# ELECTRICA S.A.

## Condensed Consolidated Interim Financial Information

**30 June 2015**

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**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2015

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

| | Note | 30 June 2015 (unaudited) | 31 December 2014 restated* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets related to concession arrangements | | 3,526,449 | 3,501,184 |
| Other intangible assets | | 8,469 | 8,812 |
| Property, plant and equipment | | 769,582 | 804,823 |
| Deferred tax assets | | 61,069 | 59,625 |
| Other non-current assets | | 6,026 | 7,970 |
| **Total non-current assets** | | **4,371,595** | **4,382,414** |
| **Current assets** | | | |
| Cash and cash equivalents | 12 | 1,094,097 | 1,629,508 |
| Deposits, treasury bills and government bonds | 13 | 1,936,932 | 1,220,521 |
| Trade receivables | 14 | 769,257 | 780,821 |
| Other receivables | | 9,826 | 24,611 |
| Inventories | | 22,930 | 24,305 |
| Prepayments | | 8,629 | 8,644 |
| Green certificates | | 68,830 | 53,708 |
| Income tax receivable | | 23,134 | 23,135 |
| **Total current assets** | | **3,933,635** | **3,765,253** |
| **Total assets** | | **8,305,230** | **8,147,667** |
| **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 | 3,273 |
| Revaluation reserve | | 147,180 | 156,018 |
| Other reserves | | 236,597 | 236,597 |
| Retained earnings | | 1,221,250 | 1,246,635 |
| **Total equity attributable to the owners of the Company** | | **5,449,808** | **5,484,442** |
| Non-controlling interests | | 773,674 | 804,266 |
| **Total equity** | | **6,223,482** | **6,288,708** |

**See Note 4*

*(Continued on page 2)*

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2015

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

| | Note | 30 June 2015 (unaudited) | 31 December 2014 restated* |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financing for network construction related to concession agreements | | 148,193 | 151,486 |
| Long term bank loans | | 4,500 | - |
| Deferred tax liabilities | | 183,756 | 183,753 |
| Employee benefits | | 220,382 | 220,382 |
| Other payables | 15 | 43,450 | 53,181 |
| **Total non-current liabilities** | | **600,281** | **608,802** |
| **Current liabilities** | | | |
| Financing for network construction related to concession agreements | | 82,402 | 99,064 |
| Current portion of long term bank loans | | 10,800 | - |
| Bank overdrafts | | 64,674 | 48,132 |
| Finance lease | | - | 294 |
| Trade payables | | 494,367 | 555,256 |
| Dividends payable | 10 | 341,900 | - |
| Other payables | 15 | 232,134 | 310,806 |
| Deferred revenue | | 19,395 | 2,987 |
| Employee benefits | | 112,427 | 146,714 |
| Provisions | 16 | 107,580 | 72,634 |
| Current income tax liability | | 15,788 | 14,270 |
| **Total current liabilities** | | **1,481,467** | **1,250,157** |
| **Total liabilities** | | **2,081,748** | **1,858,959** |
| **Total equity and liabilities** | | **8,305,230** | **8,147,667** |

**See Note 4*

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

**General Director**
Ioan Rosca

**p. Economic Director**
Emilia Elena Marin

13 August 2015

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

*(All amounts are in THOUSAND RON, except per share data)*

| | | Six month period ended | |
|---|---|---|---|
| | **Note** | **30 June 2015 (unaudited)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| Revenues | 7 | 2,595,002 | 2,414,160 |
| Other income | 8 | 130,173 | 73,940 |
| Electricity purchased | | (1,289,455) | (1,134,363) |
| Green certificates | | (167,728) | (149,799) |
| Construction costs related to concession agreements | | (175,348) | (145,148) |
| Employee benefits | | (316,164) | (369,848) |
| Repairs, maintenance and materials | | (39,827) | (50,578) |
| Depreciation and amortization | | (174,750) | (170,693) |
| (Impairment)/Reversal of impairment of property, plant and equipment, net | | (1,754) | 371 |
| Reversal of impairment of trade and other receivables, net | | 3,654 | 8,651 |
| Other operating expenses | | (212,275) | (202,232) |
| Change in provisions, net | 16 | (34,946) | 4,383 |
| **Operating profit** | | **316,582** | **278,844** |
| Finance income | | 20,856 | 13,864 |
| Finance costs | | (4,672) | (11,598) |
| **Net finance income** | | **16,184** | **2,266** |
| **Profit before tax** | | **332,766** | **281,110** |
| Income tax expense | 11 | (55,681) | (67,633) |
| **Profit for the period** | | **277,085** | **213,477** |
| **Profit for the period attributable to:** | | | |
| - owners of the Company | | 210,469 | 144,070 |
| - non-controlling interests | | 66,616 | 69,407 |
| **Profit for the period** | | **277,085** | **213,477** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (RON) | 9 | **0.62** | **0.66** |

**See Note 4*

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

**General Director**
Ioan Rosca

**p. Economic Director**
Emilia Elena Marin

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

*(All amounts are in THOUSAND RON, except per share data)*

| | Three month period ended | |
|---|---|---|
| | **30 June 2015 (unaudited and not review)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| Revenues | 1,254,637 | 1,148,359 |
| Other income | 44,643 | 42,285 |
| Electricity purchased | (564,304) | (510,095) |
| Green certificates | (77,131) | (57,686) |
| Construction costs related to concession agreements | (108,973) | (71,693) |
| Employee benefits | (158,263) | (197,679) |
| Repairs, maintenance and materials | (14,507) | (37,811) |
| Depreciation and amortization | (89,240) | (88,080) |
| (Impairment)/Reversal of impairment of property, plant and equipment, net | 436 | 327 |
| Reversal of impairment of trade and other receivables, net | 3,554 | 5,931 |
| Other operating expenses | (112,384) | (91,390) |
| Change in provisions, net | (4,450) | 5,082 |
| **Operating profit** | **174,018** | **147,550** |
| | | |
| Finance income | 9,209 | 11,161 |
| Finance costs | (172) | (7,776) |
| **Net finance income** | **9,037** | **3,385** |
| | | |
| **Profit before tax** | **183,055** | **150,935** |
| Income tax expense | (32,788) | (33,389) |
| **Profit for the period** | **150,267** | **117,546** |
| | | |
| **Profit for the period attributable to:** | | |
| - owners of the Company | 114,531 | 77,963 |
| - non-controlling interests | 35,736 | 39,583 |
| **Profit for the period** | **150,267** | **117,546** |
| | | |
| **Earnings per share** | | |
| Basic and diluted earnings per share (RON) | **0.34** | **0.34** |

**See Note 4*

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

**General Director**
Ioan Rosca

**p. Economic Director**
Emilia Elena Marin

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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

| | Six month period ended | |
|---|---|---|
| | **30 June 2015 (unaudited)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| **Profit for the period** | **277,085** | **213,477** |
| **Other comprehensive income** | - | - |
| **Total comprehensive income** | **277,085** | **213,477** |
| **Total comprehensive income attributable to:** | | |
| - owners of the Company | 210,469 | 144,070 |
| - non-controlling interests | 66,616 | 69,407 |
| **Total comprehensive income** | **277,085** | **213,477** |

**See Note 4*

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

**General Director**
Ioan Rosca

**p. Economic Director**
Emilia Elena Marin

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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

| | Three month period ended | |
|---|---|---|
| | **30 June 2015 (unaudited and not reviewed)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| **Profit for the period** | **150,267** | **117,546** |
| **Other comprehensive income** | - | - |
| **Total comprehensive income** | **150,267** | **117,546** |
| **Total comprehensive income attributable to:** | | |
| - owners of the Company | 114,531 | 77,963 |
| - non-controlling interests | 35,736 | 39,583 |
| **Total comprehensive income** | **150,267** | **117,546** |

**See Note 4*

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

**General Director**

Ioan Rosca

**p. Economic Director**

Emilia Elena Marin

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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

| | | Attributable to the owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Note** | **Share capital** | **Share premium** | **Treasury shares reserve** | **Pre-paid capital contributions in kind from shareholders** | **Revaluation reserve** | **Other reserves** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| 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 | 4 | - | - | - | - | - | - | (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** | | **-** | **-** | **-** | **-** | **-** | **-** | **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 | 10 | - | - | - | - | - | - | (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 | 10 | - | - | - | - | - | - | - | - | (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 | 20 | - | - | - | - | (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** |

*(Continued on page 8)*

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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

| | | Attributable to the owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Note** | **Share capital** | **Pre-paid share reserve** | **Pre-paid capital contributions in kind from shareholders** | **Revaluation reserve** | **Other reserves** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| Balance at 1 January 2014, as previously reported | | 2,509,413 | - | 47,657 | 572,825 | 614,906 | 1,936,547 | 5,681,348 | 764,270 | **6,445,618** |
| Impact of change in accounting policy | 4 | - | - | - | - | - | (31,145) | (31,145) | (8,785) | **(39,930)** |
| **Balance at 1 January 2014 restated** | | **2,509,413** | **-** | **47,657** | **572,825** | **614,906** | **1,905,402** | **5,650,203** | **755,485** | **6,405,688** |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the period restated (unaudited and not reviewed) | 4 | - | - | - | - | - | 144,070 | 144,070 | 69,407 | **213,477** |
| **Total comprehensive income** | | **-** | **-** | **-** | **-** | **-** | **144,070** | **144,070** | **69,407** | **213,477** |
| **Transactions with owners of the Company (unaudited and not reviewed)** | | | | | | | | | | |
| ***Contributions and distributions*** | | | | | | | | | | |
| Underwritings from IPO | | - | 1,943,015 | - | - | - | - | 1,943,015 | - | **1,943,015** |
| Issue of ordinary shares in respect of land contributed by the shareholders | | 40,371 | - | (47,657) | - | - | - | (7,286) | - | **(7,286)** |
| Dividends to the owners of the Company | | - | - | - | - | - | (22,475) | (22,475) | - | **(22,475)** |
| Spin-off effect | | (507,429) | - | - | (388,018) | (408,195) | (928,834) | (2,232,476) | - | **(2,232,476)** |
| **Total transactions with owners of the Company (unaudited and not reviewed)** | | **(467,058)** | **1,943,015** | **(47,657)** | **(388,018)** | **(408,195)** | **(951,309)** | **(319,222)** | **-** | **(319,222)** |
| **Other changes in equity (unaudited and not reviewed)** | | | | | | | | | | |
| Dividends to non-controlling interests | | - | - | - | - | - | - | - | (67,250) | **(67,250)** |
| Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment restated | | - | - | - | (8,369) | - | 8,369 | - | - | **-** |
| **Balance at 30 June 2014 restated (unaudited and not reviewed)** | | **2,042,355** | **1,943,015** | **-** | **176,438** | **206,711** | **1,106,532** | **5,475,051** | **757,642** | **6,232,693** |

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

**ELECTRICA SA**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015
*(All amounts are in THOUSAND RON, if not otherwise stated)*

| | Note | Six month period ended | |
|---|---|---|---|
| | | **30 June 2015 (unaudited)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| **Cash flows from operating activities** | | | |
| Profit for the period | | **277,085** | **213,477** |
| ***Adjustments for:*** | | | |
| Depreciation | | 20,701 | 21,943 |
| Amortisation | | 154,049 | 148,750 |
| Impairment loss/(Reversal of impairment) of property, plant and equipment, net | | 1,754 | (371) |
| Loss/(Gain) on disposal of property, plant and equipment | | 2,120 | (851) |
| Reversal of impairment of trade and other receivables, net | | (3,654) | (8,651) |
| Write-down of inventories, net | | 739 | - |
| Change in provisions, net | 16 | 34,946 | (4,383) |
| Net finance income | | (16,184) | (2,266) |
| Gain on loss of control over subsidiaries in financial distress | 20 | (38,501) | - |
| Income tax expense | 11 | 55,681 | 67,633 |
| | | **488,736** | **435,281** |
| ***Changes in :*** | | | |
| Trade receivables | | 47,120 | 391,355 |
| Other receivables | | 12,819 | (90,873) |
| Prepayments | | 15 | (5,931) |
| Green certificates | | (15,122) | - |
| Inventories | | 636 | 5,451 |
| Trade payables | | (64,718) | (166,663) |
| Other payables | | (87,342) | (55,563) |
| Employee benefits | | (12,073) | 19,479 |
| Deferred revenue | | 16,408 | 13,474 |
| **Cash generated from operating activities** | | **386,479** | **546,010** |
| Interest paid | | (4,713) | (6,209) |
| Income tax paid | | (48,469) | (29,531) |
| **Net cash from operating activities** | | **333,297** | **510,270** |

**See Note 4*

*(Continued on page 10)*

**ELECTRICA SA**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

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

| | Note | Six month period ended | |
|---|---|---|---|
| | | **30 June 2015 (unaudited)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| **Cash flows from investing activities** | | | |
| Payments for purchases of property, plant and equipment | | (17,009) | (26,160) |
| Payments for network construction related to concession agreements | | (131,066) | (142,428) |
| Payments for purchase of other intangible assets | | (542) | (530) |
| Proceeds from sale of property, plant and equipment | | 11,032 | 43 |
| Proceeds from sale of investments | | - | 140,920 |
| Purchase of treasury bills and government bonds | | (2,560,218) | - |
| Proceeds from maturity of treasury bills and government bonds | | 1,627,262 | - |
| Increase in deposits with maturity of 3 months or longer | | (125,485) | - |
| Proceeds from deposits with maturity of 3 months or longer | | 344,004 | - |
| Effect of loss of control over subsidiaries on cash | | (2,863) | - |
| Interest received | | 20,965 | 11,045 |
| **Net cash used in investing activities** | | **(833,920)** | **(17,110)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from long term bank loans | | 18,000 | - |
| Repayment of long term bank loans | | (2,700) | - |
| Repayment of financing for network construction related to concession agreements | | (66,859) | (74,460) |
| Payment of finance lease liabilities | | (294) | (1,198) |
| Dividends paid | | - | (5,000) |
| **Net cash used in financing activities** | | **(51,853)** | **(80,658)** |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(552,476)** | **412,502** |
| Cash and cash equivalents at 1 January | | 1,581,376 | 571,151 |
| Effect of movements in exchange rates on cash held | | 523 | (3,076) |
| **Cash and cash equivalents at 30 June** | 12 | **1,029,423** | **980,577** |

**See Note 4*

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

**General Director**
Ioan Rosca

**p. Economic Director**
Emilia Elena Marin

## 1 Reporting entity and general information

This financial information is the condensed consolidated interim financial information of Electrica S.A. ("the Company") and its subsidiaries (together "the Group") as at and for the six month period ended 30 June 2015.

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 2015 the main shareholder of Electrica SA is the Romanian State, represented by the Ministry of Energy, Small and Medium-sized Enterprises and Business Environment (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 2015 | % shareholding as at 31 Dec 2014 |
|---|---|---|---|---|---|
| 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 | 77.99999% | 77.99999% |
| 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 | 77.99997% | 77.99997% |
| 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 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% |
| Servicii Energetice Oltenia SA | Services in the energy sector (maintenance, repairs, construction) | 29389861 | Craiova | 100% | 100% |

** Electrica SA lost the control of Servicii Energetice Dobrogea starting January 2015 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 between 0.4 kV and 110 kV.

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 155, 156, 154/15.12.2014** | | | **Order 104, 105, 98/18.12.2013** | | |
|---|---|---|---|---|---|---|
| | **1 January-31 December 2015** | | | **1 January-31 December 2014** | | |
| | High voltage | Medium voltage | Low voltage | High voltage | Medium voltage | Low voltage |
| Transilvania Nord | 21.10 | 68.44 | 180.59 | 20.65 | 67.28 | 178.75 |
| Transilvania Sud | 23.41 | 70.26 | 192.65 | 23.46 | 70.45 | 194.74 |
| Muntenia Nord | 18.47 | 61.31 | 199.92 | 18.90 | 63.13 | 206.05 |

In 2013 the Company approved the liquidation of 3 subsidiaries: Servicii Energetice Banat, Servicii Energetice Dobrogea and Servicii Energetice Moldova. 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 process with a view to reorganization. For further information on the financial position of these subsidiaries refer to Note 20.

## 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 2014.

This condensed consolidated interim financial information was authorized for issue by the Board of Directors on 13 August 2015.

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 2014.

## 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

Except as described below, 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 2014. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2015.

### *(i) Changes in accounting policies*

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards:

*IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014 under IFRS-EU)*

The Group has adopted IFRIC 21 with the date of initial application of 1 January 2015. As a result of the adoption of IFRIC 21, the Group has reassessed the timing of when to accrue tax on special constructions imposed by legislation.

The interpretation clarifies that an entity recognizes a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires the same principles to be applied in interim financial information.

According to the tax law, the tax on special constructions is due based on the existence and value of the special constructions in the accounts of the tax payer at 31 December. The tax is payable in the subsequent year and the amount of the tax is not adjusted in the following year if the constructions are held for less than one year.

The Group previously accrued for tax on special constructions over the current tax year. In accordance with IFRIC 21, the Group has determined that the liability to pay the tax on special constructions should be recognised in full on 31 December of the prior year, when the obligating event as stated in the legislation occurs. IFRIC 21 was applied retrospectively.

### *(ii) Other changes in comparative interim period*

As at 31 December 2014, the Group applied retrospectively the change in accounting policy regarding the

concession agreements (IFRIC 12 "Service concession arrangements").

### *(iii) The impact of changes in accounting policies on the Group's condensed consolidated interim financial information*

***Condensed consolidated statement of financial position***

| | Impact of changes in accounting policy | | |
|---|---|---|---|
| **31 December 2014** | **As previously reported** | **Adjustment for IFRIC 21** | **As restated** |
| Other payables (current) | (276,961) | (33,845) | (310,806) |
| Deferred tax liabilities | (189,168) | 5,415 | (183,753) |
| Others | (1,364,400) | - | (1,364,400) |
| **Total liabilities** | **(1,830,529)** | **(28,430)** | **(1,858,959)** |
| Retained earnings | (1,268,811) | 22,176 | (1,246,635) |
| Non-controlling interests | (810,520) | 6,254 | (804,266) |
| Others | (4,237,807) | - | (4,237,807) |
| **Total equity** | **(6,317,138)** | **28,430** | **(6,288,708)** |

***Condensed consolidated statements of profit or loss and comprehensive income***

| | Impact of changes in accounting policy | | | |
|---|---|---|---|---|
| **For the six month period ended 30 June 2014 (unaudited and not reviewed)** | **As previously reported** | **Adjustment for IFRIC 21** | **Adjustment for IFRIC 12** | **As restated** |
| Revenues | 2,307,288 | - | 106,872 | 2,414,160 |
| Depreciation and amortization | (212,262) | - | 41,569 | (170,693) |
| Repairs, maintenance and materials | (47,817) | - | (2,761) | (50,578) |
| Construction costs related to concession agreements | - | - | (145,148) | (145,148) |
| Other operating expenses | (226,390) | 24,158 | - | (202,232) |
| Income tax expense | (59,279) | (3,802) | (4,552) | (67,633) |
| Others | (1,564,399) | - | - | (1,564,399) |
| **Profit for the period** | **197,141** | **20,356** | **(4,020)** | **213,477** |
| **Total comprehensive income** | **197,141** | **20,356** | **(4,020)** | **213,477** |

### *(iv) Changes in disclosure*

As at and for the year ended 31 December 2014 the Group changed the disclosure of management compensation and included compensation granted to the general directors of the Group companies. In prior periods management compensation included also the compensation of directors of departments. The

management of the Company considers that the new presentation reflects more accurately the persons having authority and responsibility for planning, directing and controlling the activities of the Entity.

## 5 New standards and interpretations not yet adopted

A number of amendments to standards were adopted by the EU but are not yet mandatorily effective for the year ending 31 December 2015 and have not been applied in preparing this consolidated condensed interim financial information:

- Annual improvements to IFRSs 2010 – 2012 Cycle;
- Amendments to IAS 19 (Defined Benefit Plans: Employee Contributions).

None of these amendments is expected to have a significant impact on the Group's consolidated financial information.

## 6 Operating segments

### (a) Information about reportable segments

| Six month period ended 30 June 2015 (unaudited) | Electricity supply | Electricity distribution | External electricity network maintenance | Headquarter | Total for reportable segments | Consolidation eliminations and adjustments | Consolidated total |
|---|---|---|---|---|---|---|---|
| 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 (loss) before tax** | **102,852** | **253,158** | **(21,856)** | **304,759** | **638,913** | **(306,147)** | **332,766** |
| Net finance income/(cost) | 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)** |
| EBITDA** | 103,847 | 420,155 | (17,795) | (51,622) | 454,585 | 38,501 | **493,086** |
| Segment net profit (loss) | 94,808 | 201,755 | (18,090) | 304,759 | 583,232 | (306,147) | **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** |
| **Six month period ended 30 June 2014 (unaudited and not reviewed)** | | | | | | | |
| External revenues - restated* | 1,999,367 | 384,312 | 30,481 | - | 2,414,160 | - | **2,414,160** |
| Inter-segment revenue | 64,023 | 755,565 | - | - | 819,588 | (819,588) | **-** |
| **Segment revenue – restated*** | **2,063,390** | **1,139,877** | **30,481** | **-** | **3,233,748** | **(819,588)** | **2,414,160** |
| **Segment profit (loss) before tax – restated*** | **144,552** | **218,743** | **(58,912)** | **215,159** | **519,542** | **(238,432)** | **281,110** |
| Net finance income/(cost) | 946 | 5,634 | 41 | 234,077 | 240,698 | (238,432) | **2,266** |
| Depreciation, amortization and impairment, net – restated* | (2,661) | (159,538) | (2,481) | (5,642) | (170,322) | - | **(170,322)** |
| EBITDA** - restated* | 146,267 | 372,647 | (56,472) | (13,276) | 449,166 | - | **449,166** |
| Segment net profit (loss) – restated* | 116,082 | 180,046 | (59,378) | 215,159 | 451,909 | (238,432) | **213,477** |
| Employee benefits | (38,183) | (260,186) | (62,939) | (8,540) | (369,848) | - | **(369,848)** |
| Capital expenditure | 1,393 | 175,949 | - | - | 177,342 | - | **177,342** |

**See Note 4*

| **At 30 June 2015 (unaudited)** | **Electricity supply** | **Electricity distribution** | **External electricity network maintenance** | **Headquarter** | **Total for reportable segments** | **Consolidation eliminations and adjustments** | **Consolidated total** |
|---|---|---|---|---|---|---|---|
| Segment assets | 1,242,995 | 5,108,159 | 192,992 | 2,554,766 | **9,098,912** | (793,682) | **8,305,230** |
| Trade and other receivables | 642,091 | 630,610 | 15,915 | 344,648 | **1,633,264** | (854,181) | **779,083** |
| Cash and cash equivalents | 431,412 | 386,190 | 7,773 | 268,722 | **1,094,097** | - | **1,094,097** |
| Deposits, treasury bills and government bonds | - | 100,585 | - | 1,836,347 | **1,936,932** | - | **1,936,932** |
| Trade and other payables, dividends payable, and short term employee benefits | 877,353 | 597,910 | 252,179 | 248,972 | **1,976,414** | (764,926) | **1,211,488** |
| Bank overdrafts | - | 64,674 | - | - | **64,674** | - | **64,674** |
| Financing for network construction related to concession agreements, long term bank loans and finance lease | - | 245,895 | - | - | **245,895** | - | **245,895** |
| **At 31 December 2014** | | | | | | | |
| Segment assets | 1,286,522 | 4,980,388 | 222,100 | 2,202,593 | **8,691,603** | (543,936) | **8,147,667** |
| Trade and other receivables | 724,938 | 661,105 | 23,841 | - | **1,409,884** | (604,452) | **805,432** |
| Cash and cash equivalents | 403,486 | 144,481 | 6,220 | 1,075,321 | **1,629,508** | - | **1,629,508** |
| Deposits, treasury bills and government bonds | - | 182,100 | - | 1,038,421 | **1,220,521** | - | **1,220,521** |
| Trade and other payables, and short term employee benefits – restated* | 826,140 | 404,996 | 309,771 | 7,274 | **1,548,181** | (495,014) | **1,053,167** |
| Bank overdrafts | - | 48,132 | - | - | **48,132** | - | **48,132** |
| Financing for network construction related to concession agreements and finance lease | - | 250,844 | - | - | **250,844** | - | **250,844** |

**See Note 4*

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

| **Six month period ended 30 June 2015 (unaudited)** | **Distribution Muntenia Nord** | **Distribution Transilvania Nord** | **Distribution Transilvania Sud** | **Electricity network maintenance** | **Eliminations** | **Total Electricity distribution** |
|---|---|---|---|---|---|---|
| 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** |
| **Six month period ended 30 June 2014 (unaudited and not reviewed)** | | | | | | |
| External revenues – restated* | 136,347 | 106,356 | 137,072 | 4,537 | - | **384,312** |
| Inter-segment revenue | 274,622 | 232,212 | 243,857 | 172,943 | (168,069) | **755,565** |
| **Segment revenue – restated*** | **410,969** | **338,568** | **380,929** | **177,480** | **(168,069)** | **1,139,877** |
| **Segment profit before tax – restated*** | **71,507** | **71,823** | **73,718** | **1,695** | **-** | **218,743** |
| Net finance income/(cost) | 6,033 | (168) | (238) | 7 | - | **5,634** |
| Depreciation, amortization and impairment, net – restated* | (42,720) | (50,543) | (58,820) | (7,455) | - | **(159,538)** |
| EBITDA** – restated* | 108,194 | 122,534 | 132,776 | 9,143 | - | **372,647** |
| Net profit – restated* | 58,797 | 59,895 | 59,729 | 1,625 | - | **180,046** |
| Employee benefits | (62,087) | (58,644) | (54,668) | (84,787) | - | **(260,186)** |
| Capital expenditure | 65,847 | 49,553 | 60,266 | 283 | - | **175,949** |

**See Note 4*

| At 30 June 2015 (unaudited) | Distribution Muntenia Nord | Distribution Transilvania Nord | Distribution Transilvania Sud | Electricity network maintenance | Eliminations | Total Electricity distribution |
|---|---|---|---|---|---|---|
| Segment assets | 1,779,914 | 1,354,758 | 1,482,705 | 558,504 | (67,722) | **5,108,159** |
| Trade and other receivables | 153,984 | 133,442 | 145,728 | 265,178 | (67,722) | **630,610** |
| Cash and cash equivalents | 224,355 | 28,343 | 118,195 | 15,297 | - | **386,190** |
| Deposits, treasury bills and government bonds | 100,585 | - | - | - | - | **100,585** |
| Trade and other payables, dividends payable, and short term employee benefits | 225,684 | 188,853 | 180,211 | 70,884 | (67,722) | **597,910** |
| Bank overdrafts | - | 19,004 | 45,670 | - | - | **64,674** |
| Financing for network construction related to concession agreements, long term bank loans and finance lease | 99,825 | 25,137 | 105,633 | 15,300 | - | **245,895** |
| **At 31 December 2014** | | | | | | |
| Segment assets | 1,739,503 | 1,326,879 | 1,422,739 | 583,871 | (92,604) | **4,980,388** |
| Trade and other receivables | 171,169 | 137,526 | 159,785 | 285,229 | (92,604) | **661,105** |
| Cash and cash equivalents | 94,539 | 17,370 | 15,744 | 16,828 | - | **144,481** |
| Deposits, treasury bills and government bonds | 182,100 | - | - | - | - | **182,100** |
| Trade and other payables, and short term employee benefits – restated* | 122,081 | 130,563 | 130,851 | 114,235 | (92,734) | **404,996** |
| Bank overdrafts | - | 38,948 | 9,184 | - | - | **48,132** |
| Financing for network construction related to concession agreements and finance lease | 108,291 | 30,538 | 111,721 | 294 | - | **250,844** |

**See Note 4*

****** 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.

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

| | 30 June 2015 (unaudited) | 31 December 2014 restated* |
|---|---|---|
| **Total assets** | | |
| Total assets for reportable segments | 9,098,912 | 8,691,603 |
| Elimination of inter-segment assets | (853,619) | (601,805) |
| Unallocated amounts | 59,937 | 57,869 |
| **Consolidated total assets** | **8,305,230** | **8,147,667** |
| | | |
| **Trade and other receivables** | | |
| Trade and other receivables for reportable segments | 1,633,264 | 1,409,884 |
| Elimination of inter-segment trade and other receivables | (853,049) | (602,696) |
| Unallocated amounts | (1,132) | (1,756) |
| **Consolidated trade and other receivables** | **779,083** | **805,432** |
| | | |
| **Trade and other payables, dividends payable and short term employee benefits** | | |
| Trade and other payables, dividends payable and short term employee benefits for reportable segments | 1,976,414 | 1,548,181 |
| Elimination of inter-segment trade and other payables, dividends payable and short term employee benefits | (763,794) | (493,258) |
| Unallocated amounts | (1,132) | (1,756) |
| **Consolidated trade and other payables, dividends payable and short term employee benefits** | **1,211,488** | **1,053,167** |

| | Six month period ended | |
|---|---|---|
| | 30 June 2015 (unaudited) | 30 June 2014 restated* (unaudited and not reviewed) |
| **Profit before tax** | | |
| Total profit before tax for reportable segments | 638,913 | 519,542 |
| Elimination of inter-segment profit | (344,648) | (238,432) |
| Unallocated amounts (Gain on loss of control over subsidiaries) | 38,501 | - |
| **Consolidated profit before tax** | **332,766** | **281,110** |
| | | |
| **Net profit** | | |
| Total net profit for reportable segments | 583,232 | 451,909 |
| Elimination of inter-segment profit | (344,648) | (238,432) |
| Unallocated amounts (Gain on loss of control over subsidiaries) | 38,501 | - |
| **Consolidated net profit** | **277,085** | **213,477** |

**See Note 4*

## 7 Revenue

| | Six month period ended | |
|---|---|---|
| | **30 June 2015 (unaudited)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| Supply and distribution of electricity | 2,378,831 | 2,217,692 |
| Construction revenue related to concession agreements | 179,237 | 148,824 |
| Repairs and maintenance and other services rendered | 28,618 | 39,852 |
| Re-connection fees | 4,684 | 4,619 |
| Sales of merchandise | 3,632 | 3,173 |
| **Total** | **2,595,002** | **2,414,160** |

**See Note 4*

The revenue from supply and distribution of electricity include RON 167,129 thousand (RON 149,741 thousand for the six month period ended 30 June 2014) representing cost of green certificates recharged to final consumers.

## 8 Other income

| | Six month period ended | |
|---|---|---|
| | **30 June 2015 (unaudited)** | **30 June 2014 (unaudited and not reviewed)** |
| Rent income | 41,904 | 38,320 |
| Late payment penalties from customers | 31,254 | 5,472 |
| Commissions for the collection of radio and TV taxes | 6,890 | 6,899 |
| Gain on loss of control over subsidiaries (Note 20) | 38,501 | - |
| Other | 11,624 | 23,249 |
| **Total** | **130,173** | **73,940** |

## 9 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 2015 (unaudited)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| Profit for the period attributable to the owners of the Company | 210,469 | 144,070 |
| **Profit attributable to ordinary shareholders** | **210,469** | **144,070** |

**See Note 4*

*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.

| | **2015** | **2014** |
|---|---|---|
| **Number of outstanding ordinary shares at 1 January** | **339,049,336** | **207,839,904** |
| Effect of shares issued in February | - | 156,887 |
| Effect of spin-off in April | - | (21,561,890) |
| Effect of shares issued in May | - | 1,282,266 |
| Effect of underwritings from the IPO | - | 29,531,457 |
| **Weighted-average number of ordinary shares at 30 June (unaudited)** | **339,049,336** | **217,248,624** |

**Earnings per share**

| | **2015** | **2014 restated*** |
|---|---|---|
| Basic and diluted earnings per share (RON per share) | **0.62** | **0.66** |

**See Note 4*

**10 Dividends**

The shareholders of the Company approved the dividend distribution on 27 April 2015 of RON 244,692 thousand. The dividend per share distributed is RON 0.7217 per share.

Also, dividends of RON 97,208 thousand were approved during the period to non-controlling interests - Fondul Proprietatea, by the following subsidiaries: Electrica Furnizare, Electrica Distributie Muntenia Nord, Electrica Distributie Transilvania Nord and Electrica Distributie Transilvania Sud.

## 11 Income taxes

| | Six month period ended | |
|---|---|---|
| | **30 June 2015 (unaudited)** | **30 June 2014 restated* (unaudited and not reviewed)** |
| Current year tax expense | 52,305 | 47,157 |
| Adjustment for prior years' current tax | 5,002 | - |
| Deferred tax (benefit)/ expense | (1,626) | 20,476 |
| **Total income tax expense** | **55,681** | **67,633** |

**See Note 4*

## 12 Cash and cash equivalents

| | **30 June 2015 (unaudited)** | **30 June 2014 (unaudited and not reviewed)** |
|---|---|---|
| **Total cash and cash equivalents in the condensed consolidated statement of financial position** | 1,094,097 | 1,006,385 |
| Overdrafts used for cash management purposes | (64,674) | (25,808) |
| **Total cash and cash equivalents in the condensed consolidated statement of cash flows** | **1,029,423** | **980,577** |

At 30 June 2015 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.

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 35 million during the six month period ended 30 June 2015 (six month period ended 30 June 2014: RON 30 million);
- set-off between trade receivables and trade payables of RON 33 million during the six month period ended 30 June 2015 (six month period ended 30 June 2014: RON 39 million).
- effect of loss of control over a subsidiary under financial distress (see Note 20).

## 13 Deposits, treasury bills and government bonds

| | **30 June 2015 (unaudited)** | **31 December 2014** |
|---|---|---|
| Treasury bills and government bonds denominated in RON with original maturity of more than three months | 1,836,347 | 901,417 |
| Deposits with maturity of more than three months | 100,585 | 319,104 |
| **Total deposits, treasury bills and government bonds** | **1,936,932** | **1,220,521** |

Treasury bills and government bonds with original maturity of more than three months have an average interest rate (yield) of 1.33%.

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

**14 Trade receivables**

| | 30 June 2015 (unaudited) | 31 December 2014 |
|---|---|---|
| Trade receivables, gross | 1,917,207 | 1,928,476 |
| Bad debt allowance | (1,147,950) | (1,147,655) |
| **Total trade receivables, net** | **769,257** | **780,821** |

Receivables from related parties are disclosed in Note 19.

The movement in the bad debt allowance for trade receivables is as follows:

| | Bad debt allowance |
|---|---|
| **Balance as at 1 January 2015** | **1,147,655** |
| Impairment recognized | 2,073 |
| Amounts written off | (72) |
| Impairment reversed | (1,706) |
| **Balance as at 30 June 2015 (unaudited)** | **1,147,950** |

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.

**15 Other payables**

| | 30 June 2015 (unaudited) | | 31 December 2014 restated* | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| VAT payable | 148,603 | - | 136,831 | - |
| Late payment penalties to the State budget | 8,116 | 851 | 18,450 | 11,238 |
| Other liabilities to the State | 38,757 | - | 86,115 | - |
| Payables related to radio and TV tax | 12,314 | - | 12,424 | - |
| Liabilities related to green certificates acquisition obligation | - | - | 42,396 | - |
| Other liabilities | 24,344 | 42,599 | 14,590 | 41,943 |
| **Total** | **232,134** | **43,450** | **310,806** | **53,181** |

**See Note 4*

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

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 and not paid by the period-end.

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

**16 Provisions**

| | **Provisions** |
|---|---|
| **Balance at 1 January 2015** | **72,634** |
| Provisions made | 40,290 |
| Provisions used | (965) |
| Provisions reversed | (4,379) |
| **Balance at 30 June 2015** | **107,580** |

As at 30 June 2015, provisions refer mainly to:

- RON 73,879 thousand representing potential fiscal obligations of the Group (including interest and penalties);
- RON 17,988 thousand representing claims of individuals in respect of land of the Group.

The provisions made in 2015 refer mainly to:

- provision of RON 31,252 thousands representing penalties disputed with ANAF in court, following an adverse decision against the Company;
- provision of RON 8,452 thousands representing potential late payment interest and penalties for fiscal obligations following controls from ANAF to certain subsidiaries.

As at 31 December 2014, provisions refer mainly to:

- RON 34,175 thousand representing potential fiscal obligations of the Group (including interest and penalties);
- RON 21,497 thousand representing claims of individuals in respect of land of the Group.

**17 Contingencies**

***Litigation and claims***

In 2012, the Group was sued by Orange Media, claiming the payment of RON 18,819 thousand representing damages requested by the claimant as a result of the cancelation of a public procurement contract by the Group. By sentence no. 4890/13.06.2013 issued by Bucharest Court, Orange Media's claim was dismissed. By sentence no. 573/24.02.2014 the Bucharest Court of Appeal upheld the appeal, voided the sentence and

referred the case back to Bucharest Court. By sentence no. 5200/30.10.2014 issued by Bucharest Court, the claim was dismissed again. An appeal against this sentence was made by Orange Media. By sentence 218/23.03.2015 the appeal made by Orange Media is declined, the sentence is irrevocable.

## 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 | | | |
|---|---|---|---|---|---|---|---|---|
| **30 June 2015 (unaudited)** | **Loans and receivables** | **Held to maturity financial assets** | **Other financial liabilities** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets not measured at fair value** | | | | | | | | |
| Trade receivables | 769,257 | | | 769,257 | | | | |
| Treasury bills and government bonds | | 1,836,347 | | 1,836,347 | | | | |
| Deposits with maturity of more than 3 months | 100,585 | | | 100,585 | | | | |
| Cash and cash equivalents | 1,094,097 | | | 1,094,097 | | | | |
| **Total** | **1,963,939** | **1,836,347** | | **3,800,286** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Bank overdrafts | | | 64,674 | 64,674 | | | | |
| Long term bank loans | | | 15,300 | 15,300 | | | | |
| Financing for network construction related to concession agreements | | | 230,595 | 230,595 | | 234,623 | | 234,623 |
| Trade payables | | | 494,367 | 494,367 | | | | |
| Dividends payable | | | 341,900 | 341,900 | | | | |
| **Total** | | | **1,146,836** | **1,146,836** | | | | |

| | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| **31 December 2014** | **Loans and receivables** | **Held to maturity financial assets** | **Other financial liabilities** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets not measured at fair value** | | | | | | | | |
| Trade receivables | 780,821 | | | 780,821 | | | | |
| Treasury bills and government bonds | | 901,417 | | 901,417 | | | | |
| Deposits with maturity of more than 3 months | 319,104 | | | 319,104 | | | | |
| Cash and cash equivalents | 1,629,508 | | | 1,629,508 | | | | |
| **Total** | **2,729,433** | **901,417** | | **3,630,850** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Bank overdrafts | | | 48,132 | 48,132 | | | | |
| Financing for network construction related to concession agreements | | | 250,550 | 250,550 | | 256,130 | | 256,130 |
| Finance lease | | | 294 | 294 | | | | |
| Trade payables | | | 555,256 | 555,256 | | | | |
| **Total** | | | **854,232** | **854,232** | | | | |

In March 2015 Electrica Serv contracted a loan from OTP Bank Romania of RON 18,000 thousand in order to finance the subsidiary's payables to tax authorities. The loan bears an interest rate of ROBOR 3M plus a margin of 3.25% p.a. The loan is payable in equal monthly tranches until 11 November 2016.

The loan is secured by pledges over part of the subsidiary's assets (bank accounts, trade receivables from the contracts concluded with related parties and buildings).

### (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 | *Discounted cash flows (DCF) method*<br>The discount rates used are the average 12 M ROBID-ROBOR interest rates of 1.36% as at 30 June 2015 (31 December 2014: 1.67%). |

**19 Related parties**

**(a) Management and administrators' compensation**

| | Six month period ended | |
|---|---|---|
| | **30 June 2015 (unaudited)** | **30 June 2014 (unaudited and not reviewed)*** |
| Management compensation | 1,031 | 1,362 |

**See Note 4*

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 2015 (unaudited)** | **30 June 2014 (unaudited and not reviewed)** |
| Members of Board of Directors | 954 | 963 |
| Representatives in the General Meeting of Shareholders | 58 | 60 |
| **Total** | **1,012** | **1,023** |

**(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:

| | Purchases (excluding VAT) | | Balance (including VAT) | |
|---|---|---|---|---|
| **Supplier** | **Six month period ended 30 June 2015 (unaudited)** | **Six month period ended 30 June 2014 (unaudited and not reviewed)** | **30 June 2015 (unaudited)** | **31 December 2014** |
| Nuclearelectrica | 113,511 | 169,767 | 25,945 | 35,619 |
| Transelectrica | 291,115 | 266,074 | 71,975 | 156,759 |
| Complexul Energetic Oltenia | 102,189 | - | 25,555 | 6,000 |
| Hidroelectrica | 280,034 | 268,696 | 67,986 | 55,065 |
| OPCOM | 202,228 | 236,288 | 1,779 | 2,449 |
| Electrocentrale Bucuresti | 29,103 | - | - | 1 |
| SNGN ROMGAZ | - | 19,296 | - | - |
| CN Posta Romana SA | 3,081 | 2,988 | 422 | 324 |
| Others | 42,032 | 6,869 | 14,154 | 5,540 |
| **Total** | **1,063,293** | **969,978** | **207,816** | **261,757** |

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:

| | Sales (excluding VAT) | Balance, gross (including VAT) | Allowance (including VAT) | Balance, net |
|---|---|---|---|---|
| **Client** | **Six month period ended 30 June 2015 (unaudited)** | | **30 June 2015 (unaudited)** | |
| CFR Telecomunicatii | 30,691 | 3,629 | - | 3,629 |
| CFR Electrificare | 7,717 | 1,454 | - | 1,454 |
| SNGN Romgaz | 9,193 | 2,493 | - | 2,493 |
| OPCOM | 6,688 | 1,682 | - | 1,682 |
| Cupru Min S.A. Abrud | 15,800 | 18,122 | (18,122) | - |
| Transelectrica | 3,446 | 38 | - | 38 |
| CN Romarm | 4,905 | 374 | - | 374 |
| CN Remin SA | 188 | 71,176 | (71,176) | - |
| C.N.C.A.F. MINVEST S.A. | - | 78,735 | (78,735) | - |
| Oltchim | - | 715,277 | (715,277) | - |
| Baita SA | 971 | 6,361 | (4,985) | 1,376 |
| Enel Distributie Muntenia | 11,226 | 8,604 | - | 8,604 |
| Others | 26,476 | 10,736 | (3,284) | 7,452 |
| **Total** | **117,301** | **918,681** | **(891,579)** | **27,102** |

| Client | Sales (excluding VAT) | Balance, gross (including VAT) | Allowance (including VAT) | Balance, net |
|---|---|---|---|---|
| | Six month period ended 30 June 2014 (unaudited and not reviewed) | 31 December 2014 | | |
| CFR | 80,199 | 1,367 | - | 1,367 |
| CFR Electrificare | - | 1,390 | - | 1,390 |
| SNGN Romgaz | 10,685 | 1,544 | - | 1,544 |
| OPCOM | 6,303 | 2,374 | - | 2,374 |
| Cupru Min S.A. Abrud | 15,624 | 24,122 | (24,122) | - |
| Transelectrica | 8,389 | 2,080 | - | 2,080 |
| CN Romarm | 4,703 | 366 | - | 366 |
| Electrocentrale Oradea | 1,659 | 341 | - | 341 |
| CN Remin SA | 200 | 71,192 | (71,192) | - |
| C.N.C.A.F. MINVEST S.A. | - | 78,735 | (78,735) | - |
| Oltchim | - | 715,277 | (715,277) | - |
| Baita SA | - | 6,366 | - | 6,366 |
| Enel Distributie Muntenia | - | 14,814 | - | 14,814 |
| Others | 11,103 | 5,153 | (75) | 5,078 |
| **Total** | **138,865** | **925,121** | **(889,401)** | **35,720** |

## 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 Dobrogea entered in bankruptcy in January 2015 and Servicii Energetice Banat in November 2014 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 Dobrogea at the date the Company ceased its consolidation (31 January 2015) were as follows:

| | Carrying amount |
|---|---|
| | **Servicii Energetice Dobrogea as of 31 January 2015** |
| Property, plant and equipment | 3,435 |
| Trade receivables | 1,367 |
| Cash and cash equivalents | 2,863 |
| **Total assets** | **7,665** |
| Trade payables | 1,802 |
| Other payables | 22,006 |
| Employee benefits | 22,214 |
| Deferred tax liabilities | 144 |
| **Total liabilities** | **46,166** |
| **Gain on loss of control (Note 8)** | **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 2015 (for Servicii Energetice Moldova SA, Servicii Energetice Oltenia SA, and Servicii Energetice Muntenia) and 31 December 2014 (for Servicii Energetice Moldova SA, Servicii Energetice Dobrogea SA, Servicii Energetice Oltenia SA, and Servicii Energetice Muntenia).

As at 30 June 2015 and at 31 December 2014, the carrying amount of the assets and liabilities of these companies included in the consolidated financial information are as follows:

| **30 June 2015 (unaudited)** | **Servicii Energetice Moldova** | **Servicii Energetice Muntenia** | **Servicii Energetice Oltenia** | **Total** |
|---|---|---|---|---|
| Property, plant and equipment | 23,714 | 107,218 | 34,372 | 165,304 |
| Trade receivables | 5 | 5,871 | 4,354 | 10,230 |
| Cash and cash equivalents | 2,594 | 5,012 | 167 | 7,773 |
| **Total assets** | **26,313** | **118,101** | **38,893** | **183,307** |
| Trade payables | (2,639) | (14,765) | (2,885) | (20,289) |
| Payables to the State budget | (41,851) | (2,006) | (7,633) | (51,490) |
| Social security and other salary taxes | (34,872) | (2,100) | (7,169) | (44,141) |
| Provisions, employee benefits and deferred taxes | (21,540) | (27,806) | (14,080) | (63,426) |
| **Total liabilities** | **(100,902)** | **(46,677)** | **(31,767)** | **(179,346)** |

| **31 December 2014** | **Servicii Energetice Moldova** | **Servicii Energetice Dobrogea** | **Servicii Energetice Muntenia** | **Servicii Energetice Oltenia** | **Total** |
|---|---|---|---|---|---|
| Property, plant and equipment | 40,418 | 3,435 | 109,180 | 35,006 | **188,039** |
| Trade receivables | 811 | 1,313 | 16,894 | 3,729 | **22,747** |
| Cash and cash equivalents | 1,971 | 2,863 | 291 | 1,095 | **6,220** |
| **Total assets** | **43,200** | **7,611** | **126,365** | **39,830** | **217,006** |
| Trade payables | (2,900) | (2,098) | (5,976) | (2,865) | **(13,839)** |
| Payables to the State budget | (47,735) | (22,006) | (1,887) | (4,297) | **(75,925)** |
| Social security and other salary taxes | (38,192) | (17,130) | (2,471) | (6,120) | **(63,913)** |
| Provisions, employee benefits and deferred taxes | (26,387) | (5,228) | (27,762) | (13,914) | **(73,291)** |
| **Total liabilities** | **(115,214)** | **(46,462)** | **(38,096)** | **(27,196)** | **(226,968)** |