SA	Electricity distribution in Northern Transylvania geographical area	14476722	Cluj-Napoca	77,99999%
Electrica Distributie Transilvania Sud SA	Electricity distribution in Southern Transylvania geographical area	14493260	Brasov	78,0000019%
Electrica Furnizare SA	Trading of electrical energy	28909028	Bucharest	77,99997%
Electrica Serv SA	Services in the energy sector (maintenance, repair, construction)	17329505	Bucharest	100%
Servicii Energetice Muntenia SA	Services in the energy sector (maintenance, repair, construction)	29384120	Bucharest	100%
Servicii Energetice Oltenia SA	Services in the energy sector (maintenance, repair, construction)	29389861	Craiova	100%
Servicii Energetice Moldova SA* (in bankruptcy)	Services in the energy sector (maintenance, repair, construction)	29386768	Bacau	100%
Servicii Energetice Dobrogea SA* (in bankruptcy)	Services in the energy sector (maintenance, repair, construction)	29388378	Constanta	100%
Servicii Energetice Banat SA* (in bankruptcy)	Services in the energy sector (maintenance, repair, construction)	29388211	Timisoara	100%

Source: *Electrica S.A.*

* *Electrica SA lost the control of Servicii Energetice Dobrogea starting January 2015, of Servicii Energetice Banat starting with November 2014 and of Servicii Energetice Moldova starting with January 2016 as these subsidiaries entered in bankruptcy*

The main activities of the Group include operation and development of electricity distribution networks and activities related to electricity supply to final consumers. The Group is the electricity distribution operator and the main electricity supplier in Muntenia Nord area (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), Transilvania Nord area (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties) and Transilvania Sud area (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation stations and 0.4 kV and 110 kV power lines.

The Company's distribution subsidiaries (Electrica Distributie Muntenia Nord, Electrica Distributie Transilvania Nord and Electrica Distributie Transilvania Sud) invoice the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare SA subsidiary, the main electricity supplier in Muntenia Nord, Transilvania Nord and Transilvania Sud areas), which further invoice the electricity consumption to final consumers.

Electrica Furnizare SA is the supplier of last resort (defined as supplier designated by the regulatory authority to deliver the universal service of electricity supply under specific regulated conditions) in Muntenia Nord,

Transilvania Nord and Transilvania Sud areas. According to the regulations issued by the National Authority for Energy Regulation (“ANRE”), the suppliers of last resort have the obligation to ensure the electricity supply to the final customers which have not exercised their eligibility right – this is the right to choose their electricity supplier (hereinafter named captive consumers).

The electricity supply to captive consumers is made based on regulated contracts, with prices that are regulated by ANRE.

4. CORPORATE GOVERNANCE

4.1. Shareholders structure

Until July 2014, the Romanian State, acting through the Ministry of Energy, Small and Medium Enterprises and Business Environment, was the sole shareholder of Electrica. Starting 4 July 2014 the Company’s shares are listed on Bucharest Stock Exchange, and the GDRs, issued by Bank of New York Mellon which have Electrica’s shares as underlying securities, are listed on London Stock Exchange. The latest available information regarding the shareholder structure has been provided by Depozitarul Central on 12 July 2016 and is presented in the table below:

Shareholder	Shares	Percent of share capital
Ministry of Energy	168,751,185	48.7805 %
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT, LONDON, UK	29,944,090	8.6559 %
BNY MELLON DRS, NEW YORK, USA	17.858.220	5,1622
Legal persons	112.665.064	32,5678
Individual persons	16.721.370	4,8336
TOTAL	345.939.929	100

Source: Central Depository, Electrica S.A.

Following the stabilization process after the IPO, Electrica SA owns 6,890,593 of its own shares, representing 1.9918% of the total share capital. These shares do not entitle Electrica to voting rights, nor dividends

4.2. General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the main corporate governance body of Electrica, deciding on the items as outlined in the Articles of Association. The convening, functioning, voting as well as other provisions regarding the GMS are detailed in Electrica’s Articles of Association

The General Meetings of shareholders that took place in the first half of 2016 are listed below:

In the *General Meeting of Shareholder dated 31 March 2016* the following were approved: 2015 Budgets for Electrica and its subsidiaries, CAPEX Plan, Remuneration Policy of the Board members and framework management agreement, as proposed by the Board

In the *General Meeting of Shareholder dated 27 April 2016* the following were approved: 2015 Financial statements and Profit distribution for Electrica and its subsidiaries, amendment of the Company name to “Societatea Energetică Electrica S.A.”, appointment of KPMG as financial auditor for 2016 and 2017; The amendment of the Articles of Association of Electrica and of the sale of automatic meter reading system (AMR System) by Electrica to its distribution subsidiaries were rejected.

4.3. Board of Directors of Electrica SA

The Board of Directors is responsible for taking all the necessary measures to carry out the activity of the Company as well as to supervise its activity. Its structure, organization, duties and responsibilities are established under the Articles of Association and the Regulation of the Board of Directors.

During 2016, the Board of Directors has undergone some changes. On December 14th, 2015, the General Meeting of Shareholders elected, by the cumulative voting method, a Board of Directors consisting of seven non-executive members. Their term of office, registered based on the decision of the General Meeting of Shareholders, is four years. Four of the seven directors fulfill the independence criteria provided by the Articles of Association, according to statements presented on the occasion of nomination.

At the beginning of the current year, the Board of Directors consisted of seven non-executive members, as follows: Mr. Cristian Busu, Ms. Arielle Malard de Rothschild, Ms. Ioana Dragan, Ms. Corina Popescu, Mr. Michael Boersma, Mr. Bogdan Iliescu and Mr. Pedro Mielgo Alvarez.

At the date of this report, the members of the Board of Directors are as follows:

No.	Name	Term of office (starting with December 14 th , 2015)	Status	Date of first election
1.	Cristian Busu	4 years	non-executive director	September 22 nd , 2014
2.	Arielle Malard de Rothschild	4 years	non-executive, independent director	September 22 nd , 2014
3.	Ioana Dragan	4 years	non-executive director	December 14 th , 2015
4.	Corina Popescu	4 years	non-executive director	December 14 th , 2015
5.	Bogdan Iliescu	4 years	non-executive, independent director	December 14 th , 2015
6.	Willem Schoeber *	4 years	non-executive, temporary, independent director	April 26 th , 2016
7.	Pedro Mielgo Alvarez	4 years	non-executive, independent director	December 14 th , 2015

Source: *Electrica*

*Note: On 10 February 2016, Mr. Michael Boersma decided to renounce, starting with 1 May 2016, to his position as member of the Board. On 26 April 2016, the Board appointed Mr. Willem Schoeber as temporary member of the Board of Directors, starting with 1 May 2016, respectively until the next Ordinary General Meeting of Shareholders of the Company (OGMS), but not later than December 14th 2019. On 12 May 2016, the Board clarified the duration: no later than 31 December 2016.

More details on the Board members' biographies can be found on the company's website.

Mr. Cristian Busu was elected Chairman of the Board of Directors during the new Board's first meeting, which took place on January 13th, 2016, for a term of one year.

In the first meeting of the new Board of Directors on January 13th, 2016, it was decided to maintain the 3 committees established by the previous Board, but to change their composition, as follows:

- a) **The Nomination and Remuneration Committee**
 - Mr. Bogdan Iliescu - Chair of the committee
 - Ms. Arielle Malard de Rothschild
 - Ms. Corina Popescu
- b) **The Audit Committee**
 - Mr. Pedro Mielgo Alvarez- Chair of the committee
 - Ms. Arielle Malard de Rothschild
 - Mr. Bogdan Iliescu
- c) **The Strategy, Restructuring and Corporate Governance Committee**
 - Mr. Michael Boersma - Chair of the committee
 - Ms. Ioana Dragan
 - Mr. Cristian Busu.

Following the change within the Board structure, the composition of the Strategy, Restructuring and Corporate Governance Committee was also updated, Mr. Willem Schoeber being elected as member and chair of the committee.

Consultative committees' members are elected for a period of one year. The organization, duties and responsibilities of each committee are set under the Articles of Association of Electrica S.A., respectively in the committee charters - an integral part of the Corporate Governance Code of the Company.

According to the information held, there is no agreement, understanding or family relation between the directors of the Company and another person who may have contributed to their appointment as directors.

As of 30th of June 2016 the members of the Board of Directors Electrica S.A. didn't hold any Electrica SA shares.

According to the available information, the Board members were not involved in litigations or administrative proceedings regarding their activity within the Company in the last five years or regarding their capacity to fulfill their duties within the Company.

The Board of Directors delegates Electrica's management to one or more managers, appointing one of them as general manager. The duties and responsibilities of the general manager are set out in Electrica's Articles of Association.

During the first semester 2016, the Board of Directors met 14 times: 7 meetings were organized at Electrica's headquarters and 7 were held electronically, in accordance with the provisions of art. 17 paragraph 22 of the Articles of Association of the Company.

We present below the situation of Board members' presence in the meetings of the Board of Directors and its committees in the first semester 2016:

Name	The Board of Directors (no. of meetings - 14)	The Audit Committee (no. of meetings - 6)	The Nomination and Remuneration Committee (no. of meetings - 8)	The Strategy, Restructuring and Corporate Governance Committee (no. of meetings - 5)
Cristian Busu	14	-	-	4
Arielle Malard de Rothschild	14	6	8	-
Ioana Dragan	14	-	-	5
Corina Popescu	14	-	8	-
Michael Boersma	10*	-	-	3
Bogdan Iliescu	14	6	8	-
Pedro Mielgo Alvarez	14	6	-	-
Willem Schoeber	4	-	-	2

Source: *Electrica*

*Note: in 2 meetings of the Board of Directors, Mr. Michael Boersma was represented by Ms. Arielle Malard de Rothschild based on the mandate given.

The main areas of interest and decisions made by the Board of Directors during the analyzed period refer to:

- Election of the Chairman of the Board of Directors.
- Establishment of the consultative committees and election of their chairpersons.
- Revision and endorsement of Electrica SA's income and expenses budgets at standalone and consolidated levels for the financial year of 2016.
- Revision and endorsement of income and expenses budgets of company's subsidiaries for the financial year of 2016.
- Analysis and endorsement of Electrica SA's financial statements at individual and consolidated levels for the financial year of 2015.
- Analysis and endorsement of financial statements of Company's subsidiaries for the financial year of 2015.
- Revision and endorsement of the consolidated investment plan for the financial year of 2016.
- Analysis, coordination and approval of several proposals submitted by the executive management regarding acquisitions and investment opportunities (e.g.: supervising the negotiations with Fondul Proprietatea regarding the acquisition of the minority stakes within distribution and supply operators).
- Preparing and submitting for the GMS approval new Remuneration Policy and administration contracts, including revised KPIs for the members of the Board of Directors.
- Continuing the project started in 2015 aiming to review and align the Articles of Association of Electrica and of its subsidiaries, considering more clearly the scope of activity and the responsibilities by level of management, controlled delegation of competence and implementation of a new corporate governance at group level, based on the new Corporate Governance Code issued by the Bucharest Stock Exchange (BSE Code) and the key points underlined by the Board's evaluation process. In parallel, the revision of the charters of the Board and of the committees was approached, as the most important tools to address the main areas of partial or non-compliance with the new BSE Code and the action plan related to the improvement of the Board's activity. The EGMS didn't approve the proposed revised Articles of Association and the project was restarted in Q2 2016.
- Analyzing different kind of reports presented by the executive management regarding the operational activity, the achievement of the budgetary targets for the entire year 2015 and Q1 and S1 2016, the

achievement of the KPIs set for 2015, the impact of the new regulations on the operational activity and the measures needed in order to comply and to mitigate risks.

The Committees supported the Board's activity with recommendations according to their specific role and responsibilities and played an active role in the discussion and the interaction with the management. As presented in the table above, the committees met several times, as follows:

- The Audit Committee – 6 times;
- The Nomination and Remuneration Committee – 8 times;
- The Strategy, Restructuring and Corporate Governance Committee – 5 times.

4.4. Executive management of Electrica SA

On 26 February 2016, the Board announced a mutual agreement with Mr. Ioan Rosca regarding the termination of his mandate as CEO of Electrica SA.

On 11 March 2016, the Board decided the revocation of the CEO of Electrica SA and the appointment of Ms. Iuliana Andronache (CFO) as interim CEO of Electrica SA.

The table below shows the company's managers who currently have delegated powers from the Board of Directors:

Name	Position	Department
Electrica Headquarter		
Iuliana Andronache	CFO & interim CEO	Finance
Ramiro Robert Eduard Angelescu	Manager	Sales Coordination
Alexandra Romana Augusta Popescu Borislavschi	Manager	Strategy and Corporate Governance
Gabriela Marin	Manager	Human Resources

According to the Articles of Association, the Board of Directors appoints and revokes the General Manager and the other managers with mandate agreements –art.18, letter A, paragraph (f) and (k).

The General Manager performs his activity according to the provisions of the mandate agreement concluded with the Company. The Managers with managing functions are employees of the company, having an individual labor agreement and they are appointed and revoked by the General Manager.

According to our information, there is no agreement, understanding or family relationship between the Company's managers and another person that contributed to their appointment as managers.

The table below shows the number of shares held by the Company's managers as of June 30, 2016:

Item no.	Name	Number of shares	Share in the share capital (%)
1.	Ramiro Robert Eduard Angelescu	1,000	0.00028907%

According to information at hand the persons mentioned in the Executive management section have not been involved in any litigations or administrative proceedings related to their activity within the Company in the last 5 years and their capacity to fulfil their work-related attributes.

4.5. Board of Directors of Electrica subsidiaries

	Structure of the Board of Directors in Electrica's Subsidiaries at 30 June 2016	From	Until
EDTS	Iuliana Andronache - chairman of the board	18.03.2016	30.09.2016
	Alexandra Borislavski	25.02.2015	30.09.2016
	Gabriela Marin	18.03.2016	30.09.2016
	Simona Fatu	20.05.2013	20.05.2017
	Mihai Lazar	25.03.2015	30.09.2016
	Carmen Mihaela Pirnea	20.05.2013	18.03.2016
	Marian Geanta	20.05.2013	18.03.2016
EDTN	Iuliana Andronache - chairman of the board	18.03.2016	30.09.2016
	Ciprian Gheorghe Diaconu	28.10.2013	28.10.2017
	Alexandra Borislavski	18.03.2016	30.09.2016
	Gabriela Marin	18.03.2016	30.09.2016
	Oana Valentina Truta	28.10.2013	28.10.2017
	Vlad Costica	28.10.2013	17.03.2016
	Ioan Dumbrava	28.10.2013	17.03.2016
	Ioan Rosca	25.03.2015	17.03.2016
EDMN	Iuliana Andronache - chairman of the board	18.03.2016	30.09.2016
	Oana Valentina Truta	07.12.2012	06.12.2016
	Costin - Mihai Paun	07.12.2012	06.12.2016
	Gabriela Marin	18.03.2016	30.09.2016
	Alexandra Borislavski	25.03.2015	30.09.2016
	Aurel Gubandru	07.12.2012	18.03.2016
	Ioan Rosca	07.12.2012	18.03.2016
EF	Vlad Gheorghe - chairman of the board	01.07.2016	30.09.2016
	Oana Valentina Truta	25.07.2011	31.07.2016
	Marcel Valentin Ionescu	26.10.2012	24.10.2016
	Victoria Lupu	26.10.2012	24.10.2016
	Ramiro Angelescu	25.03.2015	30.06.2016
	Alina Calugareanu	18.03.2016	30.06.2016
	Raluca Bulumacu	01.07.2016	30.09.2016
	Ioan Rosca	26.10.2012	18.03.2016
ES	Ramiro Angelescu, chairman of the board	18.03.2016	30.09.2016
	Mirela Dimbean-Creta	18.03.2016	30.09.2016
	Madalina Rusu	01.07.2016	30.09.2016
	Adrian Gheorghe Marin	26.06.2013	25.06.2017
	Catalin Leonte	26.06.2013	25.06.2017
	Raluca Bulumacu	18.03.2016	30.06.2016
	Gabriel Razvan Badan	26.06.2013	18.03.2016
	Gabriela Sandu	26.06.2013	18.03.2016
	Gabriela Marin	21.12.2015	18.03.2016

4.6. Executive management of Electrica S.A. subsidiaries

The table below shows the company's managers who have delegated powers from the Board of Directors:

Name	Position	Subsidiary
Darius Dumitru Mesca	General Manager	EDMN
Ion Dobre	General Manager	EDTS
Emil Merdan	General Manager	EDTN
Mircea Patrascoiu	General Manager	Electrica Furnizare
Vasile Ionel Bujorel Oprean	General Manager	Electrica Serv (06.07.2016-30.06.2017)
Viorel VasIU	General Manager	Electrica Serv (26.04.2016 -05.07.2016)
Eugen Davidoiu	General Manager	Electrica Serv (01.07.2013 -26.04.2016)

The table below shows the company's managers who do not have delegated powers from the Board of Directors:

Name	Position	Department
EDMN Subsidiary		
Gabriela Blagoi	Manager	Economic
Constantin Coman	Manager	Distribution
Valentin Branescu	Manager	110 kV
Gabriel Gheorghe	Manager	Development
Ion Preda	Manager	Control, Regulation and Communication
EDTS Subsidiary		
Monica Radulescu	Manager	Economic
Radu Holom	Manager	Distribution
Ioan Toma	Deputy Manager	Distribution
Nicu Constandache	Manager	110 kV
Catalin Grama	Manager	Development
Dumbrava Ioan	Director Adjunct	Directia Dezvoltare
EDTN Subsidiary		
Dora Fataceanu	Manager	Economic
Vasile Filip	Manager	Distribution
Constantin Buda	Manager	110 kV
Ladislau Reider	Manager	Development
Electrica Furnizare Subsidiary		
Cristina Pana	Manager	Economic
Mihai Beu	Manager	Commercial
Oana Alina Pirvulete	Manager	Legal
Roxana Elena Gheorghe	Manager	Commercial Operations
Marin Petre	Manager	Development
Electrica Serv Subsidiary		
Ana Iuliana Dinu	Manager	Economic
Cristian Dumitru Andruhovici	Manager	Human Resources
Alexandru George Ivan	Manager	Commercial
Viorel VasIU	Manager	Production
Gheorghe Batir	Deputy Manager	Production
Viorel Beleuzu	Manager	Legal and Assets
Monica Dumitrascu	Deputy Manager	Human Resources

The table below shows the number of shares held by the Company's managers as of June 30, 2016:

Item no.	Name	Number of shares	Share in the share capital (%)
1.	Ion Dobre	1,660	0.00052032%
2.	Emil Merdan	7,277	0.00210354%
3.	Radu Holom	1,000	0.00028907%
4.	Dora Fataceanu	1,000	0.00028907%
5.	Vasile Filip	8,745	0.00252790%
6.	Oana Pirvulete	1,208	0.00034919%

According to information at hand the persons mentioned in the Executive management section have not been involved in any litigations or administrative proceedings related to their activity within the Company in the last 5 years and their capacity to fulfil their work-related attributes.

4.7. Compliance with the BSE Corporate Governance Code

On 8 January 2016, Electrica SA published a current report on the status of compliance with the new Bucharest Stock Exchange Corporate Governance Code as of 31 December 2015.

On February 29, 2016 the "Comply or Explain" Statement was completed and was included in the 2015 annual report published on April 28, 2016.

During the first half of 2016, Electrica reported the following events in accordance with the BSE Corporate Governance Code:

- 13 May 2016 - Clarification of the director's mandate duration for Mr. Willem Schoeber
- 12 May 2016 - Appointment of Mr. Willem Schoeber as Chairman of the Strategy, Restructuring and Corporate Governance committee
- 5 May 2016 - Electrica's implication in an investigation led by the European Commission into potential state-aid for Romanian petrochemical company Oltchim
- 26 April 2016 - Appointment of a temporary member of the Board of Directors
- 11 March 2016 - Revocation of the CEO of Electrica SA and appointment of an interim CEO for Electrica SA
- 26 February 2016 - Mutual agreement on Mr. Ioan Rosca's mandate termination as CEO of Electrica SA
- 10 February 2016 - Decision of Mr. Michael A. M. Boersma to renounce, starting with 1st of May 2016, to his position of member of the Board of Directors of Electrica SA
- 13 January 2016 - Chairman of Board of Directors appointment; consultative committees establishment.

5. BALANCE SHEET HIGHLIGHTS

Selected financial information from the consolidated balance sheet – in RON th.

Indicator	30 June 2016 (unaudited)	31 December 2015	Variation (%)
ASSETS			
Non-current assets			
Intangible assets related to concession agreements	3,737,709	3,700,211	1.01
Other intangible assets	13,919	14,295	(2.63)
Property, plant and equipment	736,301	779,264	(5.51)
Deferred tax assets	42,501	50,797	(16.00)
Other non-current assets	5,371	3,802	41.27
Total non-current assets	4,535,801	4,548,169	(0.27)
Current assets			
Cash and cash equivalents	1,225,414	893,492	37.15
Deposits, treasury bills and government bonds	1,761,598	1,987,881	(11.38)
Trade receivables	763,047	837,782	(8.92)
Other receivables	22,010	36,804	(40.20)
Inventories	25,225	23,258	8.46
Prepayments	6,012	9,460	(36.45)
Green certificates	29,894	31,304	(4.50)
Income tax receivable	23,134	23,135	(0.00)
Total current assets	3,856,334	3,843,116	0.34
Total assets	8,392,135	8,391,285	0.01
EQUITY AND LIABILITIES			
Equity			
Share capital	3,814,242	3,814,242	0.00
Share premium	103,049	103,049	0.00
Treasury shares	(75,372)	(75,372)	0.00
Pre-paid capital contributions in kind from shareholders	2,862	2,862	0.00
Revaluation reserve	128,876	140,358	(8.18)
Other reserves	273,899	273,899	0.00
Retained earnings	1,343,891	1,354,595	(0.79)
Total equity attributable to the owners of the Company	5,591,447	5,613,633	(0.40)
Non-controlling interests	789,748	828,957	(4.73)
Total equity	6,381,195	6,442,590	(0.95)

Indicator	30 June 2016 (unaudited)	31 December 2015	Variation (%)
Liabilities			
Non-current liabilities			
Financing for network construction related to concession agreements	75,363	122,065	(38.26)
Long term bank loans	-	-	-
Deferred tax liabilities	187,759	181,253	3.59
Employee benefits	183,780	193,915	(5.23)
Other payables	42,506	43,068	(1.30)
Total non-current liabilities	489,408	540,301	(9.42)
Current liabilities			
Financing for network construction related to concession agreements	105,478	99,576	5.93
Bank loans	4,500	59,821	(92.48)
Bank overdrafts	126,810	65,963	92.24
Trade payables	462,095	656,410	(29.60)
Dividends payable	397,767	-	-
Other liabilities	178,035	249,306	(28.59)
Deferred revenue	21,974	4,235	418.87
Employee benefits	72,735	134,625	(45.97)
Provisions	128,092	127,613	0.38
Current income tax liability	24,046	10,845	121.72
Total current liabilities	1,521,532	1,408,394	8.03
Total liabilities	2,010,940	1,948,695	3.19
Total equity and liabilities	8,392,135	8,391,285	0.01

5.1. Non-current assets

In the six month period ending 30 June 2016 Electrica’s non-current assets decreased by net RON 12 million, to RON 4,536 million from RON 4,548 million as at 31 December 2015.

The evolution is generated by higher value of property, plant and equipment generated within the Group partially offset by the RON 37 million increase of assets related to concession agreements, respectively investments made in the network. The most representative values for the investment works and commissioning of the works are presented in Annex 1.

5.2. Current assets

Current assets went up by RON 13 million, as compared with 31 December 2015, from RON 3,843 million to RON 3,856 million, driven by the increase of cash and cash equivalent position.

5.3. Trade receivables

Trade receivables decreased by RON 74.7 million, to RON 763 million in the six month period ending 30 June 2016 from RON 838 million as at 31 December 2015. This variation is generated by the collection of the high amounts due at year end resulted from high energy sales.

5.4. Cash and cash equivalents, deposits, treasury bills and government bonds

“Cash and cash equivalents” contains cash and cash equivalents, deposits, treasury bills and government bonds denominated in RON with a 3 month or less maturity. This position increased by RON 332 million in 2016 compared to 2015 end, from RON 893 million to RON 1,225 million.

“Deposits, treasury bills and government bonds” include deposits, treasury bills and government bonds denominated in RON with original maturity of more than three months with an average interest rate (yield) of 1.34%, as well as deposits with maturity of more than three months. The variation of this position from RON 1,988 million to RON 1,762 million is the results of placing funds for maturities less than three months which are presented as cash and cash equivalent.

Overall, the cash position of the company, comprising all the above mentioned categories, increased by RON 106 million, or 4%, from RON 2,881 million as at December 2015 to RON 2,987 million as at 30 June 2016, the increase being attributable to the improvement of the operational performance, both in the distribution activity and in the supply activity.

5.5. Share capital

The issued share capital in nominal terms consists of 345,939,929 ordinary shares at 30 June 2016 with a nominal value of RON 10 per share and did not change since 31 December 2015.

All shares rank equally with regard to the Company’s residual assets. The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share at General Shareholders Meetings of the Company.

The Company recognizes changes in share capital only after their approval in the General Shareholders Meeting and their registration by the Trade Register. The contributions made by the shareholder which are not yet registered with the Trade Register at the end of the period are recognized as “pre-paid capital contributions in kind from shareholders”.

5.6. Treasury shares

In July 2014 the Company purchased for price stabilization purposes 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent to 1,684,000 shares. The total amount paid for acquiring the shares and the Global Depositary Receipts was RON 75,372 thousand.

5.7. Dividends

Dividends for the year ended 31 December 2015, in amount of 291,582,429 RON, were declared based on the Company's individual financial statements.

The dividends in respect of the year ended 31 December 2015 were approved through Resolution of the OGMS no. 2 from 27 April 2016 and started to be paid starting from 18 July 2016. Gross dividend per share approved by the OGMS was 0.8600 RON.

5.8. Non-current liabilities

Non-current liabilities decreased by 9% as at 30 June 2016 compared to end of year 2015, from RON 540 million to RON 489 million.

5.9. Current liabilities

Current liabilities increased by 8% at the end of the first semester of 2016 compared to 2015 year end, from RON 1,408 million to RON 1,522 million, as a result of changes in the following categories:

- dividends payable registration amounting to RON 398 million (payable to Electrica SA shareholders and to the Group subsidiaries non-controlling interest shareholder);
- trade payables decreased by 194 million, or 30%, from RON 656 million to RON 462 million. The main categories included are: payables to electricity suppliers, CAPEX suppliers and other suppliers (of services, materials, consumables, etc);
- decrease of other current liabilities by RON 71 million, or 29%, from RON 249 million to RON 178 million. This category includes: VAT payable, other liabilities to the state budget, liabilities related to radio and TV tax.

5.10. Provisions

As at 30 June 2016 the provisions have a relatively constant value compared to 2015 year end and refer mainly to: RON 94 million representing potential fiscal obligations of the Group (including interest and penalties); RON 17 million representing restructuring provision in respect of Electrica Serv and RON 2 million representing claims of individuals in respect of land of the Group.

6. OPERATIONAL RESULTS

Selected financial information from the consolidated income statement – in RON th.

Indicator	30 June 2016 (unaudited)	30 June 2015	Variation (%)
Revenues (from operations)	2,679,491	2,595,002	3.26
Other income (other operating income)	164,348	130,173	26.25
Electricity purchased	(1,331,833)	(1,289,455)	3.29
Green certificates	(207,647)	(167,728)	23.80
Construction costs related to concession agreements	(184,442)	(175,348)	5.19
Employee benefits	(318,689)	(316,164)	0.80
Repairs, maintenance and materials	(23,150)	(39,827)	(41.87)
Depreciation and amortization	(176,325)	(174,750)	0.90
(Impairment)/Reversal of impairment of property, plant and equipment, net	(277)	(1,754)	(84.21)
Reversal of impairment of trade and other receivables, net	(8,717)	3,654	-
Other operating expenses	(191,862)	(212,275)	(9.62)
Change in provisions, net	(479)	(34,946)	(98.63)
Operating profit	400,418	316,582	26.48
Finance income	13,088	20,856	(37.25)
Finance costs	(4,492)	(4,672)	(3.85)
Financial Profit/Loss, net	8,596	16,184	(46.89)
Profit before tax	409,014	332,766	22.91
Income tax expense	(73,103)	(55,681)	31.29
Net Profit	335,911	277,085	21.23
Profit for the period attributable to:			
- owners of the Company	269,396	210,469	28.00
- non-controlling interests	66,515	66,616	(0.15)
Net Profit	335,911	277,085	21.23

6.1. Revenues from operations and other operating income

Electrica's revenues from operations and other operating income in the six month period ending 30 June 2016 and 30 June 2015 amounted to RON 2,844 million and RON 2,725 million, respectively, an increase in revenue by RON 119 million, or 4.4%.

The contribution to Electrica's revenue in the six month period ending 30 June 2016 by Electrica's electricity distribution and supply segments were 34% and 65%, respectively; and in the six month period ending 30 June 2015 they were 36% and 64% respectively.

Revenue from the electricity distribution segment decreased by RON 62 million, or 5%, to RON 1,157 million in the six month period ending 30 June 2016 from RON 1,219 million in the six month period ending 30 June 2015, mainly due to a negative price effect, generated by the lower regulated distribution tariffs partially compensated by a positive volume effect (increase of 2% mainly driven by EDTN and EDTS).

In the six month period ending 30 June 2016, revenue from the electricity supply segment increased by RON 52 million, or 2%, to RON 2,219 million from RON 2,166 million in the six month period ending 30 June 2015.

This increase is attributable to the increase in supplied energy by 9%, as a result of the commercial policies implemented by Electrica Furnizare, as well as to the 16% increase in the value of the Green Certificates included in the invoice to the final consumers.

The value of the Green Certificates included in the invoice to the final consumer, set by ANRE, increased from 35.85 RON/MWh in the six month period ending 30 June 2015 to 41.76 RON/MWh in the six month period ending 30 June 2016.

These elements countered the effect of the decrease with 7% of the average electricity selling price.

6.2. Electricity purchased

The expense for electricity purchased increased by RON 42 million, or 3%, to RON 1,332 million in the six month period ending 30 June 2016 from RON 1,289.5 million in the six month period ending 30 June 2015.

This evolution is primarily attributable to the significant decrease of the distribution service expense within the Group (which is to be eliminated in consolidation), due to lower distribution tariffs and higher amounts supplied outside the Group. It is also the effect of the increase in the cost of the electricity purchased for supply and trading by RON 19 million, or 2%, to RON 931 million in the six month period ending 30 June 2016 from RON 912 million in the six month period ending 30 June 2015, due to the significant increase of the quantity acquired.

The cost of the electricity purchased to cover network losses decreased by RON 5 million, or 2%, to RON 242 million in the six month period ending 30 June 2016 from RON 247 million in the six month period ending 30 June 2015. The evolution is attributable to the decrease by 6% of the electricity quantity acquired to cover the network losses which countered the negative energy acquisition price effect.

The table below presents the structure of the electricity purchased expenses for the periods indicated.

Six month period ending 30 June (RON million)	2016	2015
Electricity acquired to cover network losses	242	247
Transmission and system services	159	130
Electricity purchased for supply and trading	931	912
Total electricity purchased	1,332	1,289

As a percentage of revenue, the cost of electricity purchased was the main cost of the Group, representing 46,8% in the six month period ending 30 June 2016 and 47% in the six month period ending 30 June 2015.

6.3. Green Certificates

Green Certificates are accrued in the profit and loss account based on the quantitative quota set by the regulatory authority, representing the amount of the Green Certificates that the Group has to purchase for the year and on the price of Green Certificates on the centralised market. The cost with the acquisition of Green Certificates is a pass through cost.

The cost for the acquisition of the Green Certificates increased by RON 40 million, or 24%, to RON 208 million in the six month period ending 30 June 2016 from RON 168 million in the six month period ending 30 June 2015.

This increase was mainly attributable to the increase in the number of Green Certificates acquired (related to the increased quota of Green Certificates imposed to the electricity suppliers), as the price increased only by 0.7%, from RON 130.81/Green Certificate in the six month period ending 30 June 2015 (RON 131.024/Green Certificate established following regularisation at the end of 2015) to RON 131.74 per Green Certificate in the six month ending 30 June 2016.

In 2016, the regulatory Green Certificates quota imposed to the electricity suppliers by ANRE increased to 0.317 Green Certificates per MWh supplied from 0.274 Green Certificates per MWh supplied for the six month period ending 30 June 2015 (0.278 Green Certificates per supplied MWh, quota established at the end of 2015 following regularisation).

As a percentage of revenue, the cost with the acquisition of Green Certificates represented 7.3% in the six month period ending 30 June 2016 and 6,2% in the six month period ending 30 June 2015.

6.4. Construction costs related to concession agreements

The costs related to concession agreements increased by RON 9 million, or 5,19%, to RON 184 million in the six month period ending 30 June 2016 from RON 175 million in the six month period ending 30 June 2015. This increase is attributable to the realised investments related to the Regulated Asset Base.

6.5. Salaries and other employee benefits

The expenses for salaries and employee benefits increased by RON 2.5 million, or 1%, to RON 318.6 million in the six month period ending 30 June 2016 from RON 316 million in the six month period ending 30 June 2015.

This evolution is the net effect between the salaries expenses reduction at the energy services companies which are in bankruptcy or reorganisation and the expenses increase at the companies who paid compensatory indemnities in respect of their restructuring programme.

As a percentage of revenue, the expenses for salaries and employee benefits represented 11.2% in the six month period ending 30 June 2016 and 12% in the six month period ending 30 June 2015.

6.6. Repairs, maintenance and materials

Repairs, maintenance and materials expenses decreased by RON 16 million, or 41%, to RON 23 million in the six month period ending 30 June 2016 from RON 39 million in the six month period ending 30 June 2015. This decrease was primarily attributable to a decrease of activity of the services companies of the Group performing external electricity network maintenance, as well as to the decrease in expenses with network maintenance of the distribution companies.

As a percentage of revenue, the expense for repairs, maintenance and materials represented 1% in the six month period ending 30 June 2016 and 1% in the six month period ending 30 June 2015

6.7. Other operating expenses

Other operating expenses decreased by RON 20 million in the six month period ending 30 June 2016 compared to the six month period ending 30 June 2015, mainly due to the significant reduction of the energy services companies operating expenses following the deconsolidation of SE Moldova in the first quarter. This positive effect exceeded the negative impact of the expenses with additional taxes and late payment penalties calculated by the fiscal authorities for EDTN.

As a percentage of revenues, other operating represented 6,7% in the six month period ending 30 June 2016 and 8% in the six month period ending 30 June 2015.

6.8. Change in provisions, net

Change in provision position has a positive evolution in the six month period ending 30 June 2016 compared with the same period in 2015 mainly due to the reversal of provision related to the compensatory indemnities in respect of Electrica Serv restructuring programme and to the reduction of the fiscal obligations of EDMN following an ANAF decision.

6.9. Operational profit

As a result of the factors described above, the operational profit increased by RON 84 million, or 26% to RON 400 million in the six month period ending 30 June 2016 from RON 316.5 million in the six month period ending 30 June 2015.

6.10. Net finance income

The net financial result at group level decreased in the six month period ending 30 June 2016 compared to the similar period in 2015, from RON 16 million to RON 8.6 million. This evolution is the effect of the decreasing of the financial revenues generated outside the Group while maintaining the same level of finance costs.

6.11. Profit before tax

The profit before tax increased by RON 76 million, or 23% to RON 409 million in the six month period ending 30 June 2016 from RON 333 million in the six month period ending 30 June 2015.

6.12. Income tax expense

The income tax increased by RON 17 million, or 31%, to RON 73 million in the six month period ending 30 June 2016 from RON 55.7 million in the six month period ending 30 June 2015.

6.13. Net profit for the period

As a result of the factors described above, the net profit increased by RON 59 million, or 21% to RON 336 million in the six month period ending 30 June 2016 from RON 277 million in the six month period ending 30 June 2015.

7. STATEMENT OF CASH FLOWS

In the six month period ending 30 June 2016, net cash from operating activities amounted to RON 398 million. The profit before tax for the period was RON 409 million.

The key adjustments were: adding depreciation and amortisation in the amount of RON 177 million, a net change in trade and other receivables of RON 54 million, other adjustments resulting mostly from a net change in deferred revenues of RON 18 million, and deducting a change in trade and other payables of RON 120 million (out of which the change in employee benefits and provisions of RON 19 million). Income tax and interest paid amounted to a total of RON 61 million.

In the six month period ending 30 June 2015, net cash from operating activities amounted to RON 333 million. The profit before tax for the period was RON 332.8 million.

The key adjustments were: adding depreciation and amortisation in the amount of RON 177 million, a net change in trade and other receivables of RON 56 million, the deduction of the variation in value of the green certificates amounting to RON 15 million and other adjustments resulting mostly from a net change in deferred revenues of RON 16 million, and deducting a change in trade and other payables of RON 129 million (out of which the change in employee benefits and provisions of RON 23 million). Income tax and interest paid amounted to a total of RON 53 million.

8. OUTLOOK

The energy regulatory framework has experienced major changes in the past decade, including market liberalization, unbundling, and support scheme for renewable energy. Other legislative changes that have recently occurred in Romania refer to the remuneration of the Romanian DSOs - according to the ANRE Order no. 146/2014, starting with 2015 the distribution operators' RRR was reduced to 7.7% from 8.52%. Also, ANRE Order no. 165/2015 has modified art. 105 para. 1 from the Methodology of establishing the electricity distribution tariffs, eliminating the cap regarding the maximum percentages by which the distribution tariffs could be lowered, keeping however the limits concerning the maximum percentage increase in these tariffs.

ANRE's changes of the distribution tariff setting methodology, including the change in remuneration (i.e., the RRR) all these during the regulatory period, indicate a lack of predictability and stability of regulatory environment and a negative impact on the Groups' distribution operators' operational and financial performance.

Other significant Romanian legislation changes, relevant for the supply activity, refer to:

- Organising a centralized market for the universal service – according to ANRE Order no. 65/2014, which, beginning with the second half of 2015 aimed to implement a transparent and competitive mechanism for electricity acquisition by the suppliers of last resort for covering the consumption invoiced using the CPC tariff in the case of the universal service beneficiaries.
- Approval of the methodology for establishing the tariffs applied by the last resort suppliers to final customers – ANRE Order no. 92/2015, which, starting with the second semester of 2015, set out the calculation stages and principles of these tariffs.

Although these changes had the overall aim of converging the Romanian legislation towards EU legislation, the process has not been completed, and major changes are expected to occur in the following years in all

EU countries in order to progress towards completing the Internal Energy Market. Amongst these changes, we could mention: the implementation of a harmonized set of rules across member countries, increase in regional cooperation and a more active role for consumers.

The Framework Strategy for a European Energy Union, adopted on 25 February 2015 will highly influence the energy markets in all countries. The Energy Union is based on the three long-established objectives of EU energy policy and focuses on five mutually supportive dimensions: energy security, solidarity and trust; a fully integrated internal energy market; energy efficiency as a contribution to the moderation of energy demand; decarbonization of the economy; research, innovation and competitiveness.

Considering the EU energy policies which have been developed, the following trends are expected to characterize the Romanian electricity market:

- Through the completion of the liberalisation timetable, competition will increase at national level amongst electricity suppliers. Regulated electricity tariffs will continue to be relevant for households until January 2018 in Romania when they will be eliminated completely and the Universal Service will be available for vulnerable consumers.
- A trend in electricity distribution activity is remuneration of the operator which also takes into consideration the quality of their service, together with the operational costs and efficiencies.
- To sustain the green energy production and the objectives due to be met after 2020, further investments for upgrading the networks are necessary (transmission and distribution networks) for integrating the green energy production.
- Future development of technologies will support energy efficiency policies such as:
 - Development of transmission and distribution networks, including smart grid and smart metering.
 - End-use energy efficiency (thermal integrity of buildings, lighting, electric appliances, motor drives, heat pumps, etc.).
- Full electric vehicles, light commercial vehicles and electrification of railways are expected to increase the consumption of electricity in the transport sector.
- Development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The Electricity Market Target Model, which implies the development of Europe's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry.
- Distributed generation technologies will force the distribution operators to adapt their practices and to offer solutions to independent producers, considering the new prosumers, which are active participants in the energy market.
- Future development of smart meters will expose consumers to time-of-use pricing, which will lead to greater flexibility and reduce peak demand. Therefore, citizens will be more informed and engaged in the decision-making process as active participants.

The following table presents key drivers of changes in the electricity market:

Key driver	Description	Impact on
GDP evolution and industry structure	Economic growth is a key determinant of electricity demand. Although there is not a one-to-one relationship between GDP growth rates and electricity demand growth rates, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies.	Electricity consumption
Changes in regulations	The regulatory framework has experienced major changes aiming to align Romanian legislation that of the EU. Although important steps have been taken, other major changes are expected to occur in the next decade, particularly following the new Framework Strategy for a European Energy Union which highlights the need for integration and cooperation amongst member states. Also, changes of the methodology during the regulatory period, indicate a lack of predictability and stability of regulatory environment, with a negative impact on the distribution operators' operational and financial performance.	Electricity prices
Technological development	Smart grids and smart meters will create benefits for end consumers, distributors and suppliers in terms of energy efficiency and smarter use of energy, through more efficient use of information.	Electricity prices and consumption
Increase in environmental awareness	Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework increases these targets and therefore more efforts are needed from governments and market players to achieve them.	Electricity prices and consumption, regulatory framework

Source: *Electrica*

For elaborating its Strategic Plan for 2015 – 2018, Electrica considered the above mentioned factors when formulating its corporate goals, objectives and strategy. The most important assumptions which Electrica considered are as follows:

- Romanian GDP will have a positive trend in the future and consequently the electricity consumption will increase at a moderate pace.
- The legal framework will not change significantly and the liberalization timetable will continue to be implemented in its current form.
- Romania will maintain its commitment towards achieving the 20-20-20 strategy for climate change and implement the new Framework for the period 2020-2030.
- The remuneration mechanism for distribution companies will not change significantly. However, the tariff type and regulated rate of return could be subject to changes.
- There will be no major geopolitical turbulences which will significantly affect the Romanian electricity market.
- Financial markets will remain stable and the availability of finance sources will support companies' investment programs.

Please note that other factors not presented above and not considered by the Group may occur and may have a significant impact on the implementation and evolution of the Group's strategy. If these assumptions change, Electrica may update its strategy to reflect these changes.

9. RISK MANAGEMENT

To implement the risk management system as well as an internal control/management system at group level, the following provisions were considered:

- Order of the Ministry of Public Finance no. 946/2005 regarding the development of an internal control/management system, with subsequent amendments and completions.
- Government Order no. 119/1999 regarding internal control and preventive financial control, with subsequent amendments and completions.
- Internal procedures adopted with this purpose.
- Best practices and methodologies applied in listed and non-listed companies
- International Standards on Risk Management Systems

In 2015 and first half of 2016, all the initially identified risks were re-assessed and the risks register was updated. The risks re-assessment was performed depending on their occurrence probability and on their possible impact on the achievement of the Company's objectives. Thus, after calculating risk exposure level, the risks were grouped according to four levels of tolerance (tolerable/ high tolerance/ low tolerance/ intolerable) and adequate control measures were adopted, according to the emergency level and the time span required to implement new processes/procedures, aimed at avoiding or mitigating such risks in the future.

A major concern for the management is building awareness of employees regarding the importance of managing risks inside the organization and the necessity of direct involvement in the risk management process, as well as of alignment to the best practices at national and international level by following legislation in place, standards and the related norms.

For 2016, the Company considers the development of risk management system according to the provisions of the international standard SR ISO 31000:2010 "Risk Management – Principles and Guidelines".

The risks related to the activity and sector of Electrica operates in can be presented as follows, for the year 2016:

- Group's supply segment may be exposed to increasing competition due to the market liberalization.
- Group's financial performance may be negatively influenced by changing tariffs on the regulated market.
- Group's supply segment might lose its status of supplier of last resort.
- Group's financial performance may be negatively influenced by changing prices for energy.
- Romania's electricity demand is linked to various factors beyond control of the Group, such as economic, political and climate-changing factors.
- The Group has to comply with regulatory requirements and has to keep in place regulated approvals, being exposed to significant liabilities in case of non-compliance.

- Components of the Group's distribution network are subject to deterioration over time.
- The Group's assets and/or business could be damaged by natural and man-made acts or disasters.
- The Group's IT systems are outdated and are not integrated.
- The migration of the Group to a new integrated ERP system may encounter difficulties and delays.
- The Group may face risks associated with restitution claims with regard to certain real estate properties.
- Electriza Furnizare may be prohibited from suspending or interrupting the supply of electricity to certain of the Group's customers, even if such customers are in payment default.
- Failure to observe public procurement legislation by members of the Group may lead to fines and voided contracts.
- The Group's position in electricity distribution and supply markets may expose it to claims relating to abuse of dominant position.
- A strike or other labour disruption could adversely affect the Group's business.
- Failure to execute management's business strategy may lead to cost savings and revenue forecasts being lower than predicted for the Group.
- The Group's reputation, future prospects or results of operations may be materially adversely affected by claims or litigation.
- Not conforming to legislation regarding public purchases by members of the Group could lead to fines and annulment of contracts.
- Ownership title over certain real estate properties owned by members of the Group may be deemed uncertain.
- The Company may face additional claims from tax authorities for budgetary debts due for previous periods.
- The Romanian taxation system is subject to change and may issue inconsistent interpretations of tax legislation.
- After the Offering, the State will continue to have significant influence over the Company.
- Fondul Proprietatea, as a minority shareholder of the supply and distribution subsidiaries, may try to block some decisions.
- Components of the Group's distribution network are subject to deterioration over time.
- The distribution subsidiaries' activity may be negative impacted by natural disasters or unauthorized human interventions.
- The existence of companies involved in the electricity distribution and network construction in the area where the Group's distribution subsidiaries performed their activity.
- Regulation risk generated by frequently changes and without appropriate consulting sessions with the electricity distribution operators negatively influence the budget planning capabilities.

10. SUBSEQUENT EVENTS

There were no significant events subsequent to June 30, 2016.

11. CONCLUDED CONTRACTS REPORTED ACCORDING TO ART. 225 OF LAW 297/2004

In the first half of 2016 two current reports were issued regarding the contracts described at art. 225 of 297/2004 Law. On the 1st of August 2016 it was issued an *Agreed upon procedures report* regarding these current reports by the Group auditor.

➤ Current report from 22nd of March 2016:

- Filiala de Intretinere si Servicii Energetice „Electrica Serv” SA - agreement no. 211 – complex auto transport services necessary to Electrica SA activity between 01.01.2016-31.12.2016, in amount of 1,385 th. RON;
- Filiala de Intretinere si Servicii Energetice „Electrica Serv” SA – agreement no.134 - complex auto transport services necessary to Electrica SA activity between 01.09.2015 - 31.12.2016, in amount of 461,06 th. RON;
- Filiala de Intretinere si Servicii Energetice „Electrica Serv” SA – agreement no. 75 - complex auto transport services necessary to Electrica SA activity between 01.06.2015 - 31.08.2015, in amount of 556,35 th. RON;
- Filiala de Intretinere si Servicii Energetice „Electrica Serv” SA – agreement no. 21 - complex auto transport services necessary to Electrica SA activity between 26.02.2015- 31.05.2015, in amount of 1.000 th. RON.

➤ Current report from 11th of April 2016:

- CNTEEE TRANSELECTRICA SA – Convention for taking balancing responsibility no. C214/ 29.09.2005 – the object “Energy sale and purchase between parties, as a consequence of BM production/consumption unbalances, which were compensated by Transelectrica on the rebalancing market according to the Commercial Code of the Wholesale Electricity Market, the Technical Code of the Electricity Transmission Market and the Electricity Metering Code with the subsequent amendments” having a cost of 56,155 th. RON and a revenue of 1,418 th. RON. The date of execution is the 1st of July 2005 for an undetermined period;
- ELECTRIFICARE CFR – agreement no. 103/27.02.2012: service of representing, as Responsible Part for Balancing, to the Balancing Market participant - known as Buyer, during the agreed period and according to the assumed obligations throughout the contract. The contract has a cost of 1,300 th. RON, a revenue of 983 th. RON and the period is between 01.08.2012 - 31.07.2016;
- FDEE ELECTRICA DISTRIBUTIE MUNTENIA NORD SA – agreement no. 37/31.01.2014 - service of representing, as Responsible Part for Balancing, to the Balancing Market participant - known as Buyer, during the agreed period and according to the assumed obligations throughout the contract. The contract has a cost 1.604 th. RON, a revenue of 8.999 th. RON and the period is between 01.02.2014 - 31.01.2018;
- FDEE ELECTRICA DISTRIBUTIE TRANSILVANIA NORD SA - agreement no. 39/ 31.01.2014: service of representing, as Responsible Part for Balancing, to the Balancing Market participant - known as Buyer, during the agreed period and according to the assumed obligations throughout the contract. The contract has a cost of 760 th. RON, a revenue of 3.784 th. RON and the period is between 01.02.2014 - 31.12.2016;
- FDEE ELECTRICA DISTRIBUTIE TRANSILVANIA SUD SA – agreement no. 38/31.01.2014: service of representing, as Responsible Part for Balancing, to the Balancing Market participant - known

as Buyer, during the agreed period and according to the assumed obligations throughout the contract. The contract has a cost of 1.191 th. RON, a revenue of 2.118 mii RON and the period is between 01.02.2014 - 31.01.2017;

- ELECTRICA FURNIZARE SA - agreement no. 202/22.09.2011: service of representing, as Responsible Part for Balancing, to the Balancing Market participant - known as Buyer, during the agreed period and according to the assumed obligations throughout the contract. The contract has a cost of 1,538 th. RON, a revenue of 15,107 th. RON and the period is between 01.09.2011- 31.08.2016.

12. CAPITAL EXPENDITURES

A core part of Electrica business strategy includes implementing the investment plan. Electrica's operations require significant capital expenditures mostly connected with its operations in the electricity distribution segment. Furthermore, Electrica's assets require periodic maintenance and modernisation in order to improve operational efficiency.

Electrica's capital expenditures in the six month period ending 30 June 2016 and 30 June 2015 amounted to RON 196 million and RON 185 million, respectively.

The investments in the distribution network increased by RON 9 million, or 5%, to RON 184 million in the six month period ending 30 June 2016 from RON 175 million in the six month period ending 30 June 2015.

This increase is mainly attributable to the realised investments related to the Regulated Asset Base. The volume of investments had a material impact, and, according to Electrica's expectations, will continue to have an impact on the results of Electrica's operations, Electrica's indebtedness, and future cash flows.

Capital expenditures in the distribution network will only have the anticipated positive impact on Electrica's result of operations to the extent they are recognised in the RAB by ANRE and considering the rate of return approved by the regulatory authority.

13. STATEMENTS

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the six month period ended June 30, 2016 give a true and fair view of Electrica Group's assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first six months of the financial year 2016 and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties.

Chairman of the Board of Directors,

Cristian Busu

CEO,

Iuliana Andronache



14. ANNEX NO. 1: MAJOR INVESTMENTS AND COMMISSIONING WORKS

The increase in fixed assets resulted from the increase in construction in progress, represented mainly by the following investment works:

EDTS

- Modernization of 110/20/6 kV Predeal substation and switching to 20kV RED Predeal - Objects 1 and 3, Brasov county – 3,978 th RON
- Modernization of PA 12, Caramidariei Str., Brasov, Brasov county- 1,292 th RON
- Increasing security level in Tg. Mures zone – Cristesti, through switching from LEA 20 kV to LES 20 kV, Mures county – 1,222 th RON
- Modernization of the supply instalations with electricity in Medias municipality (Gura Campului district), Sibiu county – 2,846 th RON
- Improvement of voltage levels of LEA LV Barcani, Covasna county – 3,924 th RON
- Improvement of voltage levels of LEA LV Zagon, PTa 5 zone, Covasna county – 1,717 th RON
- Improvement of voltage levels and and modernization of LEA LV Targu Mures, zone Viile Dealului Mic str., Viile 1 Mai, Piata Republicii, Eden, Mures county – 1.803 th RON

EDTN

- Automatic Distribution System – all the Distribution Station – 3,685 th RON
- Increasing the distribution capacity of 20kV station - 110/20/10kV CAMPULUI – 2,036 th RON
- SCADA stage IV – preparation works for integration in SCADA of 14 stations - 1,876 th RON
- SCADA stage III - integration in SCADA 15 station - 1,831 th RON
- Modernization of 110/20kV Dej station (Cuzdrioara) – 1,704 th RON
- Distribution Automatization - modernization PT (vol.I) – 1,630 th RON
- Smart metering at SDEE Bistrita – 1,621 th RON
- Retrofit MV in transformation station 110/20kV Palota – 1,430 th RON
- SCADA stage IV - integration in SCADA of 14 stations - 1,367 th RON
- Creation electric bar of 20 KV Station 110/20/6kV Clujana - 1,350 th RON
- Modernization of the power transformation station of 110/20kV Salonta – 1,235 th RON
- Distribution Automatization – modernization of PT - integration SCADA – 1,194 th RON
- Switchingto 20 kV Iosia Oradea zone – 1,156 th RON
- Reconstruction of LES 20 kV Negresti-Oas, between Negresti-PTZ 4029 Station Spital Nou-PTZ 4005 Spital Vechi, PTZ 4006 Osana - 1,141 th RON
- Changing of conductors LEA 0.4 KV Aluminium with torsadated conductors in substations at SDEE SATU MARE- Tarna Mare zona PTA 5405, 5408,5409, 5435-11.66 KM – 1,023 th RON

EDMN

- Acquisition and installation of electricity meters - 9,160 th RON
- Independent equipments (including work safety equipments) – 8,850 th RON
- Improvement of the technical conditions of the exploitation of the signaling breakdown system LES 20 kV and introducing in Automatic Distribution Station Dambovita, Targoviste municipality – 4,750 th RON

- Modernization of FDCP-AMR with GSM Stage V/C neighborhood Micro XIV Buzau – 3,900 th RON
- Modernization 110kV Columbia station (replacement of power transformer of 2*25 MVA with 2*40MVA) – 3,550 th RON
- Studies & Projects (P.A.V- Future years projects) – 3,090 th RON
- Capitalization of maintenance works – 1,860 th RON
- Modernization and integration in SCADA power transformer station 110 kV Pastarnacu, Prahova County – 1,360 th RON
- AMR monitoring system extension with GPRS Focsani, Ghinea Dorinel, Republicii and Piata Independentei streets – 1,290 th RON
- SCADA modernization and implementation Sahateni Station - 1,160 th RON

During the first half of 2016, the largest transfers from constructions in progress to property, plant and equipment are the result of setting into operation the following investment objectives:

EDTS

- Improvement of voltage levels areas LEA LV. Zagon, zona PTa 5, Covasna county – 1,828 th RON

EDTN

- Increasing security in grid supply in Valea lui Mihai – 3,438 th RON
- Modernization of measuring points – 2,877 th RON
- Modernization LEA 0.4KV in Camarzana, Barsau de Sus, Dobra – 1,681 th RON
- Replacement of power transformers MV/LV SD Oradea – 1,135 th RON
- Modernization of power transformers 96409 series – 1,119 th RON
- Replacement of power transformers MV/LV SD Cluj – 1,098 th RON
- Reconstruction and grid looping 20kV Sarmasag – 1,054 th RON
- Modernization of 110/20kV Dej - Cuzdrioara Station – 1,026 th RON

EDMN

- Purchasing and installation of electricity meters - 9,160 th RON
- Independent equipments (including inclusiv Work safety equipments) – 8,850 th RON
- Modernization FDCP-AMR with GSM Stage V/C neighborhood Micro XIV Buzau – 3,916 th RON
- Capitalization of maintenance works – 1,800 th RON
- AMR monitoring system extension with GPRS Focsani, Ghinea Dorinel, Republicii and Piata Independentei streets – 1,679 th RON
- Implementation of Automatic Distribution System (ADS) in the city of Braila - stage II - 2014, Braila county – 1,450 th RON