



Quarterly report (Q3 2016) in compliance with the Romanian Capital Market Law no. 297/2004, CNVM Regulation no. 1/2006, and the Bucharest Stock Exchange Code

Report date: **November 15th, 2016**

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

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

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

Fiscal Code: **RO 13267221**

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

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

Regulated market where the issued securities are traded:

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

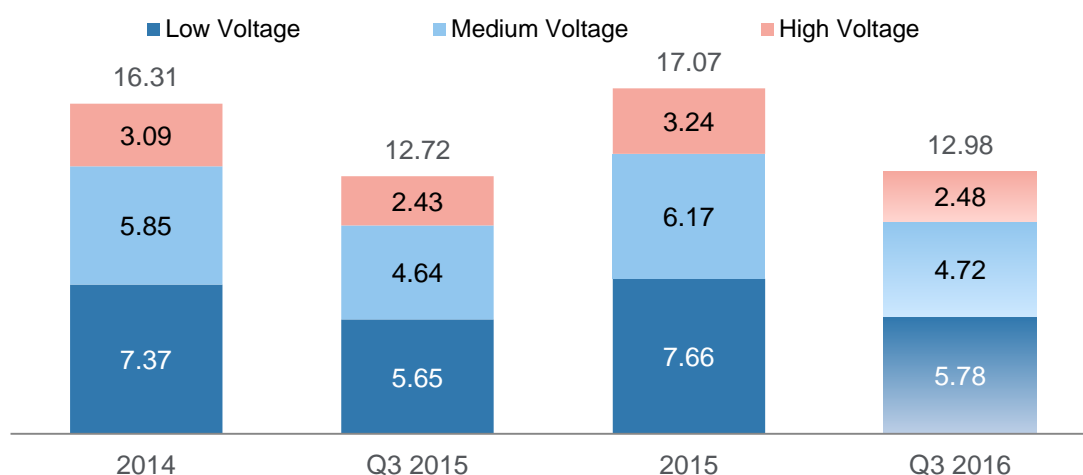
Electrica Group

Electrica is the market leader in distribution and supply of electricity in Romania.

Please see Annex 1 for more detailed information about the subsidiaries in the Group

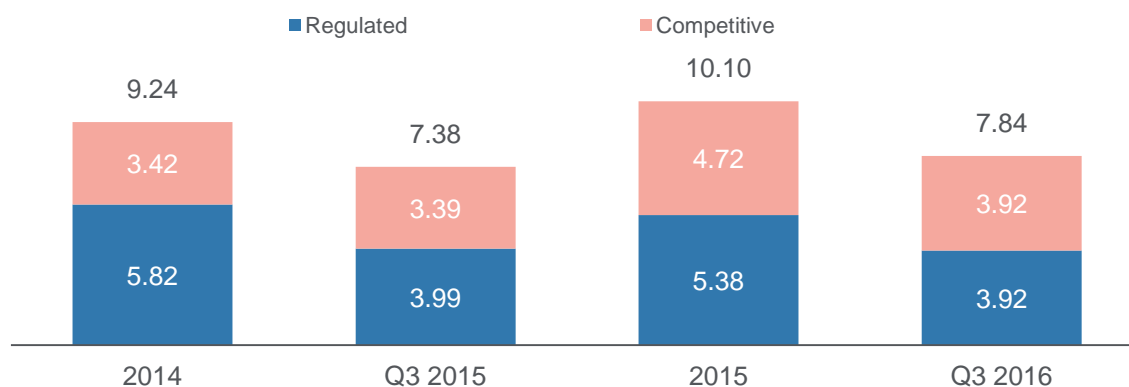
Distribution business

- Regulated asset base (RAB) of RON 4.4 bn at the end of Q3 2016
- The distribution business serves 3.67 mn users, covering an area of 97,196 km²
- Electrica distributed 12.98 TWh in the first 9 months of 2016, as follows:



Supply business

- The supply business serves 3.61 mn consumers throughout Romania
- Electrica supplied c. 7.84 TWh on the retail market in the first 3 quarters of 2016, split between the regulated and competitive market as follows:

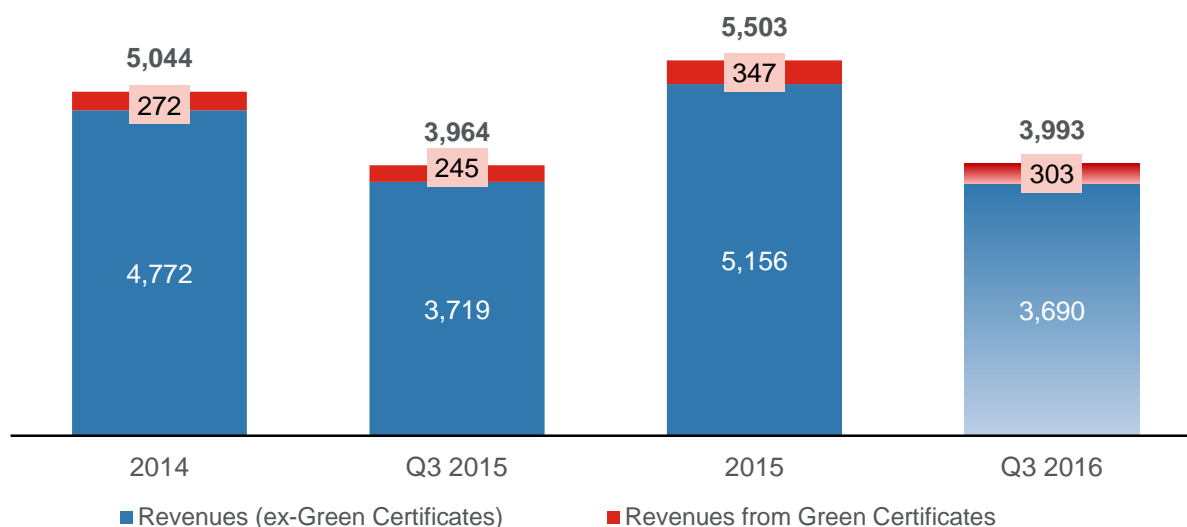


- Electrica Furnizare has the largest market share in Romania (according to ANRE's June 2016 report), with 16.5% on competitive market and 39.2% on regulated market, leading to an overall market share of 22.93%.

Q3 cumulated 2016 Key Consolidated Financials

- Revenues: RON 4 bn a 0.7% yoy increase;
- EBITDA: RON 838 mn a 9.7% rise compared to same period last year;
- EBIT: RON 557 mn a 12% increase compared to first 9 months 2015;
- EBT: RON 570 mn a 9.5% rise compared to same period last year;
- Net Profit: RON 466 mn a 8.9% yoy increase.

Revenues (RON mn)

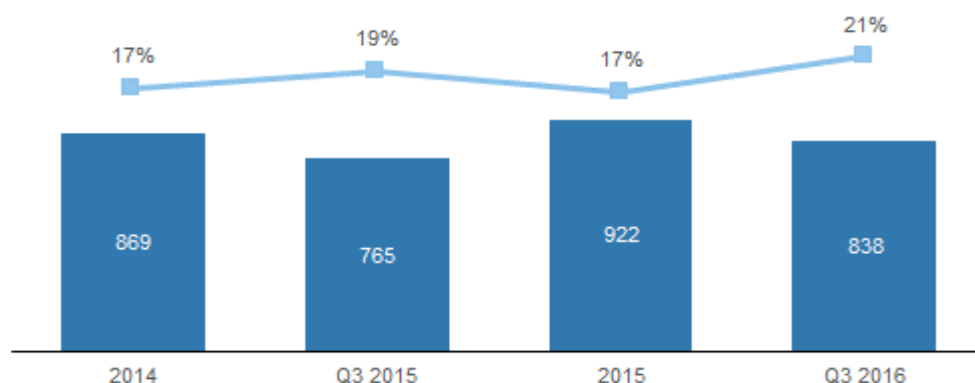


Revenues have increased by RON 28 million, or 0.7%, mainly due to the evolution of external revenue (outside the Group), RON 35 million increase in the distribution segment which offset RON 10 million decrease in the supply segment.

Supply business decreased mainly due to a negative price effect, 6.9% lower y-o-y, partially offset by a positive volume effect, 6.3% increase y-o-y on the retail market.

The distribution business y-o-y decrease is mainly due to a negative price effect, generated by the lower regulated distribution tariffs partially compensated by a positive volume effect (increase of 2.1% mainly driven by EDTN and EDTS).

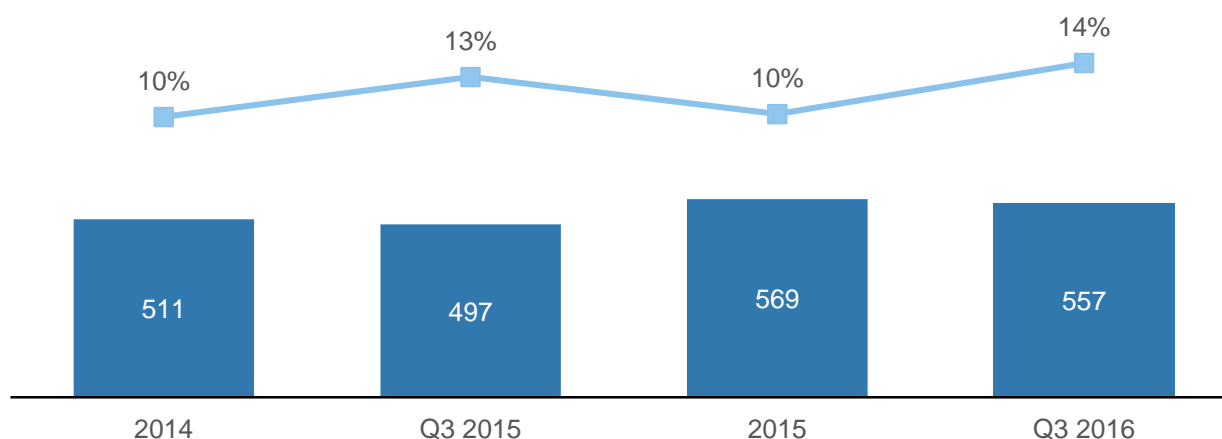
EBITDA (RON mn) and EBITDA Margin (%)



EBITDA increased by RON 73.9 million y-o-y, or by 9.7%, as a net effect of:

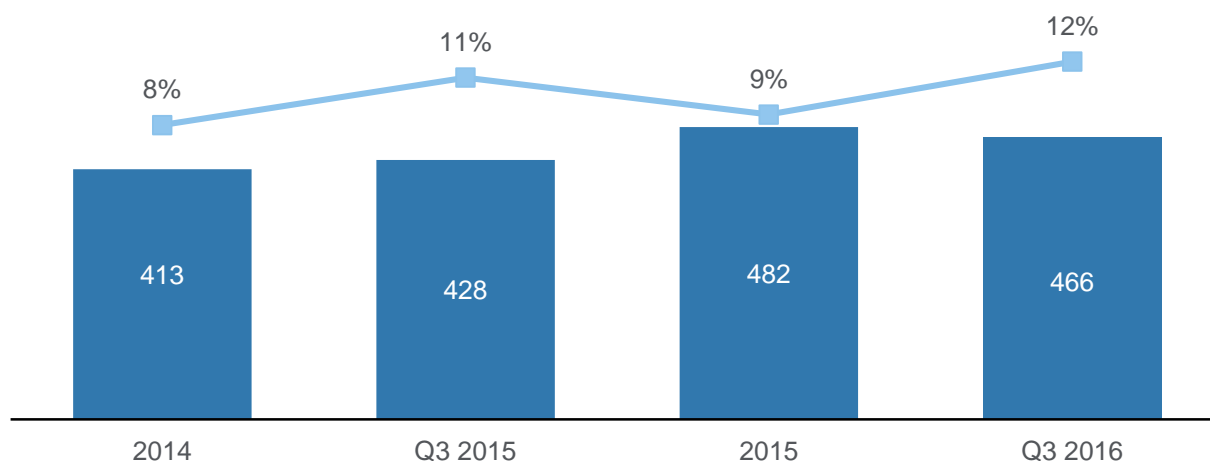
- higher other revenues by RON 31 million, or 18.6% mainly resulted from the gain on the deconsolidation of SE Moldova (RON 73.7 million) vs. lower gain on the deconsolidation of SE Dobrogea (RON 38.5 million) in 2015;
- lower energy margin by RON 9 million mainly price effect related to lower regulated distribution tariffs (RON -83 million) partially offset by higher supply margin (RON +59 million, mainly price effect due to lower sourcing costs), lower network losses (RON +15 million);
- lower maintenance and materials expenses in the distribution subsidiaries by RON 15 million due to efficiency gains resulted from network investments included in higher capex budget in both 2015 and 2016;
- lower other expenses by RON 22 million resulting mainly from the streamlining of the external electricity network maintenance segment due to measures for Group structure optimization;
- higher value of trade receivables impairment of 22 million due to the insolvency of certain energy customers significant at Group level;
- positive evolution of provisions movement of 37 million RON mainly due to reversal of provision related to ANAF penalties at EDMN and restructuring provision at Electrica Serv, compared to 2015 HQ provision of RON 31.3 million.

EBIT (RON mn) and EBIT Margin (%)



The Group EBIT increased by RON 59.6 million, or by 12%, higher than EBITDA trend as it was only slightly impacted by the depreciation and amortization increase by RON 15.6 million or 5.9% (due to the increase of investments commissioning) and by the impairment of property, plant and equipment decrease by RON 1.4 million.

Net Profit (RON mn) and Net Profit Margin (%)



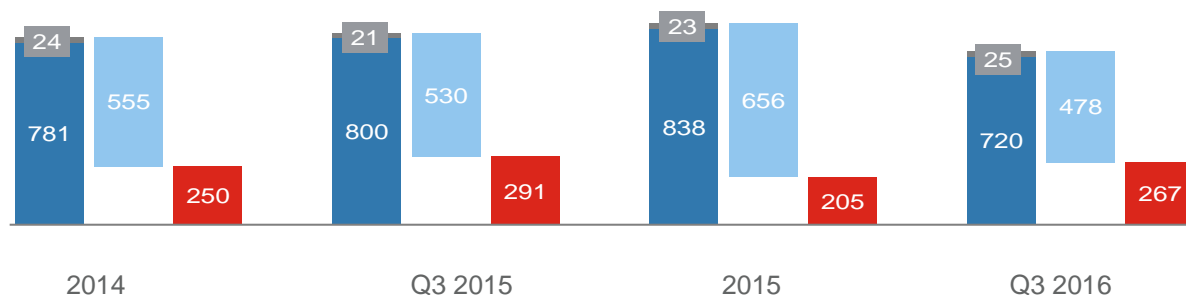
Net profit has increased by RON 38 million, or by 8.9%, led by the overall improved performance, despite the decrease of the finance income of RON 10 million or by 42.7%, and the increase of the income tax expense of RON 11 million or by 12%.

Electrica – Q3 2016 Financial Report

Tuesday, November 15th, 2016

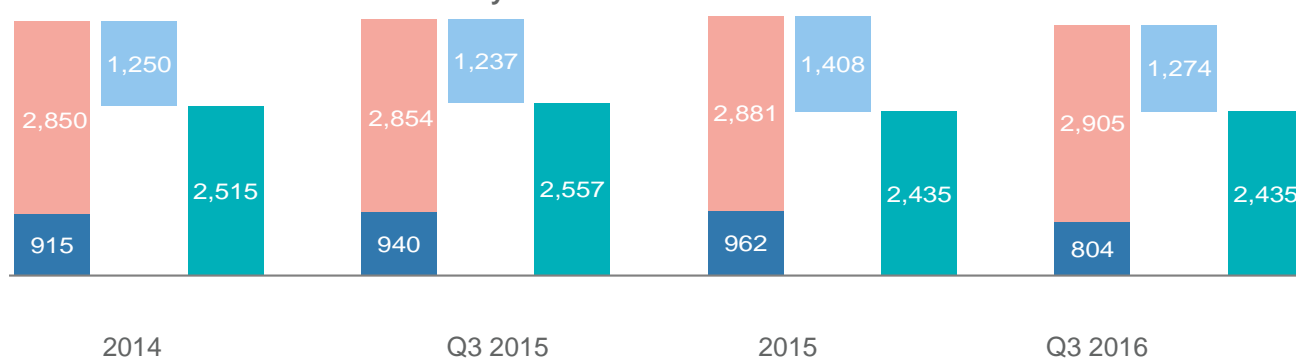
Net Working Capital (RON mn)

Trade Receivables Inventories Trade Payables Net Working Capital



Net Current Assets (RON mn)

Current Assets (ex. Cash) Cash, cash equivalents & treasury bills Current Liabilities Net Current Assets

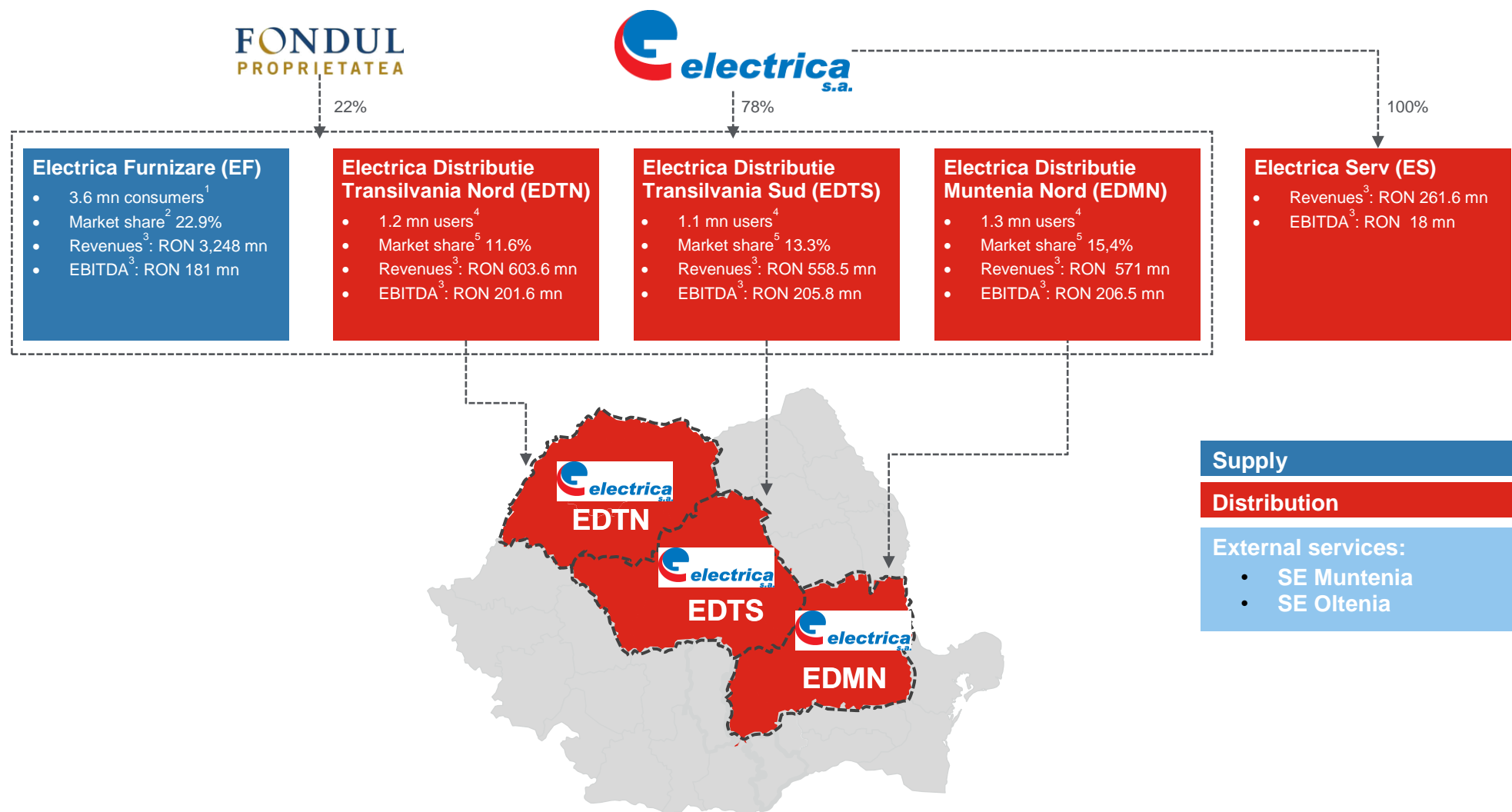


Economic and financial indicators for Electrica Group as of 30.09.2016 according to Annex 30B to CNVM Regulation no.1/2006

Indicator	Formula	Value
Current liquidity ratio	Current Assets / Current Liabilities	2.9
Capital gearing ratio	Debt / Equity * 100	3%
Trade receivables turnover	Average balance trade receivables/ Turnover * 270	50 days
Non-current asset turnover ratio	Turnover / Non-current assets	0.9

Iuliana Andronache
CFO

Annex 1: Key data for Electrica's Significant Subsidiaries



Source: Company data, latest available ANRE data.

1. As of 30 September 2016. Consumer = Any natural person or legal entity that enters a contract to purchase electricity.

2. As of 30 June 2016. Market share is based on volumes.

3. As of 30 September 2016. Revenues and EBITDA as per the segment reporting.

4. As of 30 September 2016. User = Any producer, transmission system operator, distribution system operator, supplier, eligible consumer or captive consumer connected to the network.

5. As of 31 December 2015. Market share is based on volumes.

Annex 2

Condensed Unaudited Consolidated Interim Financial Information

SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Information

30 September 2016

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SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

		30 September 2016	31 December
	Note	(unaudited and not reviewed)	2015
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		3,766,409	3,700,211
Other intangible assets		13,106	14,295
Property, plant and equipment		723,263	779,264
Deferred tax assets		40,893	50,597
Other non-current assets		3,854	3,802
Total non-current assets		4,547,525	4,548,169
Current assets			
Cash and cash equivalents	11	1,341,365	893,492
Deposits, treasury bills and government bonds	12	1,563,748	1,987,881
Trade receivables	13	720,380	837,782
Other receivables		22,048	36,804
Inventories		24,724	23,258
Prepayments		5,230	9,460
Green certificates		8,816	31,304
Income tax receivable		23,135	23,135
Total current assets		3,709,446	3,843,116
Total assets		8,256,971	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		124,711	140,358
Other reserves		273,899	273,899
Retained earnings		1,446,757	1,354,595
Total equity attributable to the owners of the Company		5,690,148	5,613,633
Non-controlling interests		821,500	828,957
Total equity		6,511,648	6,442,590

(Continued on page 2)

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

		30 September 2016	31 December
	Note	(unaudited and not reviewed)	2015
Liabilities			
Non-current liabilities			
Financing for network construction related to concession agreements		53,703	122,065
Deferred tax liabilities		191,501	181,253
Employee benefits	15	183,780	193,915
Other payables	14	42,280	43,068
Total non-current liabilities		471,264	540,301
Current liabilities			
Financing for network construction related to concession agreements		100,654	99,576
Short term bank borrowings		1,800	59,821
Bank overdrafts	11	177,764	65,963
Trade payables		478,194	656,410
Dividends payable	9	106,964	-
Other payables	14	174,635	249,306
Deferred revenue		13,951	4,235
Employee benefits	15	69,958	134,625
Provisions	17	124,504	127,613
Current income tax liability		25,635	10,845
Total current liabilities		1,274,059	1,408,394
Total liabilities		1,745,323	1,948,695
Total equity and liabilities		8,256,971	8,391,285

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

General Manager
Dan Catalin Stancu

Finance Manager
Iuliana Andronache

15 November 2016

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Nine month period ended	
		30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Revenues	6	3,993,336	3,964,846
Other income	7	198,937	167,695
Electricity purchased		(1,937,535)	(1,991,981)
Green certificates		(302,766)	(245,399)
Construction costs related to concession agreements		(310,717)	(276,399)
Employee benefits	16	(473,881)	(472,539)
Repairs, maintenance and materials		(34,541)	(50,732)
Depreciation and amortization		(281,643)	(265,959)
Impairment of property, plant and equipment, net (Impairment)/Reversal of impairment of trade and other receivables, net		(189) (16,584)	(1,577) 5,478
Change in provisions, net	17	3,109	(33,879)
Other operating expenses		(280,859)	(302,501)
Operating profit		556,667	497,053
Finance income		19,561	32,336
Finance costs		(5,774)	(8,286)
Net finance income		13,787	24,050
Profit before tax		570,454	521,103
Income tax expense	10	(104,090)	(92,918)
Profit for the period		466,364	428,185
Profit for the period attributable to:			
- owners of the Company		368,097	326,653
- non-controlling interests		98,267	101,532
Profit for the period		466,364	428,185
Earnings per share			
Basic and diluted earnings per share (RON)	8	1.09	0.96

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

General Manager
Dan Catalin Stancu

Finance Manager
Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016
(All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Revenues	1,313,845	1,369,844
Other income	34,589	37,522
Electricity purchased	(605,702)	(702,526)
Green certificates	(95,119)	(77,671)
Construction costs related to concession agreements	(126,275)	(101,051)
Employee benefits	(155,192)	(156,375)
Repairs, maintenance and materials	(11,391)	(10,905)
Depreciation and amortization	(105,318)	(91,209)
Reversal of impairment of property, plant and equipment, net	88	177
(Impairment)/Reversal of impairment of trade and other receivables, net	(7,867)	1,824
Change in provisions, net	3,588	1,067
Other operating expenses	(88,997)	(90,226)
Operating profit	156,249	180,471
Finance income	6,473	11,480
Finance costs	(1,282)	(3,614)
Net finance income	5,191	7,866
Profit before tax	161,440	188,337
Income tax expense	(30,987)	(37,237)
Profit for the period	130,453	151,100
Profit for the period attributable to:		
- owners of the Company	98,701	116,184
- non-controlling interests	31,752	34,916
Profit for the period	130,453	151,100
Earnings per share		
Basic and diluted earnings per share (RON)	0.29	0.34

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

General Manager
Dan Catalin Stancu

Finance Manager
Iuliana Andronache

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

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Profit for the period	466,364	428,185
Other comprehensive income	-	-
Total comprehensive income	466,364	428,185
Total comprehensive income attributable to:		
- owners of the Company	368,097	326,653
- non-controlling interests	98,267	101,532
Total comprehensive income	466,364	428,185

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

General Manager
 Dan Catalin Stancu

Finance Manager
 Iuliana Andronache

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

	Three month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Profit for the period	130,453	151,100
Other comprehensive income	-	-
Total comprehensive income	130,453	151,100
Total comprehensive income attributable to:		
- owners of the Company	98,701	116,184
- non-controlling interests	31,752	34,916
Total comprehensive income	130,453	151,100

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

General Manager
 Dan Catalin Stancu

Finance Manager
 Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016
(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 2016		3,814,242	103,049	(75,372)	2,862	140,358	273,899	1,354,595	5,613,633	828,957	6,442,590
Comprehensive income											
Profit for the period (unaudited and not reviewed)		-	-	-	-	-	-	368,097	368,097	98,267	466,364
Total comprehensive income (unaudited and not reviewed)		-	-	-	-	-	-	368,097	368,097	98,267	466,364
Transactions with owners of the Company (unaudited and not reviewed)											
Contributions and distributions											
Dividends to the owners of the Company	9	-	-	-	-	-	-	(291,582)	(291,582)	-	(291,582)
Total transactions with the owners of the Company (unaudited and not reviewed)		-	-	-	-	-	-	(291,582)	(291,582)	-	(291,582)
Other changes in equity (unaudited and not reviewed)											
Dividends to non-controlling interests	9	-	-	-	-	-	-	-	-	(105,724)	(105,724)
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(9,221)	-	9,221	-	-	-
Loss of control over subsidiaries in financial distress	20	-	-	-	-	(6,426)	-	6,426	-	-	-
Balance at 30 September 2016 (unaudited and not reviewed)		3,814,242	103,049	(75,372)	2,862	124,711	273,899	1,446,757	5,690,148	821,500	6,511,648

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

Note	Attributable to the owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total		
Balance at 1 January 2015, as previously reported	3,814,242	103,049	(75,372)	3,273	156,018	236,597	1,268,811	5,506,618	810,520	6,317,138
Impact of change in accounting policy	-	-	-	-	-	-	(22,176)	(22,176)	(6,254)	(28,430)
Balance at 1 January 2015 restated	3,814,242	103,049	(75,372)	3,273	156,018	236,597	1,246,635	5,484,442	804,266	6,288,708
Comprehensive income										
Profit for the period (unaudited and not reviewed)	-	-	-	-	-	-	326,653	326,653	101,532	428,185
Total comprehensive income (unaudited and not reviewed)	-	-	-	-	-	-	326,653	326,653	101,532	428,185
Transactions with owners of the Company (unaudited and not reviewed)										
Contributions and distributions										
Land for which ownership rights were obtained	-	-	-	(411)	-	-	-	(411)	-	(411)
Dividends to the owners of the Company	-	-	-	-	-	-	(244,692)	(244,692)	-	(244,692)
Total transactions with the owners of the Company (unaudited and not reviewed)	-	-	-	(411)	-	-	(244,692)	(245,103)	-	(245,103)
Other changes in equity (unaudited and not reviewed)										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(97,208)	(97,208)
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(9,600)	-	9,600	-	-	-
Loss of control over subsidiaries in financial distress	-	-	-	-	(1,443)	-	1,443	-	-	-
Balance at 30 September 2015 (unaudited and not reviewed)	3,814,242	103,049	(75,372)	2,862	144,975	236,597	1,339,639	5,565,992	808,590	6,374,582

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

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

		Nine month period ended	
		30 September 2016	30 September 2015
		(unaudited and not reviewed)	(unaudited and not reviewed)
Note			
Cash flows from operating activities			
	Profit for the period	466,364	428,185
	Adjustments for:		
	Depreciation	27,471	32,027
	Amortisation	254,172	233,932
	Impairment of property, plant and equipment, net	189	1,577
	Loss on disposal of property, plant and equipment	991	2,348
	Impairment/(Reversal of impairment) of trade and other receivables, net	16,584	(5,478)
17	Change in provisions, net	(3,109)	33,879
	Net finance income	(13,787)	(24,050)
20	Gain on loss of control over subsidiaries in financial distress	(73,693)	(38,501)
10	Income tax expense	104,090	92,918
		779,272	756,837
Changes in :			
	Trade receivables	29,838	(66,726)
	Other receivables	23,224	(1,295)
	Deposits, treasury bills and government bonds	8,047	(7,303)
	Prepayments	4,230	(555)
	Green certificates	22,488	(14,241)
	Inventories	(1,466)	3,655
	Trade payables	(31,046)	43,451
	Other payables	(44,158)	(77,105)
	Employee benefits	(21,900)	(13,947)
	Deferred revenue	9,716	8,798
	Cash generated from operating activities	778,245	631,569
	Interest paid	(3,980)	(6,804)
	Income tax paid	(68,087)	(62,726)
	Net cash from operating activities	706,178	562,039

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

		Nine month period ended	
		30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
	Note		
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(30,043)	(25,804)
Payments for network construction related to concession agreements		(358,739)	(230,793)
Payments for purchase of other intangible assets		-	(1,851)
Proceeds from sale of property, plant and equipment		9,886	12,116
Purchase of treasury bills and government bonds	12	(1,796,904)	(2,777,537)
Proceeds from maturity of treasury bills and government bonds	12	2,197,965	1,843,576
Increase in deposits with maturity of 3 months or longer		(264,887)	(166,225)
Proceeds from deposits with maturity of 3 months or longer		279,912	417,290
Effect of loss of control over subsidiaries on cash		(1,609)	(2,863)
Interest received		15,500	34,161
Net cash from/(used in) investing activities		51,081	(897,930)
Cash flows from financing activities			
Proceeds from long term bank loans		-	18,000
Proceeds from short term bank borrowings		-	50,477
Repayment of long term bank loans		-	(5,400)
Repayment of short term bank borrowings		(58,021)	(1,300)
Repayment of financing for network construction related to concession agreements		(72,215)	(88,454)
Payment of finance lease liabilities		-	(294)
Dividends paid		(290,951)	(340,856)
Net cash used in financing activities		(421,187)	(367,827)
Net increase/(decrease) in cash and cash equivalents		336,072	(703,718)
Cash and cash equivalents at 1 January		827,529	1,581,376
Effect of movements in exchange rates on cash held		-	(1,358)
Cash and cash equivalents at 30 September	11	1,163,601	876,300

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

General Manager
Dan Catalin Stancu

Finance Manager
Iuliana Andronache

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

AS AT FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

*(All amounts are in THOUSAND RON, if not otherwise stated)***1 Reporting entity and general information**

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

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

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

The Company's subsidiaries are the following:

Subsidiary	Activity	Tax code	Head Office	% shareholding as at 30 Sep 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%

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

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

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

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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 15 November 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.

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(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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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(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
Nine month period ended							
30 September 2016 (unaudited and not reviewed)							
External revenues	3,205,922	765,950	21,464	-	3,993,336	-	3,993,336
Inter-segment revenue	41,905	1,002,406	9,526	-	1,053,837	(1,053,837)	-
Segment revenue	3,247,827	1,768,356	30,990	-	5,047,173	(1,053,837)	3,993,336
Segment profit before tax	174,329	359,601	73,329	338,034	945,293	(374,839)	570,454
Net finance income	984	2,350	13	385,279	388,626	(374,839)	13,787
Depreciation, amortization and impairment, net	(7,612)	(267,826)	(2,296)	(4,098)	(281,832)	-	(281,832)
Gain on loss of control over subsidiaries	-	-	73,693	-	73,693	-	73,693
EBITDA**	180,957	625,077	75,612	(43,147)	838,499	-	838,499
Segment net profit/(loss)	144,581	284,655	73,933	338,034	841,203	(374,839)	466,364
Employee benefits	(58,607)	(384,624)	(16,995)	(13,655)	(473,881)	-	(473,881)
Capital expenditure	2,733	322,684	-	-	325,417	-	325,417
Nine month period ended							
30 September 2015 (unaudited and not reviewed)							
External revenues	3,216,618	731,433	16,795	-	3,964,846	-	3,964,846
Inter-segment revenue	69,488	1,113,616	10,769	-	1,193,873	(1,193,873)	-
Segment revenue	3,286,106	1,845,049	27,564	-	5,158,719	(1,193,873)	3,964,846
Segment profit before tax	113,823	435,215	15,139	301,574	865,751	(344,648)	521,103
Net finance income/(cost)	3,267	2,044	12	363,375	368,698	(344,648)	24,050
Depreciation, amortization and impairment, net	(5,539)	(253,484)	(5,238)	(3,275)	(267,536)	-	(267,536)
Gain on loss of control over subsidiaries	-	-	38,501	-	38,501	-	38,501
EBITDA**	116,095	686,655	20,365	(58,526)	764,589	-	764,589
Segment net profit/(loss)	101,104	351,410	18,745	301,574	772,833	(344,648)	428,185
Employee benefits	(56,890)	(382,754)	(22,067)	(10,828)	(472,539)	-	(472,539)
Capital expenditure	3,661	293,288	-	-	296,949	-	296,949

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

At 30 September 2016 (unaudited and not reviewed)	Electricity supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
Segment assets	1,232,167	5,251,510	167,532	2,314,847	8,966,056	(709,085)	8,256,971
Trade and other receivables	601,322	520,831	21,548	374,839	1,518,540	(776,112)	742,428
Cash and cash equivalents	495,600	407,834	8,299	429,632	1,341,365	-	1,341,365
Deposits, treasury bills and government bonds	-	107,500	-	1,456,248	1,563,748	-	1,563,748
Trade and other payables, dividends payable and short term employee benefits	787,018	655,781	96,749	3,984	1,543,532	(683,108)	860,424
Bank overdrafts	-	177,764	-	-	177,764	-	177,764
Financing for network construction related to concession agreements and bank loans	-	156,157	-	-	156,157	-	156,157
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

SOCIETATEA ENERGETICA ELECTRICA SA

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

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

Nine month period ended 30 September 2016 (unaudited and not reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
External revenues	226,131	281,487	233,496	24,836	-	765,950
Inter-segment revenue	344,906	322,099	325,005	236,770	(226,374)	1,002,406
Segment revenue	571,037	603,586	558,501	261,606	(226,374)	1,768,356
Segment profit before tax	132,490	107,053	112,589	7,469	-	359,601
Net finance income/(cost)	2,136	(492)	1,046	(340)	-	2,350
Depreciation, amortization and impairment, net	(76,164)	(94,092)	(94,331)	(10,239)	7,000	(267,826)
EBITDA**	206,518	201,637	205,874	18,048	(7,000)	625,077
Net profit	110,940	75,692	92,247	5,776	-	284,655
Employee benefits	(90,100)	(88,824)	(84,945)	(124,305)	3,550	(384,624)
Capital expenditure	92,782	144,074	84,847	981	-	322,684
Nine month period ended 30 September 2015 (unaudited and not reviewed)						
External revenues	237,079	245,149	224,516	24,689	-	731,433
Inter-segment revenue	393,702	350,247	362,052	236,988	(229,373)	1,113,616
Segment revenue	630,781	595,396	586,568	261,677	(229,373)	1,845,049
Segment profit before tax	149,413	140,056	147,482	(1,736)	-	435,215
Net finance income/(cost)	2,321	(814)	920	(383)	-	2,044
Depreciation, amortization and impairment, net	(70,512)	(81,596)	(89,834)	(11,542)	-	(253,484)
EBITDA**	217,604	222,466	236,396	10,189	-	686,655
Net profit/(loss)	118,550	116,411	121,511	(5,102)	-	351,410
Employee benefits	(90,485)	(85,265)	(84,019)	(122,985)	-	(382,754)
Capital expenditure	91,918	125,920	74,774	676	-	293,288

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

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

At 30 September 2016 (unaudited and not reviewed)	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
Segment assets	1,779,777	1,503,107	1,562,611	480,517	(74,502)	5,251,510
Trade and other receivables	142,011	116,681	124,099	212,542	(74,502)	520,831
Cash and cash equivalents	159,555	56,380	183,524	8,375	-	407,834
Deposits, treasury bills and government bonds	107,500	-	-	-	-	107,500
Trade and other payables, dividends payable and short term employee benefits	197,624	233,469	225,683	73,507	(74,502)	655,781
Bank overdrafts	-	102,984	66,780	8,000	-	177,764
Financing for network construction related to concession agreements and bank loans	60,430	14,178	79,749	1,800	-	156,157
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.

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

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*(All amounts are in THOUSAND RON, if not otherwise stated)***(b) Reconciliation of information on reportable segments to IFRS measures**

	30 September 2016 (unaudited and not reviewed)	31 December 2015
Total assets		
Total assets for reportable segments	8,966,056	8,755,528
Elimination of inter-segment assets	(707,940)	(413,016)
Unallocated amounts	(1,145)	48,773
Consolidated total assets	8,256,971	8,391,285
Trade and other receivables		
Trade and other receivables for reportable segments	1,518,540	1,356,144
Elimination of inter-segment trade and other receivables	(774,967)	(479,734)
Unallocated amounts	(1,145)	(1,824)
Consolidated trade and other receivables	742,428	874,586
Trade and other payables, dividends payable and short term employee benefits		
Trade and other payable, dividends payable and short term employee benefits for reportable segments	1,543,532	1,534,524
Elimination of inter-segment trade and other payables, dividends payable and short term employee benefits	(681,963)	(461,488)
Unallocated amounts	(1,145)	(1,824)
Consolidated trade and other payables, dividends payable and short term employee benefits	860,424	1,071,212

6 Revenue

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Supply and distribution of electricity	3,608,045	3,619,995
Construction revenue related to concession agreements	317,086	281,831
Repairs and maintenance and other services rendered	53,641	41,401
Re-connection fees	7,537	7,627
Sales of merchandise	7,027	13,992
Total	3,993,336	3,964,846

SOCIETATEA ENERGETICA 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**

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Rent income	66,103	61,211
Late payment penalties from customers	16,188	45,891
Commissions for the collection of radio and TV taxes	10,720	10,426
Gain on loss of control over subsidiaries (Note 20)	73,693	38,501
Other	32,233	11,666
Total	198,937	167,695

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

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Profit for the period attributable to the owners of the Company	368,097	326,653
Profit attributable to ordinary shareholders	368,097	326,653

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 30 September 2016 is 339,049,336 (30 September 2015: 339,049,336 shares).

Earnings per share

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Basic and diluted earnings per share (RON per share)	1.09	0.96

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

AS AT FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

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

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

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

10 Income taxes

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Current year tax expense	74,069	84,793
Deferred tax expense/(benefit)	21,475	3,123
Adjustment for prior years current tax	8,546	5,002
Total income tax expense	104,090	92,918

11 Cash and cash equivalents

	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Total cash and cash equivalents in the condensed consolidated statement of financial position	1,341,365	943,312
Overdrafts used for cash management purposes	(177,764)	(67,012)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	1,163,601	876,300

At 30 September 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.

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

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

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 96 million during the nine month period ended 30 September 2016 (nine month period ended 30 September 2015: RON 49 million);
- set-off between trade receivables and trade payables of RON 70 million during the nine month period ended 30 September 2016 (nine month period ended 30 September 2015: RON 52 million).
- effect of loss of control over a subsidiary under financial distress (see Note 20).

12 Deposits, treasury bills and government bonds

	30 September 2016 (unaudited and not reviewed)	31 December 2015
Treasury bills and government bonds denominated in RON with original maturity of more than three months	1,454,731	1,756,339
Deposits with maturity of more than three months	109,017	231,542
Total deposits, treasury bills and government bonds	1,563,748	1,987,881

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

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

13 Trade receivables

	30 September 2016 (unaudited and not reviewed)	31 December 2015
Trade receivables, gross	1,819,853	1,962,899
Bad debt allowance	(1,099,473)	(1,125,117)
Total trade receivables, net	720,380	837,782

Receivables from related parties are disclosed in Note 19.

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

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

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*(All amounts are in THOUSAND RON, if not otherwise stated)***14 Other payables**

	30 September 2016 (unaudited and not reviewed)		31 December 2015	
	Current	Non-current	Current	Non-current
VAT payable	105,530	-	119,262	-
Late payment penalties to the State budget	883	-	969	-
Other liabilities to the State	13,073	-	90,300	-
Payables related to radio and TV tax	9,510	-	13,428	-
Other liabilities	45,639	42,280	25,347	43,068
Total	174,635	42,280	249,306	43,068

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

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

Other liabilities include mainly guarantees, sundry creditors, connection fees, habitat fee and cogeneration contribution. Other non-current liabilities refer to guarantees from customers related to electricity supply.

15 Employee benefits

	30 September 2016 (unaudited and not reviewed)	31 December 2015
Personnel payables	30,419	32,465
Current portion of defined benefit liability and other long-term employee benefits	11,607	12,197
Social security charges	22,035	52,278
Tax on salaries	5,846	15,187
Termination benefits	51	22,498
Total short-term employee benefits	69,958	134,625
Defined benefit liability and other long-term employee benefits	183,780	193,915
Total long-term employee benefits	183,780	193,915
Total employee benefits	253,738	328,540

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

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

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

16 Employee benefit expenses

	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Wages and salaries	355,841	372,658
Social security contributions	85,519	84,458
Meal tickets	14,423	15,423
Termination benefits	21,648	-
Total employees benefits for the period	477,431	472,539
Capitalised employee benefit expenses	(3,550)	-
Total employee benefits in the statement of profit or loss	473,881	472,539

Termination benefits for the nine month period ended 30 September 2016 refer to lay-off indemnities for the employees of Electrica Distributie Transilvania Nord, Electrica Distributie Transilvania Sud, Electrica Distributie Muntenia Nord, Electrica Furnizare, Electrica Serv. Out of this amount, RON 10,267 thousand refer to the restructuring programme of Electrica Serv (refer to Note 17).

Capitalised employee benefit expenses in amount of RON 3,550 thousand represent manpower used in capital expenditure in distribution activity.

17 Provisions

	Provisions
Balance at 1 January 2016	127,613
Provisions made	27,592
Provisions used	(18,043)
Provisions reversed	(12,658)
Balance at 30 September 2016 (unaudited and not reviewed)	124,504

As at 30 September 2016, provisions refer mainly to:

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

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

AS AT FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2016

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

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

Provisions used in the nine months period ended 30 September 2016 refer mainly to:

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

Provision reversed during the nine months period ended 30 September 2016 refer mainly to:

- a) The reduction of the estimated fiscal obligations of Electrica Distributie Muntenia Nord of RON 6,940 thousand following an ANAF decision;
- b) The reversal of the provision representing claims of individuals in respect of land of the Group of RON 2,388.

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.

18 Financial instruments – fair values**(a) Accounting classifications and fair values**

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

	Carrying amount				Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 September 2016 (unaudited and not reviewed)								
Financial assets not measured at fair value								
Trade receivables	720,380			720,380				
Deposits, treasury bills and government bonds		1,563,748		1,563,748				
Cash and cash equivalents	1,341,365			1,341,365				
Total	2,061,745	1,563,748		3,625,493				

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	Carrying amount				Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 September 2016 (unaudited and not reviewed)								
Financial liabilities not measured at fair value								
Bank overdrafts			177,764	177,764				
Short term bank borrowings			1,800	1,800				
Financing for network construction related to concession agreements			154,357	154,357		157,128		157,128
Trade payables			478,194	478,194				
Dividends payable			106,964	106,964				
Total			919,079	919,079				
	Carrying amount				Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2015								
Financial assets not measured at fair value								
Trade receivables	837,782			837,782				
Deposits, treasury bills and government bonds		1,987,881		1,987,881				
Cash and cash equivalents	893,492			893,492				
Total	1,731,274	1,987,881		3,719,155				
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				

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*(All amounts are in THOUSAND RON, if not otherwise stated)***(b) Measurement of fair values***Fair value hierarchy*

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

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

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

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities	<i>Discounted cash flows (DCF) method</i>
	The discount rates used are the average 12 M ROBID-ROBOR interest rates of 0.83% as at 30 September 2016 (31 December 2015: 1.43%).

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

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Management compensation	2,240	1,913

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

	Nine month period ended	
	30 September 2016 (unaudited and not reviewed)	30 September 2015 (unaudited and not reviewed)
Members of Board of Directors	2,548	1,576
Representatives in the General Meeting of Shareholders	33	58
Total	2,581	1,634

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*(All amounts are in THOUSAND RON, if not otherwise stated)***(b) Transactions with companies in which the state has control or significant influence**

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

Supplier	Purchases (excluding VAT)		Balance (including VAT)	
	Nine month period ended 30 September 2016 (unaudited and not reviewed)	Nine month period ended 30 September 2015 (unaudited and not reviewed)	30 September 2016 (unaudited and not reviewed)	31 December 2015
Nuclearelectrica	212,012	245,988	18,987	19,682
Transelectrica	408,702	404,898	68,337	119,065
Complexul Energetic Oltenia	26,019	124,878	3,076	39,622
Hidroelectrica	406,655	377,652	32,631	34,889
OPCOM	195,591	250,197	9,953	3,604
Electrocentrale Bucuresti	24,998	29,103	-	-
SNGN ROMGAZ	43,512	-	-	-
CN Posta Romana SA	2,011	4,122	10	437
Enel Distributie Muntenia	20,537	24,106	3,826	6,908
Enel Distributie Banat	6,681	7,088	1,857	2,106
Enel Distributie Dobrogea	4,984	9,528	1,580	1,469
Others	18,951	18,584	-	5,802
Total	1,370,653	1,496,144	144,304	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
	Nine month period ended 30 September 2016 (unaudited and not reviewed)	30 September 2016 (unaudited and not reviewed)		
CFR Telecomunicatii	33,871	1,711	(53)	1,658
CFR Electrificare	7,411	473	-	473
SNGN Romgaz	10,826	730	-	730
OPCOM	17,213	2,823	-	2,823
Cupru Min S.A. Abrud	21,685	3,122	(3,122)	-
Transelectrica	9,808	76	-	76
CN Romarm	7,312	194	(4)	190
CN Remin SA	270	71,170	(71,148)	22

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	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
Client	Nine month period ended 30 September 2016 (unaudited and not reviewed)	30 September 2016 (unaudited and not reviewed)		
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,259	(715,259)	-
Baita SA	1,329	5,262	(3,809)	1,453
CN Posta Romana SA	2,313	2,645	(601)	2,044
E.ON Energie Romania	19,322	4,822	-	4,822
Enel Distributie Muntenia	9,528	4,606	-	4,606
Others	20,883	10,708	(6,640)	4,068
Total	161,771	902,336	(879,371)	22,965

	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
Client	Nine month period ended 30 September 2015 (unaudited and not reviewed)	31 December 2015		
CFR Telecomunicatii	37,571	7,040	-	7,040
CFR Electrificare	11,665	1,139	-	1,139
SNGN Romgaz	15,643	1,497	-	1,497
OPCOM	17,781	3,537	-	3,537
Cupru Min S.A. Abrud	24,318	10,122	(10,122)	-
Transelectrica	4,902	1,403	-	1,403
CN Romarm	6,839	33	-	33
CN Remin SA	241	71,173	(71,173)	-
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,277	(715,277)	-
Baita SA	1,440	5,349	(4,770)	579
CN Posta Romana SA	4,410	1,288	-	1,288
E.ON Energie Romania	15,051	5,853	-	5,853
Enel Distributie Muntenia	12,699	4,933	-	4,933
Others	20,026	8,112	(6,790)	1,322
Total	172,586	915,491	(886,867)	28,624

20 Subsidiaries in financial distress

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

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

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

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

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

As at 30 September 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:

	Servicii Energetice Muntenia	Servicii Energetice Oltenia	Total
30 September 2016 (unaudited and not reviewed)			
Property, plant and equipment	106,020	31,665	137,685
Trade receivables	5,417	10,719	16,136
Cash and cash equivalents	7,744	555	8,299
Total assets	119,181	42,939	162,120
Trade payables	(25,743)	(3,278)	(29,021)
Payables to the State budget	(233)	(8,727)	(8,960)
Social security and other salary taxes	(418)	(7,959)	(8,377)
Provisions, employee benefits and deferred taxes	(24,444)	(13,499)	(37,943)
Total liabilities	(50,838)	(33,463)	(84,301)

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

21 Subsequent events

In 17 October 2016 Electrica Distributie Muntenia Nord, Electrica Distributie Transilvania Sud and Electrica Distributie Transilvania Nord contracted credit facilities from BRD - Groupe Societe Generale in order to finance the general needs of the companies including the cash deficit generated by the investment activity and any other cash and financing needs. The credit facilities have a maximum limit of RON 320,000 thousand (Electrica Distributie Muntenia Nord – RON 80,000 thousand, Electrica Distributie Transilvania Sud – RON 126,000 thousand and Electrica Distributie Transilvania Nord – RON 114,000 thousand) are due in 16 October 2021 and bear an interest rate of 0.02% per year. The credit facilities are guaranteed by Societatea Energetica Electrica SA.