

ELECTRICA S.A.

Condensed Consolidated Interim Financial Information

31 March 2016

ELECTRICA SA**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AS AT AND FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2016**

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ELECTRICA SA**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2016

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

	Note	31 March 2016 (unaudited and not reviewed)	31 December 2015
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		3,701,540	3,700,211
Other intangible assets		14,146	14,295
Property, plant and equipment		745,853	779,264
Deferred tax assets		48,260	50,597
Other non-current assets		4,622	3,802
Total non-current assets		4,514,421	4,548,169
Current assets			
Cash and cash equivalents	10	799,979	893,492
Deposits, treasury bills and government bonds	11	2,031,580	1,987,881
Trade receivables	12	827,714	837,782
Other receivables		43,054	36,804
Inventories		25,772	23,258
Prepayments		13,174	9,460
Green certificates		37,373	31,304
Income tax receivable		23,135	23,135
Total current assets		3,801,781	3,843,116
Total assets		8,316,202	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		131,289	140,358
Other reserves		273,899	273,899
Retained earnings		1,481,647	1,354,595
Total equity attributable to the owners of the Company		5,731,616	5,613,633
Non-controlling interests		852,779	828,957
Total equity		6,584,395	6,442,590

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ELECTRICA SA**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2016

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

		31 March 2016 (unaudited and not reviewed)	31 December 2015
Liabilities			
Non-current liabilities			
Financing for network construction related to concession agreements		96,795	122,065
Deferred tax liabilities		187,635	181,253
Employee benefits		193,915	193,915
Other payables	13	42,739	43,068
Total non-current liabilities		521,084	540,301
Current liabilities			
Financing for network construction related to concession agreements		101,844	99,576
Short term bank borrowings	16	7,200	59,821
Bank overdrafts		120,139	65,963
Trade payables		481,229	656,410
Other payables	13	201,871	249,306
Deferred revenue		30,293	4,235
Employee benefits	14	67,423	134,625
Provisions	15	176,334	127,613
Current income tax liability		24,390	10,845
Total current liabilities		1,210,723	1,408,394
Total liabilities		1,731,807	1,948,695
Total equity and liabilities		8,316,202	8,391,285

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

General Manager/Finance Manager

Iuliana Andronache

12 May 2016



ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts are in THOUSAND RON, except per share data)

	Note	Three month period ended	
		31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Revenues	6	1,399,860	1,340,365
Other income	7	117,644	85,530
Electricity purchased		(760,349)	(725,151)
Green certificates		(110,541)	(90,597)
Construction costs related to concession agreements		(74,450)	(66,375)
Employee benefits		(160,816)	(157,901)
Repairs, maintenance and materials		(7,680)	(24,581)
Depreciation and amortization		(87,578)	(85,510)
Impairment of property, plant and equipment, net (Impairment)/Reversal of impairment of trade and other receivables, net		- (122)	(2,190) 100
Write-down of inventories, net		-	(739)
Change in provisions, net	15	(48,721)	(30,496)
Other operating expenses		(97,042)	(99,891)
Operating profit		170,205	142,564
Finance income		9,180	11,647
Finance costs		(2,950)	(4,500)
Net finance income		6,230	7,147
Profit before tax		176,435	149,711
Income tax expense	9	(34,630)	(22,893)
Profit for the period		141,805	126,818
Profit for the period attributable to:			
- owners of the Company		117,983	95,938
- non-controlling interests		23,822	30,880
Profit for the period		141,805	126,818
Earnings per share			
Basic and diluted earnings per share (RON)	8	0.35	0.28

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

General Manager/Finance Manager
Iuliana Andronache



ELECTRICA SA**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Profit for the period	141,805	126,818
Other comprehensive income	-	-
Total comprehensive income	141,805	126,818
Total comprehensive income attributable to:		
- owners of the Company	117,983	95,938
- non-controlling interests	23,822	30,880
Total comprehensive income	141,805	126,818

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

General Manager/Finance Manager

Iuliana Andronache



ELECTRICA SA

Balance at 31 March 2016 (unaudited
and not reviewed)
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ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

	Attributable to the owners of the Company									
	Pre-paid capital									
Note	Share capital	Share premium	Treasury shares reserve	contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	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 and not reviewed)	-	-	-	-	-	-	95,938	95,938	30,880	126,818
Total comprehensive income	-	-	-	-	-	-	95,938	95,938	30,880	126,818
Other changes in equity (unaudited and not reviewed)										
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(2,734)	-	2,734	-	-	-
Loss of control over subsidiaries in financial distress	-	-	-	-	(1,443)	-	1,443	-	-	-
18										
Balance at 31 March 2015 (unaudited and not reviewed)	3,814,242	103,049	(75,372)	3,273	151,841	236,597	1,346,750	5,580,380	835,146	6,415,526

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

ELECTRICA SA**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

	Note	Three month period ended	
		31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Cash flows from operating activities			
Profit for the period		141,805	126,818
Adjustments for:			
Depreciation		11,749	8,656
Amortisation		75,829	76,854
Impairment loss of property, plant and equipment, net		-	2,190
Loss/(Gain) on disposal of property, plant and equipment		(172)	3,441
Impairment/(Reversal) of impairment of trade and other receivables, net		122	(100)
Write-down of inventories, net		-	739
Change in provisions, net	15	48,721	30,496
Net finance income		(6,230)	(7,147)
Gain on loss of control over subsidiaries in financial distress	18	(73,693)	(38,501)
Income tax expense	9	34,630	22,893
		232,761	226,339
Changes in :			
Trade receivables		(11,247)	(88,778)
Other receivables		(5,627)	22,159
Deposits, treasury bills and government bonds		2,022	-
Prepayments		(3,714)	(5,418)
Green certificates		(6,069)	14,548
Inventories		(2,514)	(8,367)
Trade payables		(48,986)	(46,279)
Other payables		14,529	(27,939)
Employee benefits		(14,300)	(4,557)
Deferred revenue		26,058	19,668
Cash generated from operating activities		182,913	101,376
Interest paid		(1,297)	(4,789)
Income tax paid		(35,198)	(26,379)
Net cash from operating activities		146,418	70,208

(Continued on page 8)

ELECTRICA SA**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

	Note	Three month period ended	
		31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(25,212)	(4,813)
Payments for network construction related to concession agreements		(154,682)	(60,154)
Proceeds from sale of property, plant and equipment		849	10,990
Purchase of treasury bills and government bonds	11	(452,530)	(1,456,404)
Proceeds from maturity of treasury bills and government bonds	11	358,687	523,113
Increase in deposits with maturity of 3 months or longer		(28,164)	(86,439)
Proceeds from deposits with maturity of 3 months or longer		76,286	89,400
Effect of loss of control over subsidiaries on cash		(1,609)	(2,863)
Interest received		6,628	11,577
Net cash used in investing activities		(219,747)	(975,593)
Cash flows from financing activities			
Proceeds from long term bank loans		-	16,300
Repayment of short term bank borrowings		(52,621)	-
Repayment of financing for network construction related to concession agreements		(21,739)	(37,461)
Payment of finance lease liabilities		-	(124)
Net cash used in financing activities		(74,360)	(21,285)
Net decrease in cash and cash equivalents		(147,689)	(926,670)
Cash and cash equivalents at 1 January		827,529	1,581,376
Cash and cash equivalents at 31 March	10	679,840	654,706

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

General Manager/Finance Manager

Iuliana Andronache



ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 Electrica S.A. ("the Company") and its subsidiaries (together "the Group") as at and for the three month period ended 31 March 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 31 March 2016 the main shareholder of 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 31 March 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	77.99999%	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 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%

* 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 18).

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, Dambovită, 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.

ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 12 May 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.

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

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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.

ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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
Three month period ended							
31 March 2016 (unaudited and not reviewed)							
External revenues	1,168,895	223,944	7,021	-	1,399,860	-	1,399,860
Inter-segment revenue	22,634	322,192	2,651	-	347,477	(347,477)	-
Segment revenue	1,191,529	546,136	9,672	-	1,747,337	(347,477)	1,399,860
Segment profit (loss) before tax	55,261	74,065	72,272	(25,163)	176,435	-	176,435
Net finance income	401	3,161	8	2,660	6,230	-	6,230
Depreciation, amortization and impairment, net	(2,506)	(82,702)	(1,027)	(1,343)	(87,578)	-	(87,578)
Gain on loss of control over subsidiaries	-	-	73,693	-	73,693	-	73,693
EBITDA**	57,366	153,606	73,291	(26,480)	257,783	-	257,783
Segment net profit (loss)	43,823	50,811	72,334	(25,163)	141,805	-	141,805
Employee benefits	(18,204)	(132,782)	(5,722)	(4,108)	(160,816)	-	(160,816)
Capital expenditure	1,464	80,623	-	-	82,087	-	82,087
Three month period ended							
31 March 2015 (unaudited and not reviewed)							
External revenues	1,130,898	208,351	1,116	-	1,340,365	-	1,340,365
Inter-segment revenue	28,598	396,947	3,168	-	428,713	(428,713)	-
Segment revenue	1,159,496	605,298	4,284	-	1,769,078	(428,713)	1,340,365
Segment profit (loss) before tax	43,140	113,390	27,881	(34,700)	149,711	-	149,711
Net finance income	908	1,406	5	4,828	7,147	-	7,147
Depreciation, amortization and impairment, net	(1,802)	(82,009)	(2,833)	(1,056)	(87,700)	-	(87,700)
Gain on loss of control over subsidiaries	-	-	38,501	-	38,501	-	38,501
EBITDA**	44,034	193,993	30,709	(38,472)	230,264	-	230,264
Segment net profit (loss)	38,031	99,809	23,678	(34,700)	126,818	-	126,818
Employee benefits	(18,852)	(125,023)	(10,412)	(3,614)	(157,901)	-	(157,901)
Capital expenditure	530	68,644	-	-	69,174	-	69,174

ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

At 31 March 2016 (unaudited and not reviewed)	External			Consolidation			
	Electricity supply	Electricity distribution	electricity network maintenance	Headquarter	Total for reportable segments	eliminations and adjustments	Consolidated total
Segment assets	1,189,914	5,095,339	166,126	2,239,081	8,690,460	(374,258)	8,316,202
Trade and other receivables	710,256	584,370	17,637	-	1,312,263	(441,495)	870,768
Cash and cash equivalents	302,092	293,156	6,617	198,114	799,979	-	799,979
Deposits, treasury bills and government bonds	-	37,800	-	1,993,780	2,031,580	-	2,031,580
Trade and other payables and short term employee benefits	731,096	307,113	89,066	2,660	1,129,935	(348,870)	781,065
Bank overdrafts	-	120,139	-	-	120,139	-	120,139
Financing for network construction related to concession agreements and bank loans	-	205,839	-	-	205,839	-	205,839
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

ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016 (All amounts are in THOUSAND RON, if not otherwise stated)

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

Three month period ended 31 March 2016 (unaudited and not reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
External revenues	68,581	84,305	63,258	7,800	-	223,944
Inter-segment revenue	120,690	115,240	122,307	70,487	(106,532)	322,192
Segment revenue	189,271	199,545	185,565	78,287	(106,532)	546,136
Segment profit (loss) before tax	19,018	14,549	42,037	(1,539)	-	74,065
Net finance income/(cost)	2,137	434	740	(150)	-	3,161
Depreciation, amortization and impairment, net	(22,800)	(27,889)	(28,572)	(3,441)	-	(82,702)
EBITDA**	39,681	42,004	69,869	2,052	-	153,606
Net profit	16,332	5,351	32,033	(2,905)	-	50,811
Employee benefits	(33,568)	(26,498)	(25,166)	(47,550)	-	(132,782)
Capital expenditure	27,673	37,267	15,380	303	-	80,623
Three month period ended 31 March 2015 (unaudited and not reviewed)						
External revenues	59,858	68,891	73,563	6,039	-	208,351
Inter-segment revenue	141,081	123,389	129,860	75,515	(72,898)	396,947
Segment revenue	200,939	192,280	203,423	81,554	(72,898)	605,298
Segment profit (loss) before tax	39,290	42,987	35,506	(4,393)	-	113,390
Net finance income/(cost)	2,223	97	(917)	3	-	1,406
Depreciation, amortization and impairment, net	(22,523)	(26,108)	(29,432)	(3,946)	-	(82,009)
EBITDA**	59,590	68,998	65,855	(450)	-	193,993
Net profit	36,032	36,571	29,418	(2,212)	-	99,809
Employee benefits	(29,327)	(28,123)	(26,454)	(41,119)	-	(125,023)
Capital expenditure	14,451	29,052	24,735	406	-	68,644

ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

At 31 March 2016 (unaudited and not reviewed)	Distribution		Distribution Transilvania		Distribution Transilvania Sud		Electricity network maintenance	Eliminations	Total Electricity distribution
	Muntenia Nord		Nord		Sud				
Segment assets	1,744,826		1,433,170		1,500,492		477,079	(60,228)	5,095,339
Trade and other receivables	176,861		129,852		141,212		196,673	(60,228)	584,370
Cash and cash equivalents	170,655		13,668		94,878		13,955	-	293,156
Deposits, treasury bills and government bonds	37,800		-		-		-	-	37,800
Trade and other payables and short term employee benefits	104,588		98,434		95,133		69,186	(60,228)	307,113
Bank overdrafts	-		70,069		39,070		11,000	-	120,139
Financing for network construction related to concession agreements and bank loans	80,249		17,360		101,030		7,200	-	205,839
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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*(All amounts are in THOUSAND RON, if not otherwise stated)***(b) Reconciliation of information on reportable segments to IFRS measures**

	31 March 2016 (unaudited and not reviewed)	31 December 2015
Total assets		
Total assets for reportable segments	8,690,460	8,755,528
Elimination of inter-segment assets	(372,726)	(413,016)
Unallocated amounts	(1,532)	48,773
Consolidated total assets	8,316,202	8,391,285
Trade and other receivables		
Trade and other receivables for reportable segments	1,312,263	1,356,144
Elimination of inter-segment trade and other receivables	(439,963)	(479,734)
Unallocated amounts	(1,532)	(1,824)
Consolidated trade and other receivables	870,768	874,586
Trade and other payables and short term employee benefits		
Trade and other payable and short term employee benefits for reportable segments	1,129,935	1,534,524
Elimination of inter-segment trade and other payables and short term employee benefits	(347,338)	(461,488)
Unallocated amounts	(1,532)	(1,824)
Consolidated trade and other payables and short term employee benefits	781,065	1,071,212

6 Revenue

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Supply and distribution of electricity	1,302,171	1,259,682
Construction revenue related to concession agreements	76,162	68,334
Repairs and maintenance and other services rendered	17,677	8,004
Re-connection fees	2,353	1,963
Sales of merchandise	1,497	2,382
Total	1,399,860	1,340,365

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

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*(All amounts are in THOUSAND RON, if not otherwise stated)***7 Other income**

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Rent income	22,502	21,031
Late payment penalties from customers	2,548	12,503
Commissions for the collection of radio and TV taxes	3,549	3,464
Gain on loss of control over subsidiaries (Note 18)	73,693	38,501
Other	15,352	10,031
Total	117,644	85,530

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

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Profit for the period attributable to the owners of the Company	117,983	95,938
Profit attributable to ordinary shareholders	117,983	95,938

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 shares (unaudited and not reviewed) as at 31 March 2016 is 339,049,336.

Earnings per share

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Basic and diluted earnings per share (RON per share)	0.35	0.28

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

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

*(All amounts are in THOUSAND RON, if not otherwise stated)***9 Income taxes**

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Current year tax expense	24,390	24,407
Deferred tax expense/(benefit)	10,240	(1,514)
Total income tax expense	34,630	22,893

10 Cash and cash equivalents

	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Total cash and cash equivalents in the condensed consolidated statement of financial position	799,979	721,194
Overdrafts used for cash management purposes	(120,139)	(66,488)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	679,840	654,706

At 31 March 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 61 million during the three month period ended 31 March 2016 (three month period ended 31 March 2015: RON 24 million);
- set-off between trade receivables and trade payables of RON 19 million during the three month period ended 31 March 2016 (three month period ended 31 March 2015: RON 16 million).
- effect of loss of control over a subsidiary under financial distress (see Note 18).

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

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

*(All amounts are in THOUSAND RON, if not otherwise stated)***11 Deposits, treasury bills and government bonds**

	31 March 2016 (unaudited and not reviewed)	31 December 2015
Treasury bills and government bonds denominated in RON with original maturity of more than three months	1,851,513	1,756,339
Deposits with maturity of more than three months	180,067	231,542
Total deposits, treasury bills and government bonds	2,031,580	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.

12 Trade receivables

	31 March 2016 (unaudited and not reviewed)	31 December 2015
Trade receivables, gross	1,952,404	1,962,899
Bad debt allowance	(1,124,690)	(1,125,117)
Total trade receivables, net	827,714	837,782

Receivables from related parties are disclosed in Note 17.

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.

13 Other payables

	31 March 2016 (unaudited and not reviewed)		31 December 2015	
	Current	Non-current	Current	Non-current
VAT payable	131,878	-	119,262	-
Late payment penalties to the State budget	1,340	-	969	-
Other liabilities to the State	34,771	-	90,300	-
Payables related to radio and TV tax	12,690	-	13,428	-
Other liabilities	21,192	42,739	25,347	43,068
Total	201,871	42,739	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 18).

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

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.

14 Short-term employee benefits

	31 March 2016	31 December 2015
Personnel payables	37,977	32,465
Current portion of defined benefit liability and other long-term employee benefits	345	12,197
Social security charges	22,832	52,278
Tax on salaries	6,269	15,187
Termination benefits	-	22,498
Total	67,423	134,625

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 18). As a result, short-term employee benefits of RON 52,902 thousand were deconsolidated.

15 Provisions

	Provisions
Balance at 1 January 2016	127,613
Provisions made	59,249
Provisions used	(10,267)
Provisions reversed	(261)
Balance at 31 March 2016 (unaudited and not reviewed)	176,334

As at 31 March 2016, provisions refer mainly to:

- RON 136,232 thousand representing potential fiscal obligations of the Group (including interest and penalties);
- RON 18,722 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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AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

The provisions made in the three month period ended 31 March 2016 refer mainly to:

- provision of RON 56,126 thousands representing additional taxes and penalties disputed with ANAF.

Provisions used in the three months period ended 31 March 2016 refer to compensatory payments in respect of restructuring programme of Electrica Serv.

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.

16 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
31 March 2016 (unaudited and not reviewed)								
Financial assets not measured at fair value								
Trade receivables	827,714	-		827,714				
Deposits, treasury bills and government bonds	-	2,031,580		2,031,580				
Cash and cash equivalents	799,979	-		799,979				
Total	1,627,693	2,031,580		3,659,273				
Financial liabilities not measured at fair value								
Bank overdrafts			120,139	120,139				
Long term bank loans								
Short term bank borrowings			7,200	7,200				
Financing for network construction related to concession agreements			198,639	198,639		202,764		202,764
Trade payables			481,229	481,229				
Total			807,207	807,207		202,764		202,764

ELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

31 December 2015	Carrying amount			Total	Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities		Level 1	Level 2	Level 3	Total
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				
31 December 2015	Carrying amount			Total	Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities		Level 1	Level 2	Level 3	Total
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		224,124		224,124

(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.

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AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

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
	The discount rates used are the average 12 M ROBID-ROBOR interest rates of 0.9% as at 31 March 2016 (31 December 2015: 1.43%).

17 Related parties**(a) Management and administrators' compensation**

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Management compensation	876	475

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

	Three month period ended	
	31 March 2016 (unaudited and not reviewed)	31 March 2015 (unaudited and not reviewed)
Members of Board of Directors	693	485
Representatives in the General Meeting of Shareholders	5	10
Total	698	495

(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:

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

Supplier	Purchases (excluding VAT)		Balance (including VAT)	
	Three month period ended 31 March 2016 (unaudited and not reviewed)	Three month period ended 31 March 2015 (unaudited and not reviewed)	31 March 2016 (unaudited and not reviewed)	31 December 2015
Nuclearelectrica	128,606	66,229	39,131	19,682
Transelectrica	189,972	168,265	92,092	119,065
Complexul Energetic Oltenia	6,600	31,424	2,246	39,622
Hidroelectrica	118,120	128,572	37,598	34,889
OPCOM	112,112	149,029	566	3,604
Electrocentrale Bucuresti	13,534	29,103	-	-
SNGN ROMGAZ	14,449	-	-	-
CN Posta Romana SA	1,171	1,681	304	437
Others	17,689	17,784	13,686	16,285
Total	602,253	592,087	185,623	233,584

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
	Three month period ended 31 March 2016 (unaudited and not reviewed)	31 March 2016 (unaudited and not reviewed)		
CFR Telecomunicatii	14,911	5,981	(54)	5,927
CFR Electrificare	2,068	1,425	-	1,425
SNGN Romgaz	3,654	1,251	-	1,251
OPCOM	1,371	465	-	465
Cupru Min S.A. Abrud	8,758	9,122	(9,122)	-
Transelectrica	2,640	27	-	27
CN Romarm	1,770	440	-	440
CN Remin SA	128	71,238	(71,238)	-
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,277	(715,277)	-
Baita SA	605	5,438	(4,770)	668
Enel Distributie Muntenia	3,360	4,588	-	4,588
Others	15,612	12,553	(6,807)	5,746
Total	54,877	906,540	(886,003)	20,537

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AS AT FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2016

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

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Three month period ended 31 March 2015 (unaudited and not reviewed)	31 December 2015		
CFR Telecomunicatii	17,674	7,040	-	7,040
CFR Electrificare	3,861	1,139	-	1,139
SNGN Romgaz	3,756	1,497	-	1,497
OPCOM	893	3,537	-	3,537
Cupru Min S.A. Abrud	7,153	10,122	(10,122)	-
Transelectrica	1,235	1,403	-	1,403
CN Romarm	2,533	33	-	33
CN Remin SA	107	71,173	(71,173)	-
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,277	(715,277)	-
Baita SA	498	5,349	(4,770)	579
Enel Distributie Muntenia	4,491	4,933	-	4,933
Others	6,019	15,253	(6,790)	8,463
Total	48,220	915,491	(886,867)	28,624

18 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 its consolidation (31 January 2016 and 31 January 2015, respectively) were as follows:

	Carrying amount Servicii Energetice Moldova as of 31 January 2016	Carrying amount 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

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

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

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 31 March 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 31 March 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:

31 March 2016**(unaudited and not reviewed)**

Property, plant and equipment

Trade receivables

Cash and cash equivalents

Total assets

Trade payables

Payables to the State budget

Social security and other salary taxes

Provisions, employee benefits and deferred taxes

Total liabilities

Servicii Energetice Muntenia	Servicii Energetice Oltenia	Total
106,229	35,643	141,872
6,857	5,899	12,756
5,171	1,446	6,617
118,257	42,988	161,245
(24,831)	(4,300)	(29,131)
(194)	(7,392)	(7,586)
(438)	(8,249)	(8,687)
(24,555)	(14,362)	(38,917)
(50,018)	(34,303)	(84,321)

31 December 2015

Property, plant and equipment

Trade receivables

Cash and cash equivalents

Total assets

Trade payables

Payables to the State budget

Social security and other salary taxes

Provisions, employee benefits and deferred taxes

Total liabilities

Servicii Energetice Moldova	Servicii Energetice Muntenia	Servicii Energetice Oltenia	Total
21,709	106,389	32,312	160,410
2,027	7,878	6,780	16,685
1,609	2,252	392	4,253
25,345	116,519	39,484	181,348
(2,854)	(26,144)	(3,059)	(32,057)
(41,931)	(333)	(8,715)	(50,979)
(34,610)	(447)	(7,798)	(42,855)
(19,412)	(24,752)	(14,329)	(58,493)
(98,807)	(51,676)	(33,901)	(184,384)