

SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Information

30 June 2017

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SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

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

	Note	30 June 2017 (unaudited)	31 December 2016
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		4,002,457	3,910,388
Other intangible assets		13,764	17,218
Property, plant and equipment		681,171	701,962
Restricted cash		302,564	134,492
Deferred tax assets		44,735	39,668
Other non-current assets		1,766	1,741
Total non-current assets		5,046,457	4,805,469
Current assets			
Cash and cash equivalents	12	818,542	888,841
Deposits, treasury bills and government bonds	13	1,434,996	1,875,054
Trade receivables	14	677,667	777,989
Other receivables		11,184	20,030
Inventories		24,511	22,750
Prepayments		6,573	5,635
Green certificates		5,699	-
Income tax receivable		-	2,385
Total current assets		2,979,172	3,592,684
Total assets		8,025,629	8,398,153
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		5,144	5,144
Revaluation reserve		101,686	104,681
Legal reserves		302,236	302,236
Retained earnings		1,174,998	1,429,908
Total equity attributable to the owners of the Company		5,425,983	5,683,888
Non-controlling interests		753,396	836,599
Total equity		6,179,379	6,520,487

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

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

	Note	30 June 2017 (unaudited)	31 December 2016
Liabilities			
Non-current liabilities			
Financing for network construction related to concession agreements		26,054	41,617
Deferred tax liabilities		200,279	195,689
Employee benefits		192,998	192,965
Other payables	15	41,126	44,921
Long-term bank borrowings	16	302,555	127,733
Total non-current liabilities		763,140	602,925
Current liabilities			
Financing for network construction related to concession agreements		52,651	85,513
Short term bank borrowings		7,000	-
Bank overdrafts	16	118,253	142,626
Trade payables		509,871	722,830
Dividends payable	10	99,880	992
Other payables	15	147,826	159,898
Deferred revenue		3,723	4,415
Employee benefits		64,163	83,972
Provisions	17	67,512	62,407
Current income tax liability		12,231	12,088
Total current liabilities		1,083,110	1,274,741
Total liabilities		1,846,250	1,877,666
Total equity and liabilities		8,025,629	8,398,153

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

General Manager
Dan Catalin Stancu

Finance Manager
Iuliana Andronache

10 August 2017

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, except per share data)

	Note	Six month period ended	
		30 June 2017 (unaudited)	30 June 2016 (unaudited)
Revenues	6	2,675,390	2,679,491
Other income	7	90,123	164,348
Electricity purchased	8	(1,531,463)	(1,331,833)
Green certificates		(182,911)	(207,647)
Construction costs related to concession agreements		(259,140)	(184,442)
Employee benefits		(317,228)	(318,689)
Repairs, maintenance and materials		(29,803)	(23,150)
Depreciation and amortization		(196,886)	(176,325)
(Impairment)/Reversal of Impairment of property, plant and equipment, net		746	(277)
(Impairment)/Reversal of Impairment of trade and other receivables, net		(17,060)	(8,717)
Change in provisions, net	17	(5,105)	(479)
Other operating expenses		(208,967)	(191,862)
Operating profit		17,696	400,418
Finance income		11,502	13,088
Finance costs		(2,614)	(4,492)
Net finance income		8,888	8,596
Profit before tax		26,584	409,014
Income tax expense	11	(18,417)	(73,103)
Profit for the period		8,167	335,911
Profit for the period attributable to:			
- owners of the Company		(6,499)	269,396
- non-controlling interests		14,666	66,515
Profit for the period		8,167	335,911
Earnings per share			
Basic and diluted earnings per share (RON)	9	(0.02)	0.79

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 SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, except per share data)

	Three month period ended	
	30 June 2017 (unaudited and not reviewed)	30 June 2016 (unaudited and not reviewed)
Revenues	1,286,458	1,279,631
Other income	35,325	46,704
Electricity purchased	(579,194)	(571,484)
Green certificates	(92,325)	(97,106)
Construction costs related to concession agreements	(168,771)	(109,992)
Employee benefits	(167,888)	(157,873)
Repairs, maintenance and materials	(15,850)	(15,470)
Depreciation and amortization	(99,492)	(88,747)
(Impairment)/Reversal of Impairment of property, plant and equipment, net	-	(277)
(Impairment)/Reversal of Impairment of trade and other receivables, net	(16,774)	(8,595)
Change in provisions, net	(5,677)	48,242
Other operating expenses	(111,214)	(94,820)
Operating profit	64,598	230,213
Finance income	3,509	3,908
Finance costs	(495)	(1,542)
Net finance income	3,014	2,366
Profit before tax	67,612	232,579
Income tax expense	(8,228)	(38,473)
Profit for the period	59,384	194,106
Profit for the period attributable to:		
- owners of the Company	34,829	151,413
- non-controlling interests	24,555	42,693
Profit for the period	59,384	194,106
Earnings per share		
Basic and diluted earnings per share (RON)	0.10	0.45

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 SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Profit for the period	8,167	335,911
Other comprehensive income	-	-
Total comprehensive income	8,167	335,911
Total comprehensive income attributable to:		
- owners of the Company	(6,499)	269,396
- non-controlling interests	14,666	66,515
Total comprehensive income	8,167	335,911

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

General Manager
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Finance Manager
 Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Three month period ended	
	30 June 2017 (unaudited and not reviewed)	30 June 2016 (unaudited and not reviewed)
Profit for the period	59,384	194,106
Other comprehensive income	-	-
Total comprehensive income	59,384	194,106
Total comprehensive income attributable to:		
- owners of the Company	34,829	151,413
- non-controlling interests	24,555	42,693
Total comprehensive income	59,384	194,106

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

General Manager
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Finance Manager
 Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
 (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 2017	3,814,242	103,049	(75,372)	5,144	104,681	302,236	1,429,908	5,683,888	836,599	6,520,487	
Comprehensive income											
Profit for the period (unaudited)	-	-	-	-	-	-	(6,499)	(6,499)	14,666	8,167	
Total comprehensive income (unaudited)	-	-	-	-	-	-	(6,499)	(6,499)	14,666	8,167	
Transactions with owners of the Company (unaudited)											
Contributions and distributions											
Dividends to the owners of the Company	10	-	-	-	-	-	(251,406)	(251,406)	-	(251,406)	
Total transactions with the owners of the Company (unaudited)	-	-	-	-	-	-	(251,406)	(251,406)	-	(251,406)	
Other changes in equity (unaudited)											
Dividends to non-controlling interests	10	-	-	-	-	-	-	-	(97,869)	(97,869)	
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	(2,995)	-	2,995	-	-	-	
Balance at 30 June 2017 (unaudited)	3,814,242	103,049	(75,372)	5,144	101,686	302,236	1,174,998	5,425,983	753,396	6,179,379	

General Manager
 Dan Catalin Stancu

Finance Manager
 Iuliana Andronache

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
 (All amounts are in THOUSAND RON, if not otherwise stated)

	Attributable to the owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings			
Balance at 1 January 2016	3,814,242	103,049	(75,372)	2,862	140,358	273,899	1,354,595	5,613,633	828,957	6,442,590
Comprehensive income										
Profit for the period (unaudited)	-	-	-	-	-	-	269,396	269,396	66,515	335,911
Total comprehensive income (unaudited)	-	-	-	-	-	-	269,396	269,396	66,515	335,911
Transactions with owners of the Company (unaudited)										
Contributions and distributions										
Dividends to the owners of the Company	-	-	-	-	-	-	(291,582)	(291,582)	-	(291,582)
Total transactions with the owners of the Company (unaudited)	-	-	-	-	-	-	(291,582)	(291,582)	-	(291,582)
Other changes in equity (unaudited)										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(105,724)	(105,724)
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	-	-	-	-	(5,056)	-	5,056	-	-	-
Loss of control over subsidiaries in financial distress	-	-	-	-	(6,426)	-	6,426	-	-	-
Balance at 30 June 2016 (unaudited)	3,814,242	103,049	(75,372)	2,862	128,876	273,899	1,343,891	5,591,447	789,748	6,381,195

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

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Six month period ended	
		30 June 2017 (unaudited)	30 June 2016 (unaudited)
Cash flows from operating activities			
Profit for the period		8,167	335,911
Adjustments for:			
Depreciation		23,890	23,357
Amortisation		172,996	152,968
Impairment/(Reversal of impairment) of property, plant and equipment, net		(746)	277
Gain on disposal of property, plant and equipment		(498)	(213)
Impairment of trade and other receivables, net	14	17,060	8,717
Change in provisions, net	17	5,105	479
Net finance income		(8,888)	(8,596)
Gain on loss of control over subsidiaries in financial distress	21	-	(73,693)
Income tax expense	11	18,417	73,103
		235,503	512,310
Changes in :			
Trade receivables		83,355	26,061
Other receivables		15,027	19,529
Deposits, treasury bills and government bonds		(1,091)	1,297
Prepayments		(938)	3,448
Green certificates		(5,699)	1,410
Inventories		(1,761)	(1,967)
Trade payables		(232,579)	(77,953)
Other payables		(6,508)	(23,522)
Employee benefits		(19,776)	(19,123)
Restricted Cash		(168,072)	-
Deferred revenue		(692)	17,739
Cash (used in) / from operating activities		(103,232)	459,229
Interest paid		(881)	(3,078)
Income tax paid		(18,708)	(57,728)
Net cash (used in) / from operating activities		(122,821)	398,423

(Continued on page 10)

Six month period ended

SOCIETATEA ENERGETICA ELECTRICA SA
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(18,306)	(27,357)
Payments for network construction related to concession agreements		(229,860)	(233,243)
Proceeds from sale of property, plant and equipment		730	935
Purchase of treasury bills and government bonds		(543,114)	(1,059,949)
Proceeds on maturity of treasury bills and government bonds		885,577	1,170,659
Increase in deposits with maturity of 3 months or longer		(21,085)	(120,257)
Proceeds from deposits with maturity of 3 months or longer		109,629	234,533
Effect of loss of control over subsidiaries on cash		-	(1,609)
Interest received		10,142	10,029
Net cash from/ (used in) investing activities		193,713	(26,259)
Cash flows from financing activities			
Proceeds from long term bank loans		174,822	-
Proceeds from short term bank borrowings		17,000	-
Repayment of short term bank borrowings		(10,000)	(55,321)
Repayment of financing for network construction related to concession agreements		(48,256)	(45,621)
Dividends paid		(250,387)	(147)
Net cash used in financing activities		(116,821)	(101,089)
Net (decrease) / increase in cash and cash equivalents		(45,928)	271,075
Cash and cash equivalents at 1 January		746,215	827,529
Cash and cash equivalents at 30 June	12	700,287	1,098,604

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 SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

1 Reporting entity and general information

This financial information is the condensed consolidated interim financial information of Societatea Energetica Electrica S.A. (“the Company”) and its subsidiaries (together “the Group”) as at and for the six month period ended 30 June 2017.

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

As at 30 June 2017 the main shareholder of Societatea Energetica Electrica SA is the Romanian State, represented by the Ministry of Energy (48.78%), after the ownership dilution following an initial public offer in July 2014. The second largest shareholder based on the share of ownership is EBRD with 8.66%.

The Company’s subsidiaries are the following:

Subsidiary	Activity	Tax code	Head Office	% shareholding as at 30 June 2017	% shareholding as at 31 Dec 2016
Electrica Distributie Muntenia Nord SA	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	78.0000021%	78.0000021%
Electrica Distributie Transilvania Nord SA	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	77.999999%	77.999999%
Electrica Distributie Transilvania Sud SA	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	78.0000019%	78.0000019%
Electrica Furnizare SA	Electricity Supply	28909028	Bucuresti	77.999997%	77.999997%
Electrica Serv SA	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%	100%
Servicii Energetice Muntenia SA	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%	100%
Servicii Energetice Oltenia SA	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%	100%
Servicii Energetice Moldova SA*	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	n/a	n/a

* Societatea Energetica Electrica SA lost the control of Servicii Energetice Moldova starting January 2016 when the bankruptcy proceedings of the subsidiary began (see Note 21).

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.

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

SOCIETATEA ENERGETICA ELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

	Order 113,114,112/14.12.2016			Order 171, 172, 173/14.12.2015		
	1 January-31 December 2017			1 January-31 December 2016		
	High voltage	Medium voltage	Low voltage	High voltage	Medium voltage	Low voltage
Transilvania Nord	19.05	60.98	157.71	19.93	64.20	167.74
Transilvania Sud	20.63	61.64	165.37	21.22	63.58	172.02
Muntenia Nord	14.79	48.46	157.81	15.93	52.60	171.38

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 2016.

This condensed consolidated interim financial information was authorized for issue by the Board of Directors on 10 August 2017.

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 2016.

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 2016.

SOCIETATEA ENERGETICA ELECTRICA SA

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

5 Operating segments

(a) Information about reportable segments

	Electricity supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
Six month period ended 30 June 2017 (unaudited)							
External revenues	2,069,598	585,040	20,752	-	2,675,390	-	2,675,390
Inter-segment revenue	75,514	618,549	-	-	694,063	(694,063)	-
Segment revenue	2,145,112	1,203,589	20,752	-	3,369,453	(694,063)	2,675,390
Segment profit/ (loss) before tax	(38,769)	105,682	2,744	304,268	373,925	(347,341)	26,584
Net finance income/ (cost)	869	(1,526)	22	356,864	356,229	(347,341)	8,888
Depreciation, amortization and impairment, net	(6,413)	(188,753)	(513)	(461)	(196,140)	-	(196,140)
EBITDA**	(33,225)	295,961	3,235	(52,135)	213,836	-	213,836
Segment net profit/ (loss)	(33,703)	82,199	2,744	304,268	355,508	(347,341)	8,167
Employee benefits	(42,099)	(253,747)	(11,544)	(9,838)	(317,228)	-	(317,228)
Capital expenditure	916	264,131	254	355	265,656	-	265,656
Six month period ended 30 June 2016 (unaudited)							
External revenues	2,186,960	478,784	13,747	-	2,679,491	-	2,679,491
Inter-segment revenue	31,613	678,577	6,315	-	716,505	(716,505)	-
Segment revenue	2,218,573	1,157,361	20,062	-	3,395,996	(716,505)	2,679,491
Segment profit before tax	146,178	217,749	70,700	349,226	783,853	(374,839)	409,014
Net finance income/ (cost)	596	(109)	10	382,938	383,435	(374,839)	8,596
Depreciation, amortization and impairment, net	(5,081)	(166,814)	(1,855)	(2,822)	(176,602)	-	(176,602)
Gain on loss of control over subsidiaries	-	-	73,693	-	73,693	-	73,693
EBITDA**	150,663	384,672	72,575	(30,890)	577,020	-	577,020
Segment net profit	121,311	169,383	70,380	349,226	710,750	(374,839)	335,911
Employee benefits	(38,852)	(259,262)	(11,405)	(9,170)	(318,689)	-	(318,689)
Capital expenditure	2,385	193,508	-	-	195,893	-	195,893

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

AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

	Electricity supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
At 30 June 2017 (unaudited)							
Segment assets	1,321,465	5,202,082	157,945	1,938,496	8,619,988	(594,359)	8,025,629
Trade and other receivables	883,310	394,342	24,310	-	1,301,962	(613,111)	688,851
Cash and cash equivalents	345,211	273,222	22,264	177,845	818,542	-	818,542
Restricted cash	-	-	-	302,564	302,564	-	302,564
Deposits, treasury bills and government bonds	-	-	-	1,434,996	1,434,996	-	1,434,996
Trade and other payables, dividends payable and short term employee benefits	753,247	630,476	72,844	11,048	1,467,615	(615,009)	852,606
Bank overdrafts	-	118,253	-	-	118,253	-	118,253
Financing for network construction related to concession agreements and bank loans	-	388,260	-	-	388,260	-	388,260
At 31 December 2016							
Segment assets	1,225,799	5,128,477	154,704	2,224,487	8,733,467	(335,314)	8,398,153
Trade and other receivables	669,372	544,644	24,080	-	1,238,096	(440,077)	798,019
Cash and cash equivalents	464,551	214,105	13,142	197,043	888,841	-	888,841
Restricted cash	-	-	-	134,492	134,492	-	134,492
Deposits, treasury bills and government bonds	-	7,939	-	1,867,115	1,875,054	-	1,875,054
Trade and other payables, and short term employee benefits	802,107	455,444	80,578	13,821	1,351,950	(349,597)	1,002,353
Bank overdrafts	-	142,626	-	-	142,626	-	142,626
Financing for network construction related to concession agreements and bank loans	-	254,863	-	-	254,863	-	254,863

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

	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
Six month period ended 30 June 2017 (unaudited)						
External revenues	170,473	186,787	210,303	17,477	-	585,040
Inter-segment revenue	212,200	194,441	205,389	133,840	(127,321)	618,549
Segment revenue	382,673	381,228	415,692	151,317	(127,321)	1,203,589
Segment profit before tax	7,059	40,838	55,606	2,181	(2)	105,682
Net finance income/(cost)	145	(488)	(1,089)	(94)	-	(1,526)
Depreciation, amortization and impairment, net	(56,896)	(65,265)	(64,156)	(5,223)	2,787	(188,753)
EBITDA**	63,810	106,591	120,851	7,498	(2,789)	295,961
Net profit	3,729	31,639	44,787	2,044	-	82,199
Employee benefits	(64,738)	(63,506)	(59,197)	(70,792)	4,486	(253,747)
Capital expenditure	82,590	83,881	97,406	254	-	264,131
Six month period ended 30 June 2016 (unaudited)						
External revenues	147,740	174,765	141,726	14,553	-	478,784
Inter-segment revenue	227,314	218,812	223,444	148,458	(139,451)	678,577
Segment revenue	375,054	393,577	365,170	163,011	(139,451)	1,157,361
Segment profit before tax	71,770	68,676	73,080	4,223	-	217,749
Net finance income/(cost)	1,083	(558)	(366)	(268)	-	(109)
Depreciation, amortization and impairment, net	(47,238)	(55,486)	(57,237)	(6,853)	-	(166,814)
EBITDA**	117,925	124,720	130,683	11,344	-	384,672
Net profit	61,929	44,589	59,917	2,948	-	169,383
Employee benefits	(59,836)	(58,981)	(53,770)	(86,675)	-	(259,262)
Capital expenditure	62,726	85,014	45,186	582	-	193,508

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	Distribution Muntenia Nord	Distribution Transilvania Nord	Distribution Transilvania Sud	Electricity network maintenance	Eliminations	Total Electricity distribution
At 30 June 2017 (unaudited)						
Segment assets	1,701,552	1,544,336	1,562,446	455,535	(61,787)	5,202,082
Trade and other receivables	121,772	113,894	123,254	97,209	(61,787)	394,342
Cash and cash equivalents	140,663	17,854	104,688	10,017	-	273,222
Trade and other payables, dividends payable and short term employee benefits	181,376	213,265	228,456	69,166	(61,787)	630,476
Bank overdrafts	-	94,179	24,074	-	-	118,253
Financing for network construction related to concession agreements and bank loans	96,725	123,980	160,555	7,000	-	388,260
At 31 December 2016						
Segment assets	1,687,859	1,543,364	1,493,920	484,109	(80,775)	5,128,477
Trade and other receivables	136,248	134,422	138,631	216,118	(80,775)	544,644
Cash and cash equivalents	127,658	16,691	56,454	13,302	-	214,105
Deposits, treasury bills and government bonds	7,939	-	-	-	-	7,939
Trade and other payables, and short term employee benefits	133,472	154,223	148,129	100,395	(80,775)	455,444
Bank overdrafts	-	100,474	42,152	-	-	142,626
Financing for network construction related to concession agreements and bank loans	50,611	107,364	96,888	-	-	254,863

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

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

	30 June 2017 (unaudited)	31 December 2016
Total assets		
Total assets for reportable segments	8,619,988	8,733,467
Elimination of inter-segment assets	(637,845)	(373,733)
Unallocated amounts	43,486	38,419
Consolidated total assets	8,025,629	8,398,153
Trade and other receivables		
Trade and other receivables for reportable segments	1,301,962	1,238,096
Elimination of inter-segment trade and other receivables	(611,862)	(438,828)
Unallocated amounts	(1,249)	(1,249)
Consolidated trade and other receivables	688,851	798,019
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	1,467,615	1,351,950
Elimination of inter-segment trade and other payables, dividends payable and short term employee benefits	(613,760)	(348,348)
Unallocated amounts	(1,249)	(1,249)
Consolidated trade and other payables, dividends payable and short term employee benefits	852,606	1,002,353

6 Revenue

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Supply and distribution of electricity	2,359,300	2,449,226
Construction revenue related to concession agreements	264,254	188,314
Repairs and maintenance and other services rendered	36,743	34,434
Re-connection fees	4,629	4,701
Sales of merchandise	10,464	2,816
Total	2,675,390	2,679,491

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7 Other income

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Rent income	44,308	44,117
Late payment penalties from customers	9,268	10,871
Commissions for the collection of radio and TV taxes	2,645	7,093
Gain on loss of control over subsidiaries (Note 21)	-	73,693
Other	33,902	28,574
Total	90,123	164,348

8 Electricity purchased

The cost of the electricity purchased increased in the six month period ended 30 June 2017, due to the significant increase in prices on the Romanian electricity market mainly in January and February when maximum historical values were reached in the context of unfavourable events on the energy market.

9 Earnings per share

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

Profit attributable to ordinary shareholders

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Profit for the period attributable to the owners of the Company	(6,499)	269,396
Profit attributable to ordinary shareholders	(6,499)	269,396

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) as at 30 June 2017 is 339,049,336 (30 June 2016: 339,049,336 shares).

Earnings per share

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Basic and diluted earnings per share (RON per share)	(0.02)	0.79

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10 Dividends

On 27 April 2017 the General Shareholders Meeting of the Company approved dividend distribution of RON 251,406 thousand. The dividend per share distributed is RON 0.7415 per share.

Also, during the period dividends of RON 97,869 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.

11 Income taxes

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Current year tax expense	18,894	48,435
Deferred tax (benefit) / expense	(477)	16,122
Adjustment for prior years current tax	-	8,546
Total income tax expense	18,417	73,103

12 Cash and cash equivalents

	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Total cash and cash equivalents in the condensed consolidated statement of financial position	818,542	1,225,414
Overdrafts used for cash management purposes	(118,255)	(126,810)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	700,287	1,098,604

As at 30 June 2017, Electrica SA has collateral deposits at BRD - Groupe Societe Generale as guarantees for the long term borrowings received from BRD by Societatea de Distributie a Energiei Electrice Transilvania Sud, Societatea de Distributie a Energiei Electrice Transilvania Nord and Societatea de Distributie a Energiei Electrice Muntenia. The amount of the collateral deposits as at 30 June 2017 is RON 302,564 thousands (31 December 2016: RON 134,492 thousands) presented in the statement of financial position as long-term restricted cash.

The following information is relevant in the context of the statement of cash-flows:

Non-cash activity includes set-off between trade receivables and trade payables of RON 33 million during the six month period ended 30 June 2017 (six month period ended 30 June 2016: RON 39 million).

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13 Deposits, treasury bills and government bonds

	30 June 2017 (unaudited)	31 December 2016
Treasury bills and government bonds denominated in RON with original maturity of more than three months	1,410,665	1,757,746
Deposits with maturity of more than three months	24,331	117,308
Total deposits, treasury bills and government bonds	1,434,996	1,875,054

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.

14 Trade receivables

	30 June 2017 (unaudited)	31 December 2016
Trade receivables, gross	1,757,732	1,906,093
Bad debt allowance	(1,080,065)	(1,128,104)
Total trade receivables, net	677,667	777,989

Receivables from related parties are disclosed in Note 20.

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

	Bad debt allowance
Balance as at 1 January 2017	1,128,104
Impairment recognized	38,908
Impairment reversed	(21,848)
Amounts written off	(65,099)
Balance as at 30 June 2017 (unaudited)	1,080,065

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 derecognizes these receivables together with the related allowances after the finalization of the bankruptcy process.

Impairment recognized during the period refers mainly to doubtful receivables from Fidelis Energy SRL (RON 11,218 thousand), Transenergo Com S.A. (RON 5,587 thousand), Electra Management (RON 2,100 thousand) as well as several other traders of electricity which entered insolvency procedures given the recent adverse changes in prices on the electricity spot market.

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Amounts written off refer mainly to Filiala Balan S.A., subsidiary of C.N.C.A.F. MINVEST S.A. (RON 45,045 thousand) and Metal S.R.L. (RON 19,016 thousand), clients of Electrica Furnizare for which the bankruptcy procedure was closed.

15 Other payables

	30 June 2017 (unaudited)		31 December 2016	
	Current	Non-current	Current	Non-current
VAT payable	79,046		85,346	-
Liabilities to the State	26,730	-	29,837	-
Payables related to radio and TV tax	14	-	9,981	-
Liabilities related to green certificates acquisition obligation	-	-	13,980	-
Other liabilities	42,036	41,126	21,746	44,921
Total	147,826	41,126	160,890	44,921

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. Starting with 1st of February 2017, law no.1/2017 modifies law no.41/1994, abolishing the radio and TV taxes.

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

16 Bank borrowings

a) Short-term bank borrowings and overdrafts

The Group has overdrafts as follows:

Bank	Contract date	Facility type	Maturity	Overdraft limit (th RON)	Balance at 30 June 2017 (unaudited)
BCR	27-Jan-17	overdraft facility for financing current activity	Until 26 January 2018	180,000	94,179
BCR	25-May-17	overdraft facility for financing current activity	Until 25 May 2018	95,000	-

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Bank	Contract date	Facility type	Maturity	Overdraft limit (th RON)	Balance at 30 June 2017 (unaudited)
ING Bank N.V. si BRD Groupe Societe Generale	8-Dec-16	working capital financing and issuance of potential commitments	1 year for overdraft, 2 years for potential commitments	80,000	24,074
Total				355,000	118,253

In September 2015 Electrica Serv contracted a short term loan from OTP Bank Romania of RON 20,000 thousand in order to finance working capital. In September 2016, an addendum was signed and the validity of the credit was prolonged until September 2017. The loan is secured by pledges over part of the subsidiary's assets (bank accounts, trade receivables from the contracts concluded with related parties). The balance of the loan as at 30 June 2017 is RON 7,000 thousand (31 December 2016: nil).

b) Long-term bank borrowings

	30 June 2017 (unaudited)	31 December 2016
Long-term bank borrowings	302,555	127,733
Total	302,555	127,733

On 17 October 2016 the Company's distribution subsidiaries (Societatea de Distributie a Energiei Electrice Transilvania Sud, Societatea de Distributie a Energiei Electrice Muntenia Nord and Societatea de Distributie a Energiei Electrice Transilvania Nord) concluded long-term loan contracts with BRD – Groupe Societe Generale, in which Electrica SA has the quality of guarantor. These loans are repayable in full at maturity (i.e. 16 October 2021). Details of the long-term bank borrowings are as follows:

Beneficiary	Facility type	Maturity	Limit (th RON)	Balance at 30 June 2017 (unaudited)	Balance at 31 December 2016
Societatea de Distributie a Energiei Electrice Muntenia Nord	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	16 October 2021	80,000	62,555	-
Societatea de Distributie a Energiei Electrice Transilvania Nord	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	16 October 2021	114,000	114,000	95,502

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Beneficiary	Facility type	Maturity	Limit (th RON)	Balance at 30 June 2017 (unaudited)	Balance at 31 December 2016
Societatea de Distributie a Energiei Electrice Transilvania Sud	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	16 October 2021	126,000	126,000	32,231
Total			320,000	302,555	127,733

17 Provisions

	Provisions
Balance at 1 January 2017	62,407
Provisions made	12,200
Provisions used	(6,001)
Provisions reversed	(1,094)
Balance at 30 June 2017 (unaudited)	67,512

As at 30 June 2017, provisions refer mainly to:

- RON 47,685 thousand representing potential fiscal obligations of the Group (including interest and penalties);
- RON 6,764 thousand representing restructuring provision in respect of Electrica Serv;
- RON 3,043 thousand representing claims with a customer who claims reimbursement of connection fees.

The provisions made in the six month period ended 30 June 2017 of RON 12,200 thousand represent Group's estimate of additional taxes and penalties which might result from the Group's dispute with ANAF (refer to Note 18 for further details).

Provisions used in the six month period ended 30 June 2017 refer mainly to payment of lay-off indemnities in respect of restructuring programme of Electrica Serv of RON 6,001 thousand.

As at 31 December 2016, provisions refer mainly to:

- RON 35,533 thousand representing potential tax charges of the Group (including interest and penalties);
- RON 12,715 thousand representing restructuring provision in respect of Electrica Serv;
- RON 3,043 thousand representing claims with a customer who claims reimbursement of connection fees.

18 Contingent liabilities

Tax inspection report for Electrica Serv

In May 2017 a tax inspection at Electrica Serv was finalized and the tax authorities concluded that additional tax obligations of RON 11,560 thousand should be paid by the subsidiary. This amount represents VAT (and related interest and penalties) that was deducted in the period 2012-2013 in relation with certain invoices issued by a lease supplier who was inactive at that time. Management is in process of opening legal action against the tax authorities. Management estimates that it is likely that a favorable outcome will result out of this dispute, based on, among other aspects, similar case open with the Court of Justice of the European Union.

Interest and penalties related to income tax of Electrica SA

In May 2017, after the revision of the Company's tax record, the tax authorities issued an enforcement order for additional interest and penalties of RON 39,248 thousand as a result of certain tax record allocations for prior periods. The Company filed a complaint with the tax authorities against the enforcement order and also opened a legal action to suspend the enforced payment by the resolution of the above mentioned complaint.

These additional interest and penalties are related to the prior enforcement orders received by the Company in the prior years of RON 73,460 thousand and which were settled by enforced payments in 2016. Since the Company used all the legal proceedings in Romania for these previous enforcement orders, it made a complaint at the European Court of Human Rights in May 2017 regarding these enforcement orders.

Since there are uncertainties regarding the outcome of these legal actions, the Group recognized a provision of RON 12,200 thousand in the condensed consolidated interim financial information (please see Note 17), which is the management best estimate.

19 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.

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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 June 2017 (unaudited)								
Financial assets not measured at fair value								
Trade receivables	677,667	-	-	677,667				
Deposits, treasury bills and government bonds	-	1,434,996	-	1,434,996				
Cash and cash equivalents	818,542	-	-	818,542				
Restricted cash	302,564	-	-	302,564				
Total	1,798,773	1,434,996	-	3,233,769				
Financial liabilities not measured at fair value								
Bank overdrafts			118,253	118,253				
Short-term bank borrowings			7,000	7,000				
Long-term bank borrowings			302,555	302,555				
Financing for network construction related to concession agreements			78,705	78,705		81,101		81,101
Trade payables			509,871	509,871				
Dividends payable			99,880	99,880				
Total			1,116,264	1,116,264				
	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 2016								
Financial assets not measured at fair value								
Trade receivables	777,989	-	-	777,989				
Deposits, treasury bills and government bonds	-	1,875,054	-	1,875,054				
Cash and cash equivalents	888,841	-	-	888,841				
Restricted cash	134,492	-	-	134,492				
Total	1,801,322	1,875,054	-	3,676,376				

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	Carrying amount				Fair value			
	Loans and receivables	Held to maturity financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2016								
Financial liabilities not measured at fair value								
Bank overdrafts			142,626	142,626				
Financing for network construction related to concession agreements			127,130	127,130		129,383		129,383
Long-term bank borrowings			127,733	127,733				
Trade payables			722,830	722,830				
Total			1,120,319	1,120,319				

(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 0.96% as at 30 June 2017 (31 December 2016: 0.98%).

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20 Related parties

(a) Management and administrators' compensation

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Management compensation	1,615	1,475

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

	Six month period ended	
	30 June 2017 (unaudited)	30 June 2016 (unaudited)
Members of Board of Directors	1,449	1,917
Representatives in the General Meeting of Shareholders	3	16
Total	1,452	1,933

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

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

Supplier	Purchases (excluding VAT)		Balance (including VAT)	
	Six month period ended 30 June 2017 (unaudited)	Six month period ended 30 June 2016 (unaudited)	30 June 2017 (unaudited)	31 December 2016
Nuclearelectrica	145,327	147,763	11,463	30,893
Transelectrica	454,128	292,838	72,999	141,474
Complexul Energetic Oltenia	37,478	13,203	9,459	8,395
Hidroelectrica	237,693	303,087	57,760	52,297
OPCOM	357,603	156,959	2,559	3,889
Electrocentrale Bucuresti	-	24,998	-	-
SNGN ROMGAZ	-	28,901	-	-
CN Posta Romana SA	876	1,946	810	9
Enel Distributie Muntenia	5,740	14,538	2,015	-
Enel Distributie Banat	1,705	4,465	555	-
Enel Distributie Dobrogea	3,355	2,609	1,068	-
Others	9,063	6,323	3,186	12,430
Total	1,252,968	997,630	161,874	249,387

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

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2017 (unaudited)	30 June 2017 (unaudited)		
OPCOM	10,240	2,403	-	2,403
Cupru Min S.A. Abrud	16,201	4,673	-	4,673
Transelectrica	8,552	1,707	-	1,707
CN Romarm	5,432	252	-	252
CN Remin SA	202	71,183	(71,148)	35
C.N.C.A.F. MINVEST S.A.	-	29,903	(29,903)	-
Oltchim	-	715,259	(715,259)	-
Baita SA	487	4,514	(4,485)	29
SNGN Romgaz SA	7,150	1,180	-	1,180
CFR Telecomunicatii	3,548	154	(53)	101
CFR Electrificare	3,928	1,193	-	1,193
E.ON Energie Romania	21,623	9,942	-	9,942
Enel Distributie Muntenia	15,241	9,007	-	9,007
Others	20,870	12,715	(6,777)	5,938
Total	113,474	864,085	(827,625)	36,460

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Six month period ended 30 June 2016 (unaudited)	31 December 2016		
CFR Telecomunicatii	26,059	4,474	(53)	4,421
CFR Electrificare	5,225	1,203	-	1,203
SNGN Romgaz	7,476	1,256	-	1,256
OPCOM	5,567	2,590	-	2,590
Cupru Min S.A. Abrud	15,877	-	-	-
Transelectrica	5,603	1,361	-	1,361
CN Romarm	5,479	62	-	62
CN Remin SA	211	71,180	(71,148)	32
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,259	(715,259)	-
Baita SA	1,047	5,002	(4,334)	668
CN Posta Romana SA	3,073	-	-	-
E.ON Energie Romania	13,094	-	-	-
Enel Distributie Muntenia	7,025	9,101	-	9,101
Others	13,599	10,103	(6,713)	3,390
Total	109,335	900,326	(876,242)	24,084

SOCIETATEA ENERGETICA ELECTRICA SA
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

21 Subsidiaries in financial distress

The Company's subsidiary Servicii Energetice Moldova entered in bankruptcy in January 2016, and consequently the Company discontinued its consolidation as of this date as it no longer has control over this entity.

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

	Carrying amount
	Servicii Energetice Moldova as of 31 January 2016
Property, plant and equipment	21,709
Trade receivables	2,027
Cash and cash equivalents	1,609
Total assets	25,345
Trade payables	2,685
Other payables	41,931
Employee benefits	52,902
Deferred tax liabilities	1,520
Total liabilities	99,038
Gain on loss of control	73,693

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 an alternate basis starting the commencement of their insolvency procedures.

As at 30 June 2017 and at 31 December 2016, the carrying amount of the assets and liabilities of these companies included in the consolidated financial information are as follows:

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

AS AT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

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

	Servicii Energetice Muntenia	Servicii Energetice Oltenia	Total
30 June 2017 (unaudited)			
Property, plant and equipment	92,112	23,517	115,629
Trade receivables	5,905	6,500	12,405
Cash and cash equivalents	19,838	2,426	22,264
Total assets	117,855	32,443	150,298
Trade payables	(17,314)	(3,000)	(20,314)
Payables to the State budget	(355)	(6,264)	(6,619)
Social security and other salary taxes	(495)	(5,698)	(6,193)
Provisions, employee benefits and deferred taxes	(23,980)	(12,459)	(36,439)
Total liabilities	(42,144)	(27,421)	(69,565)

	Servicii Energetice Muntenia	Servicii Energetice Oltenia	Total
31 December 2016			
Property, plant and equipment	93,894	23,588	117,482
Trade receivables	8,251	8,406	16,657
Cash and cash equivalents	10,154	2,988	13,142
Total assets	112,299	34,982	147,281
Trade payables	(21,615)	(4,232)	(25,847)
Payables to the State budget	(183)	(8,859)	(9,042)
Social security and other salary taxes	(434)	(5,916)	(6,350)
Provisions, employee benefits and deferred taxes	(24,412)	(12,572)	(36,984)
Total liabilities	(46,644)	(31,579)	(78,223)



2017 HALF YEARLY REPORT (H1 2017)

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

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

**in compliance with art. 61 of the Law no. 24/2017 on issuers of financial
instruments and market operations and to annex no. 31 to CNVM Regulation no. 1/2006,
and the Bucharest Stock Exchange Code**

for the six month period ended 30 June 2017

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1. IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report date: **11 August 2017**

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

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

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

Fiscal Code: **RO 13267221**

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

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

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

Regulated market where the issued securities are traded:

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

2. HIGHLIGHTS

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

Electrica's distribution segment operates through its subsidiaries: Societatea de Distribuție a Energiei Electrice Muntenia Nord, Societatea de Distribuție a Energiei Electrice Transilvania Nord, Societatea de Distribuție a Energiei Electrice Transilvania Sud and Electrica Serv (whose main activity is represented by maintenance and repairs of the distribution network) and it is geographically limited to Northern Muntenia, Northern Transylvania and Southern Transylvania. The Group holds exclusive Distribution Licences for these regions which have a remaining term of 10 years and may be extended for another 25 years.

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

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

A summary of the main indicators is described below:

- During the first half of 2017, EBITDA decreased to RON 214 million, a 63% drop or RON 363 million, as compared to the first half 2016;
- The investments in the distribution network increased by RON 75 million, or 40%, to RON 259 million in the six month period ending 30 June 2017 from RON 184 million in the six month period ending 30 June 2016.
- In the first half of 2017 the Group recorded an operating profit amounting to RON 17.7 million, representing a decrease of RON 308.7 million compared to the first half of 2016, after the correction of the one-off effect related to the deconsolidation of Societatea Servicii Energetice Moldova amounting to a gain of RON 74 million (booked in H1 2016), mainly due to the energy margin decrease by RON 254 million as an effect of increased energy acquisition prices corroborated with a slight decrease of the corresponding revenues, higher other one-off operating expense at the headquarter in amount of RON 38 million, in relation to litigations from previous periods.
- The energy acquisition expense increased by RON 200 million or 15% to RON 1,531 million in the six month period ending 30 June 2017 from RON 1,332 million in the six month period ending 30 June 2016 mainly as a result of the energy acquisition prices increase by +78% for the Day Ahead Market prices and around +38% for the Balancing Market in Q1 2017 vs. Q1 2016.
- Revenue from the distribution segment increased by RON 46 million, or 4%, to RON 1,204 million in the six month period ending 30 June 2017 compared to the six month period ending 30 June 2016;
- Revenue from the supply segment decreased by RON 73 million or 3.3% to RON 2,145 million in the first half of 2017 compared to the first half of 2016, mainly due to the supplied quantity decrease.
- The contributions of Electrica's distribution and supply segments to Electrica's revenue in the first half of 2017 were 35.7% and 63.7%, respectively;
- During the six month period ending 30 June 2017 the Group distributed to approximately 3.69 million users 9 TWh of electricity, representing an increase of 4% compared to the same period of the last year. The Group operates in highly populated and industrialised areas of Romania.

- During the six month period ending 30 June 2017 the Group supplied to approximately 3.59 million end consumers 5.1 TWh of electricity, a decrease of 7% compared to the same period of the last year.

3. ORGANIZATIONAL STRUCTURE

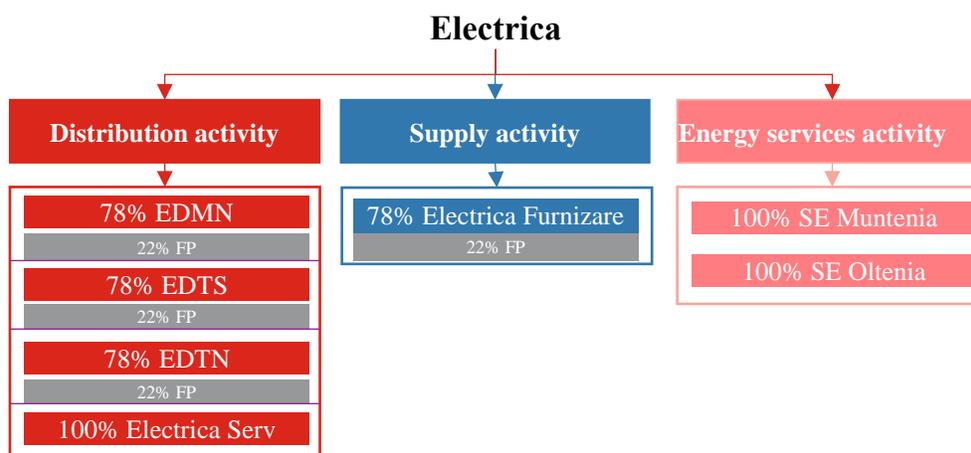
The Company is a holding company for the Group, which comprises four subsidiaries in its distribution segment: Societatea de Distributie a Energiei Electrice Transilvania Nord SA (“SDTN”), Societatea de Distributie a Energiei Electrice Transilvania Sud SA (“SDTS”), Societatea de Distributie a Energiei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

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

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

As at 30 June 2017 the major shareholder of Electrica SA is the Romanian State, represented by the Ministry of Energy (48.7805%), after the ownership dilution following an initial public offer. The second shareholder based on the share of ownership is EBRD with 6.9247%.

Figure 1: Entities included in the consolidation as of 30 June 2017:



Source: Electrica S.A.

Presentation of Group subsidiaries

Subsidiary	Activity	Registration code	Headquarters	% stake as of 30 June 2017
Electrica Distributie Muntenia Nord SA	Electricity distribution in North Muntenia geographical area	14506181	Ploiesti	78,0000021%
Electrica Distributie Transilvania Nord SA	Electricity distribution in Northern Transylvania geographical area	14476722	Cluj-Napoca	77,99999%
Electrica Distributie Transilvania Sud SA	Electricity distribution in Southern Transylvania geographical area	14493260	Brasov	78,0000019%
Electrica Furnizare SA	Trading of electrical energy	28909028	Bucharest	77,99997%
Electrica Serv SA	Services in the energy sector (maintenance, repair, construction)	17329505	Bucharest	100%
Servicii Energetice Muntenia SA (in insolvency)	Services in the energy sector (maintenance, repair, construction)	29384120	Bucharest	100%
Servicii Energetice Oltenia SA (in insolvency)	Services in the energy sector (maintenance, repair, construction)	29389861	Craiova	100%
Servicii Energetice Moldova SA* (in bankruptcy)	Services in the energy sector (maintenance, repair, construction)	29386768	Bacau	100%

Source: *Electrica S.A.*

* *Electrica SA lost the control of Servicii Energetice Moldova starting with January 2016 as the subsidiary entered in bankruptcy*

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

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

Electrica Furnizare SA is the supplier of last resort (defined as supplier designated by the regulatory authority to deliver the universal service of electricity supply under specific regulated conditions) in Muntenia Nord, Transilvania Nord and Transilvania Sud areas. According to the regulations issued by the National Authority for Energy Regulation ("ANRE"), the suppliers of last resort have the obligation to ensure the electricity supply to the final customers which have not exercised their eligibility right – this is the right to choose their electricity supplier (hereinafter named captive consumers). The electricity supply to captive consumers is made based on regulated contracts, with prices that are regulated by ANRE. Starting with 2018 the energy market will be fully liberalized.

4. CORPORATE GOVERNANCE

4.1. Shareholders structure

Until July 2014, the Romanian State, acting through the Ministry of Energy, Small and Medium Enterprises and Business Environment, was the sole shareholder of Electrica S.A. Starting 4 July 2014 the Company's shares are listed on Bucharest Stock Exchange, and the GDRs, issued by Bank of New York Mellon which have Electrica's shares as underlying securities, are listed on London Stock Exchange. The latest available information regarding the shareholder structure has been provided by Depozitarul Central on 8 June 2017 and is presented in the table below:

Shareholder	Shares	Percent of share capital (%)
Ministry of Energy	168,751,185	48.7805
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT, LONDON, UK	23,955,272	6.9247
BNY MELLON DRS, NEW YORK, USA	15,709,028	4.5410
Legal persons	121,798,376	35.2079
Individual persons	15,726,068	4.5459
TOTAL	345,939,929	100

Source: Central Depository, Electrica S.A.

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

4.2. General Meeting of Shareholders

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

A sole General Meetings of Shareholders took place in the first half of 2017.

In the *GMS dated 27 April 2017* the following were approved:

- 2017 Income and Expense Budgets for Electrica (standalone and consolidated),
- 2016 Financial statements for Electrica (standalone and consolidated),
- Profit distribution for Electrica (gross dividend RON 0.7415 per share, registration date 8 June 2017, payment date 22 June 2017),
- The proposal for amendment of the Articles of Association of Societatea Energetica Electrica SA by eliminating two provisions so that the decisions for subsidiaries' mergers, spin offs and global strategy, including but not limited to development and restructuring to be transferred to Electrica's Board of Directors;

4.3. Board of Directors of Electrica SA

The Board of Directors is responsible for taking all the necessary measures to carry out the activity of the Company as well as to supervise its activity. Its structure, organization, duties and responsibilities are established under the Articles of Association and the Regulation of the Board of Directors. According to the Articles of Association in force, the Board of Directors is composed of seven non-executive members, four of whom must meet the criteria of independence provided by the Articles of Association. Their mandate, registered based on the decision of the General Meeting of Shareholders, is for four years.

During 2017, the Board of Directors has undergone some changes. At the beginning of the current year, the Board of Directors consisted of seven non-executive members, as it follows: Mr. Cristian Busu, Mrs. Arielle Malard de Rothschild, Mrs. Ioana Dragan, Mrs. Corina Popescu, Mr. Bogdan Iliescu, Mr. Pedro Mielgo Alvarez and Mr. Willem Schoeber. On 31 March 2017, Mrs. Corina Popescu renounced to her position as a member of the Board of Directors, under the terms of her mandate contract. In this context, the Board of Directors found that the renunciation became effective as of 1 May 2017 and in the meeting dated 28 April current year, decided to appoint Mr. Gicu Iorga as interim member of the Board of Directors, starting with 1 May 2017, until 30 April 2018, or until the next Ordinary General Meeting of Shareholders of the Company, whichever occurs first. At the date of this report, the members of the Board of Directors are as follows:

No.	Name	Term of office (starting with 14 December 2015)	Status	Date of first election
1.	Cristian Busu	4 years	non-executive director	22 September 2014
2.	Arielle Malard de Rothschild	4 years	non-executive, independent director	22 September 2014
3.	Ioana Dragan	4 years	non-executive director	14 December 2015
4.	Bogdan Iliescu	4 years	non-executive, independent director	14 December 2015
5.	Willem Schoeber *	*	non-executive, independent director	26 April 2016
6.	Pedro Mielgo Alvarez	4 years	non-executive, independent director	14 December 2015
7.	Gicu Iorga	**	non-executive interim director,	1 May 2017

Source: *Electrica*

*Note: Following Mr. Michael Boersma's renunciation to his position on the Board of Directors on 26th of April 2016, the Board appointed Mr. Willem Schoeber as interim member of the Board of Directors, and the General Meeting of Shareholders elected him as a member of the Board of Directors on October 21st, 2016, until the end of his original mandate (December 14th, 2019).

**Note: Following Mrs. Corina Popescu renunciation to her mandate as member of the Board of Directors, on April 28th, 2017, the Board of Directors appointed Mr. Gicu Iorga as interim member.

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

Mr. Cristian Busu was elected Chairman of the Board of Directors during the new Board's first meeting, and re-elected in this position a year later

In January 2017, the members of the Board of Directors decided to maintain the 3 committees established by the previous Board, as well as their competence, as follows:

- a) **The Nomination and Remuneration Committee**
 - Mr. Bogdan Iliescu - Chair of the committee
 - Mrs. Arielle Malard de Rothschild
 - Mrs. Corina Popescu – replaced in May by Mr. Gicu Iorga
- b) **The Audit and Risk Committee**
 - Mr. Pedro Mielgo Alvarez- Chair of the committee
 - Mrs. Arielle Malard de Rothschild
 - Mr. Bogdan Iliescu
- c) **The Strategy and Corporate Governance Committee**
 - Mr. Willem Schoeber - Chair of the committee
 - Mrs. Ioana Dragan
 - Mr. Cristian Busu.

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

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

As of 30th of June 2017 the members of the Board of Directors Electrica S.A. didn't hold any Electrica SA shares.

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

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

During the first semester 2017, the Board of Directors met 14 times: 7 meetings were organized at Electrica's headquarters, 5 were held by conference call and 2 were held electronically, in accordance with the provisions of art. 18 paragraph 23 of the Articles of Association of the Company.

We present below the situation of Board members' presence in the meetings of the Board of Directors and its committees in the first semester 2017:

Name	The Board of Directors (no. of meetings - 14)	The Audit Committee (no. of meetings - 7)	The Nomination and Remuneration Committee (no. of meetings - 7)	The Strategy, Restructuring and Corporate Governance Committee (no. of meetings - 8)
Cristian Busu	14	-	-	8
Arielle Malard de Rothschild	12*	7	7	-
Ioana Dragan	14	-	-	8
Corina Popescu	10	-	5	-
Gicu Iorga	3*	-	2	-
Bogdan Iliescu	14	7	7	-
Pedro Mielgo Alvarez	13*	7	-	-
Willem Schoeber	12*	-	-	8

Source: *Electrica*

*Note: in 1 meeting of the Board of Directors, Mrs. Arielle Malard de Rothschild was represented by Mr. Cristian Busu based on the mandate given; in 2 meetings of the Board of Directors, Mr. Willem Schoeber was represented by Mrs. Arielle Malard de Rothschild based on the mandate given; in 1 meeting of the Board of Directors, Mr. Pedro Mielgo Alvarez was represented by Mr. Willem Schoeber based on the mandate given; in 1 meeting of the Board of Directors, Mr. Gicu Iorga was represented by Mr. Bogdan Iliescu based on the mandate given.

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

- Election of the Chairman of the Board of Directors and establishing the competence of the consultative committees and election of their chairpersons.
- Revision and endorsement of Electrica SA's income and expenses budgets at standalone and consolidated levels for the financial year of 2017.
- Revision and endorsement of income and expenses budgets of company's subsidiaries for the financial year of 2017.
- Analysis and endorsement of Electrica SA's financial statements at individual and consolidated levels for the financial year of 2016.
- Analysis and endorsement of financial statements of Company's subsidiaries for the financial year of 2016.
- Revision and endorsement of the consolidated investment plan for the financial year of 2017.
- Analysis, coordination and approval of several proposals submitted by the executive management regarding acquisitions and investment opportunities;
- Continuing the controlled delegation of competences and implementing a new, more synthesized and efficient corporate governance at Group's level, the Board of Directors submitted for the General Meeting of Shareholder's the approval several new proposals regarding the establishment of the decisional level regarding the Company's subsidiaries, that would allow a faster adaptations of organizational and business structures.
- In this context, the Board of Directors initiated several business process rethinking projects at the Group level, in parallel with the revision of the Strategy.
- Analyzing different kind of reports presented by the executive management regarding the operational activity, the achievement of the budgetary targets for the entire year 2016 and Q1 and S1 2017, the achievement of the KPIs set for 2016, and establishing the KPIs for 2017.

- Revision of the Electrica’s organization chart and the implementation in stages of the new concept, including the establishment of a performance indicator system, at management level, at the level of the Group.

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

- The Audit Committee – 7 times;
- The Nomination and Remuneration Committee – 7 times;
- The Strategy, Restructuring and Corporate Governance Committee – 8 times.

4.4. Executive management of Electrica SA

In accordance with art. 19 letter A, item 1, paragraphs (f) and (k) of the Articles of Association of the Company, the Board of Directors appoints and revokes the CEO, as well as the other executives with mandates and also approves their empowerments. The CEO carries out the activity according to the provisions of the mandate contract concluded with the Company.

Mr. Dan Catalin Stancu is the CEO of Electrica SA for a mandate of four years starting with October 24 2016. Until this date Ms. Iuliana Andronache, current CFO was the interim CEO of Electrica SA (appointed during the Board meeting held on 11 March 2016).

During 2017, changes took place at the executive management level, as follows:

- Mr. Ramiro Robert Eduard Angelescu was revoked from the position of Executive Manager of the Sales Coordination Division, starting as of January 27th 2017;
Ms. Livioara Sujdea was appointed as Executive Manager - Chief Distribution Officer, starting with February 1st 2017, for a four-year mandate;
Mr. Dan Crisfalusi was appointed as IT & Telecom Officer, starting with 6 March 2017, for a four-year period;
- Ms. Anamaria Dana Acristini-Georgescu was appointed as Executive Manager – Chief Strategy Officer, starting with 1 May 2017, for a four-year period.

At 30 June 2017, the executive managers of the Company are:

Name	Position	Division
Electrica Headquarter		
Dan Catalin Stancu	General Manager	General Division
Iuliana Andronache	CFO	Finance Division
Alexandra Romana Augusta Popescu Borislavschi	Executive Manager of Corporate Governance & M&A Division	Corporate Governance & M&A Division
Livioara Sujdea	Chief Distribution Officer	Distribution Division
Dan Crisfalusi	IT & Telecom Officer	IT&T Division
Anamaria Dana Acristini- Georgescu	Chief Strategy Officer	Strategy & Performance Management Division

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

No executive manager owns any Electrica shares at 8 June 2017.

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

4.5. Board of Directors of Electrica subsidiaries

	1 January 2017– 13 April 2017	14 April 2017 – 30 June 2017 (end of the mandate 12 December 2020, respectively 14 April 2021)
DMN	Dan Catalin Stancu	Dan Catalin Stancu – end of the mandate 14.04.2021
	Alexandru Borislavschi	Livioara Sujdea – end of the mandate 12.12.2020
	Oana Truta	Ana Maria Nistor – end of the mandate 12.12.2020
		Madalina Rusu – end of the mandate 12.12.2020
		Oana Truta – end of the mandate 14.04.2021

	1 January 2017– 16 February 2017	17 February 2017 – 25 April 2017	26 April 2017- 30 June 2017 (end of the mandate 31 January 2021)
DTN	Dan Catalin Stancu	Dan Catalin Stancu	Dan Catalin Stancu
	Alexandru Borislavschi	Livioara Sujdea	Livioara Sujdea
	Oana Truta	Ligia Costin	Ana Maria Nistor
		Madalina Rusu	Madalina Rusu
		Oana Truta	Oana Truta

	1 January 2017– 25 April 2017	26 April 2017 – 30 June 2017 (end of the mandate 26 April 2021)
DTS	Dan Catalin Stancu	Dan Catalin Stancu
	Alexandru Borislavschi	Livioara Sujdea
	Simona Fatu	Ana Maria Nistor
		Madalina Rusu
		Simona Fatu

	1 January 2017–11 January 2017	12 January 2017 – 25 April 2017	26 April 2017- 30 June 2017 (end of the mandate 26 April 2021)
EFSA	Dan Valentin Gheorghe	Dan Valentin Gheoghe	Dan Valentin Gheorghe
	Marcel Ionescu	Iuliana Andronache	Alexandra Borislavschi
	Dragos Horatiu Magui	Dragos Horatiu Magui	Dragos Horatiu Magui
	Vlad Gheorghe		Dan Crisfalusi
	Mirela Dimbean Creta		Stefania Andruhovici

	1 January 2017– 23 april 2017	24 April 2017 – 30 June 2017 (end of the mandate 13 December 2020)
EIServ	Iuliana Andronache	Iuliana Andronache
	Bogdan Popa	George Serban
	Vlad Gheorghe	Vlad Gheorghe until 30 iunie 2017 Mirela Dimbean Creta *

* Ms. Mirela Dimbean Creta was appointed as interim member of the Board of Directors of Electrica Serv SA by the BoD Decision no 10/29.06.2017 until 13.12.2020 or until the next General Meeting of Shareholders, whichever occurs first.

4.6. Executive management of Electrica S.A. subsidiaries

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

Name	Position	Subsidiary
Valentin Branescu	General Manager	EDMN
Nicu Constandache	General Manager	EDTS
Emil Merdan	General Manager	EDTN
Mircea Patrascioiu	General Manager	Electrica Furnizare
Vasile Ionel Bujorel Oprean	General Manager	Electrica Serv

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

Name	Position	Department
EDMN Subsidiary		
Gabriela Blagoi	Manager	Economic
Constantin Coman	Manager	Distribution
Gabriel Gheorghe	Manager	Development
EDTS Subsidiary		
Monica Radulescu	Manager	Economic
Radu Holom	Manager	Distribution
Ion Dobre	Manager	110 kV
Catalin Grama	Manager	Development
Dumbrava Ioan	Deputy Manager	Development
EDTN Subsidiary		
Dora Fataceanu	Manager	Economic
Vasile Filip	Manager	Distribution
Constantin Buda	Manager	110 kV
Ladislau Reider	Manager	Development
Electrica Furnizare Subsidiary		
Cristina Pana	Manager	Economic
Mihai Beu	Manager	Commercial
Oana Alina Pirvulete	Manager	Legal
Marin Petre	Manager	Development
Electrica Serv Subsidiary		
Ana Iuliana Dinu	Manager	Economic
Cristian Dumitru Andruhovici	Manager	Human Resources
Viorel Vasiu	Manager	Production

The table below shows the number of shares held by the Company's managers as of June 30, 2017:

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

4.7. Compliance with the BSE Corporate Governance Code

On 9 March 2017 the "Comply or Explain" Statement was completed and was included in the 2016 annual report published on 28 April 2017.

During the first half of 2017 and until the date of this report, Electrica reported the following events in accordance with the BSE Corporate Governance Code:

- Execution of a Memorandum of Understanding with Fondul Proprietatea SA
- 11 July 2017 – Legal act of the kind listed in Art. 82 of Law No. 24/2017 concluded by Electrica in H2 2017
- 09 June 2017 – Announcement regarding the request for summons formulated by SAPE
- 29 May 2017 – Clarifications regarding tax dividend for investment funds without legal personality –
- 17 May 2017 – 2016 Dividend payment
- 28 April 2017 – Appointment of an interim member of the Board of Directors
- 27 April 2017 – Profit distribution corresponding to the financial year 2016 and distribution of dividends to Electrica's shareholders
- 14 April 2017 – Appointment of the Chief Strategy Officer
- 3 April 2017 – Renouncement to the position as member of BoD
- 10 March 2017 – Remuneration Policy for Directors and Executive Managers
- 10 March 2017 – 2016 Dividend proposal
- 6 March 2017 – Appointment of the IT Officer
- 31 January 2017 – Auditor report of factual findings according with art. 225 of Law no. 297/2004 in the second semester of 2016
- 30 January 2017 – Potential exposure of Electrica to the current Romanian energy market
- 30 January 2017 – Revocation of the Sales manager and appointment of the Chief Distribution Officer
- 30 January 2017 – Appointment of the BOD Chairman and of the members of the BoD's committees
- 30 January 2017 – Announcement regarding the litigations with ANRE
- 16 January 2017 – Prolongation of the BOD Chairman and of the Committees' members' mandates
- 4 January 2017 – Legal act of the kind listed in Art. 225 of Law No. 297/2004 concluded by Electrica in H2 2016.

5. BALANCE SHEET HIGHLIGHTS

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

Indicator	30 June 2017 (unaudited)	31 December 2016	Variation (%)
ASSETS			
Non-current assets			
Intangible assets related to concession agreements	4,002,457	3,910,388	2.35
Other intangible assets	13,764	17,218	(20.06)
Property, plant and equipment	681,171	701,962	(2.96)
Restricted cash	302,564	134,492	124.97
Deferred tax assets	44,735	39,668	12.77
Other non-current assets	1,766	1,741	1.44
Total non-current assets	5,046,457	4,805,469	5.01
Current assets			
Cash and cash equivalents	818,542	888,841	(7.91)
Deposits, treasury bills and government bonds	1,434,996	1,875,054	(23.47)
Trade receivables	677,667	777,989	(12.90)
Other receivables	11,184	20,030	(44.16)
Inventories	24,511	22,750	7.74
Prepayments	6,573	5,635	16.65
Green certificates	5,699	-	-
Income tax receivable	-	2,385	-
Total current assets	2,979,172	3,592,684	(17.08)
Total assets	8,025,629	8,398,153	(4.44)
EQUITY AND LIABILITIES			
Equity			
Share capital	3,814,242	3,814,242	0.00
Share premium	103,049	103,049	0.00
Treasury shares	(75,372)	(75,372)	0.00
Pre-paid capital contributions in kind from shareholders	5,144	5,144	0.00
Revaluation reserve	101,686	104,681	(2.86)
Other reserves	302,236	302,236	0.00
Retained earnings	1,174,998	1,429,908	(17.83)
Total equity attributable to the owners of the Company	5,425,983	5,683,888	(4.54)
Non-controlling interests	753,396	836,599	(9.95)
Total equity	6,179,379	6,520,487	(5.23)

Indicator	30 June 2017 (unaudited)	31 December 2016	Variation (%)
Liabilities			
Non-current liabilities			
Financing for network construction related to concession agreements	26,054	41,617	(37.40)
Long term bank loans	302,555	127,733	136.87
Deferred tax liabilities	200,279	195,689	2.35
Employee benefits	192,998	192,965	0.02
Other payables	41,126	44,921	(8.45)
Deferred revenue	128	-	-
Total non-current liabilities	763,140	602,925	(26.57)
Current liabilities			
Financing for network construction related to concession agreements	52,651	85,513	(38.43)
Bank loans	7,000	-	-
Bank overdrafts	118,253	142,626	(17.09)
Trade payables	509,871	722,830	(29.46)
Dividends payable	99,880	992	9.968.07
Other liabilities	147,826	159,898	(7.55)
Deferred revenue	3,723	4,415	(15.67)
Employee benefits	64,163	83,972	(23.59)
Provisions	67,512	62,407	8.18
Current income tax liability	12,231	12,088	1.18
Total current liabilities	1,083,110	1,274,741	(15.03)
Total liabilities	1,846,250	1,877,666	(1.67)
Total equity and liabilities	8,025,629	8,398,153	(4.44)

5.1. Non-current assets

In the six month period ending 30 June 2017 Electrica's non-current assets increased by net RON 241 million, to RON 5,046 million from RON 4,805 million as at 31 December 2016 mainly due to the investments made by the distribution subsidiaries, the most representative values for the investment works and commissioning of the works are presented in Annex 1; and also to increase of RON 168 million in the value of the collateral deposit constituted by Electrica SA to guarantee the loans contracted by the distribution subsidiaries for their investment activities.

5.2. Current assets

At the end of the first semester of 2017, the current assets went down by RON 614 million, as compared with 31 December 2016, from RON 3,593 million to RON 2,979 million, driven by the decrease of deposits, treasury bills and government bonds with the amount that was used as collateral deposit and the trade receivables decrease.

5.3. Trade receivables

Trade receivables decreased by RON 100 million, to RON 678 million in the six month period ending 30 June 2017 from RON 778 million as at 31 December 2016. This variation is mainly generated by the lower level of revenues of the supply activity.

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

"Cash and cash equivalents" contains cash and cash equivalents, deposits, treasury bills and government bonds denominated in RON with a 3 month or less maturity. This position decreased by RON 70 million in first six months of 2017 compared to 2016 end, from RON 889 million to RON 819 million.

"Deposits, treasury bills and government bonds" include deposits, treasury bills and government bonds denominated in RON with original maturity of more than three months with an average interest rate (yield) of 1.34%. The variation of this position from RON 1,875 million to RON 1,435 million is the result of using the amount to set a collateral deposit.

Overall, the cash position of the company, comprising all the above mentioned categories, decreased by RON 510 million, or 18.5%, from RON 2,764 million as at December 2016 to RON 2,254 million as at 30 June 2017, the decrease is mainly attributable to the unfavourable evolution of distribution and supply segments activity and also to the reclassification of the collateral amounts as non-current assets.

5.5. Share capital

The issued share capital in nominal terms consists of 345,939,929 ordinary shares at 30 June 2017 with a nominal value of RON 10 per share and did not change since 31 December 2016.

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

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

5.6. Treasury shares

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

5.7. Dividends

Dividends for the year ended 31 December 2016, in amount of RON 251,405,083, were declared based on the Company's individual financial statements. The dividends in respect of the year ended 31 December 2016 were approved through Resolution of the OGMS no. 1 from 27 April 2017 and started to be paid starting from 22 June 2017. Gross dividend per share approved by the OGMS was RON 0.7415.

5.8. Non-current liabilities

Non-current liabilities increased by 27% as at 30 June 2017 compared to end of year 2016, from RON 603 million to RON 763 million, mainly as a result of the loans contracted by the distribution subsidiaries for their ambitious investment programs.

5.9. Current liabilities

Current liabilities decreased by 15% at the end of the first semester of 2017 compared to 2016 year end, from RON 1,275 million to RON 1,083 million, as a result of changes in the following categories:

- trade payables decreased by 213 million, or 29%, from RON 723 million to RON 510 million. The main categories included are: payables to electricity suppliers, CAPEX suppliers and other suppliers (of services, materials, consumables etc); the effect is the result of the payables turnover improvement as the subsidiaries acquired higher electricity quantities on the day ahead market, that has very short payment terms;
- increase of other current liabilities by RON 86.8 million, or 54%, from RON 161 million to RON 248 million. This category includes: VAT payable, dividends payable, other liabilities to the state budget etc.

5.10. Provisions

As at 30 June 2017, the provisions have a relatively constant value compared to 2016 year end and refer mainly to RON 48 million representing potential fiscal obligations of the Group (including interest and penalties) and RON 6,7 million representing restructuring provision in respect of Electrica Serv.

6. OPERATIONAL RESULTS

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

Indicator	30 June 2017 (unaudited)	30 June 2016	Variation (%)
Revenues (from operations)	2,675,390	2,679,491	(0.15)
Other income (other operating income)	90,123	164,348	(45.16)
Electricity purchased	(1,531,463)	(1,331,833)	14.99
Green certificates	(182,911)	(207,647)	(11.91)
Construction costs related to concession agreements	(259,140)	(184,442)	40.50
Employee benefits	(317,228)	(318,689)	(0.46)
Repairs, maintenance and materials	(29,803)	(23,150)	28.74
Depreciation and amortization	(196,886)	(176,325)	11.66
(Impairment)/Reversal of impairment of property, plant and equipment, net	746	(277)	-
Reversal of impairment of trade and other receivables, net	(17,060)	(8,717)	95.71
Other operating expenses	(208,967)	(191,862)	8.92
Change in provisions, net	(5,105)	(479)	965.76
Operating profit	17,696	400,418	(95.58)
Finance income	11,502	13,088	(12.12)
Finance costs	(2,614)	(4,492)	(41.81)
Financial Profit/Loss, net	8,888	8,596	3.40
Profit before tax	26,584	409,014	(93.50)
Income tax expense	(18,417)	(73,103)	(74.81)
Net Profit	8,167	335,911	(97.57)
Profit for the period attributable to:			
- owners of the Company	(6,499)	269,396	-
- non-controlling interests	14,666	66,515	(77.95)
Net Profit	8,167	335,911	(97.57)

6.1. Revenues from operations and other operating income

Electrica's revenues from operations and other operating income in the six month period ending 30 June 2017 and 30 June 2016 amounted to RON 2,766 million and RON 2,844 million, respectively, a decrease in revenue by RON 82 million, or 2.9%. This variation is mainly determined by the one-off effect related to the deconsolidation of Societatea Servicii Energetice Moldova amounting to a gain of RON 74 million, booked in H1 2016.

The contribution to Electrica's revenue in the six month period ending 30 June 2017 by Electrica's electricity distribution and supply segments were 35.7% and 63.7%, respectively; and in the six month period ending 30 June 2016 they were 34% and 65% respectively.

Revenue from the electricity distribution segment increased by RON 46 million, or 4%, to RON 1,204 million in the six month period ending 30 June 2017 from RON 1,157 million in the six month period ending 30 June 2016, mainly due to a positive volume effect (increase of 4% mainly driven by SDTS), that exceeded the negative effect of lower regulated distribution tariffs.

In the six month period ending 30 June 2017, revenue from the electricity supply segment decreased by RON 73 million, or 3.3%, to RON 2,145 million from RON 2,219 million in the six month period ending 30 June 2016. This variance is attributable to the decrease in supplied energy quantity by 7%, partially compensated by the 8% increase in the value of the Green Certificates included in the invoice to the final consumers.

The value of the Green Certificates included in the invoice to the final consumer, set by ANRE, increased from RON 41.76/MWh in the six month period ending 30 June 2016 to RON 44.92/MWh in the six month period ending 30 June 2017.

6.2. Electricity purchased

The expense for electricity purchased increased by RON 200 million, or 15%, to RON 1,531 million in the six month period ending 30 June 2017 from RON 1,332 million in the six month period ending 30 June 2016.

This evolution is primarily attributable to the increase in the cost of the electricity purchased for supply and balancing activity by RON 146 million, or 15.7%, to RON 1,077 million in the six month period ending 30 June 2017 from RON 931 million in the six month period ending 30 June 2016, as major imbalances occurred in the energy balancing market during H1 2017. The most significant impact is generated by the 21% increase of the energy acquisition price at Electrica Furnizare.

The cost of the electricity purchased to cover network losses increased by RON 71 million, or 29%, to RON 313 million in the six month period ending 30 June 2017 from RON 242 million in the six month period ending 30 June 2016. The evolution is attributable to the negative price effect amounting to RON 68 million (due to the increase of energy purchase price by around 23%-31% for the distribution operators during the January and February energy market turmoil) and to the increase by 1.2% of the electricity quantity acquired to cover the network losses, effect amounting to RON 3 million.

First quarter of the year the market has been impacted by the accelerated growth of electricity prices, +78% for the Day Ahead Market prices and around +38% for the Balancing Market compared to same period in 2016. Subsequently, some licensed energy suppliers/ traders went insolvent/ bankrupt and several energy contracts have been unilateral ceased, therefore amplifying the price increase effect.

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

Six month period ending 30 June (RON million)	2017	2016
Electricity acquired to cover network losses	313	242
Transmission and system services	142	159
Electricity purchased for supply and trading	1,077	931
Total electricity purchased	1,531	1,332

As a percentage of revenue, the cost of electricity purchased was the main cost of the Group, representing 55.4% in the six month period ending 30 June 2017 and 46.8% in the six month period ending 30 June 2016.

6.3. Green Certificates

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

The cost for the acquisition of the Green Certificates decreased by RON 25 million, or 12%, to RON 183 million in the six month period ending 30 June 2017 from RON 208 million in the six month period ending 30 June 2016.

This decrease was mainly attributable to the supplied volume decrease and the regularisation for 2016 in amount of RON 13 million, effects that are partially offset by the increase in the number of Green Certificates acquired (related to the increased quota of Green Certificates imposed to the electricity suppliers), and the price increase by 0.6%, from RON 131.74/Green Certificate in the six month period ending 30 June 2016 to RON 132.5 per Green Certificate in the six month ending 30 June 2017.

In 2017, the regulatory Green Certificates quota imposed to the electricity suppliers by ANRE increased to 0.339 Green Certificates per MWh supplied (average value between the quota of 0.320 for the first quarter and 0.358 for the second quarter) from 0.317 Green Certificates per MWh supplied for the six month period ending 30 June 2016.

As a percentage of revenue, the cost with the acquisition of Green Certificates represented 6.6% in the six month period ending 30 June 2017 and 7.3% in the six month period ending 30 June 2016.

6.4. Construction costs related to concession agreements

The costs related to concession agreements increased by RON 75 million, or 40%, to RON 259 million in the six month period ending 30 June 2017 from RON 184 million in the six month period ending 30 June 2016. This increase is attributable to the realised investments related to the Regulated Asset Base.

6.5. Salaries and other employee benefits

The expenses for salaries and employee benefits decreased by RON 1.5 million, or 0.5%, to RON 317.2 million in the six month period ending 30 June 2017 from RON 318.7 million in the six month period ending 30 June 2016, as an effect of the employees number decrease resulted from the Group activities streamlining.

As a percentage of revenue, the expenses for salaries and employee benefits represented 11.5% in the six month period ending 30 June 2017 and 11.2% in the six month period ending 30 June 2016.

6.6. Repairs, maintenance and materials

Repairs, maintenance and materials expenses increased by RON 7 million, or 29%, to RON 30 million in the six month period ending 30 June 2017 from RON 23 million in the six month period ending 30 June 2016. As a percentage of revenue, the expense for repairs, maintenance and materials represented 1% in both compared periods.

6.7. Other operating expenses

Other operating expenses increased by RON 17 million in the six month period ending 30 June 2017 compared to the six month period ending 30 June 2016, mainly due to the fact that in the dispute with Termoelectrica the court rejected the appeal filed by Electrica SA challenging the forced execution, therefore the amount of RON 26.1 million had to be paid; the effect was partially offset by lower spending from SDTN compared with 2016 when additional taxes and penalties were recorded following a tax authorities' control.

As a percentage of revenues, other operating represented 7.6% in the six month period ending 30 June 2017 and 6.7% in the six month period ending 30 June 2016.

6.8. Change in provisions, net

Change in provisions position has a negative evolution by RON 4.6 million in the six month period ending 30 June 2017 compared with the same period in 2016 mainly as a net effect of: lower revenues by RON 5.6 million from reversal of a provision related to the compensatory indemnities in respect of Electrica Serv restructuring programme compared to the first half of 2016, and booking a provision of RON 12.1 million at Electrica SA related to penalties in dispute with the tax authorities, compared to the amount of RON 23.6 million additional tax and penalties in dispute with the tax authorities registered as at 30 June 2016.

6.9. Operational profit

The operational profit decrease to RON 17.7 million, after the correction of the one-off effect related to the deconsolidation of Societatea Servicii Energetice Moldova amounting to a gain of RON 74 million (booked in H1 2016), represents a decrease of RON 308.7 million compared to the first half of 2016, mainly due to the energy margin decrease by RON 254 million as an effect of increased energy acquisition prices corroborated with a slight decrease of the corresponding revenues, higher other one-off operating expense at the headquarter in amount of RON 38 million, in relation to litigations from previous periods.

6.10. Net finance income

The net financial result at group level increased by 3% in the six month period ending 30 June 2017 compared to the similar period in 2016, due to lower finance expense.

6.11. Profit before tax

The profit before tax decreased by RON 382 million, or 94% to RON 27 million in the six month period ending 30 June 2017 from RON 409 million in the six month period ending 30 June 2016.

6.12. Income tax expense

The income tax decreased by RON 55 million, or 75%, to RON 18 million in the six month period ending 30 June 2017 from RON 73 million in the six month period ending 30 June 2016.

6.13. Net profit for the period

As a result of the factors described above, the net profit decreased by RON 328 million, or 98% to RON 8 million in the six month period ending 30 June 2017 from RON 336 million in the six month period ending 30 June 2016.

7. STATEMENT OF CASH FLOWS

In the six month period ending 30 June 2017, net cash from operating activities amounted to RON 91 million. The profit before tax for the period was RON 27 million.

The key adjustments were: adding depreciation and amortisation in the amount of RON 197 million, a net change in trade and other receivables of RON 121 million, deducting the variation of RON 168 million of restricted cash (representing guarantees) and deducting a change in trade and other payables of RON 42 million (out of which the change in employee benefits and provisions of RON 20 million). Income tax and interest paid amounted to a total of RON 20 million.

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

The key adjustments were: adding depreciation and amortisation in the amount of RON 176 million, a net change in trade and other receivables of RON 54 million, other adjustments resulting mostly from a net change in deferred revenues of RON 18 million, and deducting a change in trade and other payables of RON 120 million (out of which the change in employee benefits and provisions of RON 19 million). Income tax and interest paid amounted to a total of RON 61 million.

8. OUTLOOK

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

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

In 2017 came into force two orders approved in 2016 with a significant impact on the distribution operators:

- ANRE Order no.8 /2016 The procedure for elaboration and approval of investment programs, defining a standardized framework for carrying out the activity as well as ANRE requirements regarding the approval of investment programs
- ANRE Order 11/2016 The performance standard for electricity distribution service, providing the gradual reduction of interruption durations and obligations on automatic payment of compensation to users.

According to the schedule approved through the ANRE Decision no. 71/26.01.2017, between January 1st and October 31st 2017, the distribution operators perform a simulation of the binomial tariff application, in view of further deployment. By the end of 2017, the regulatory framework regarding the implementation of intelligent electricity metering systems is expected.

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

- Organising a centralized market for the universal service – according to ANRE Order no. 65/2014, which, beginning with the second half of 2015 aimed to implement a transparent and competitive mechanism for electricity acquisition by the suppliers of last resort for covering the consumption invoiced using the CPC tariff in the case of the universal service beneficiaries. On the background of excessive price increases in the first quarter of 2017, in particular on DAM, the suppliers of last resort have faced situations where the winning bidders, following the auction sessions organized on Universal Service Centralized Market (PCSU), have notified the unilateral denunciation of the sale/purchase contracts concluded on this market (or the cessation of electricity supplies related to them). In order to discourage such practices, ANRE completed Order 65/2014 with the provisions of the ANRE Order 13/2017, 35/2017 and 38/2017, introducing the obligation to set up financial guarantees of good execution and penalties. Further on, as a result of the situation in May, when the simultaneous auction of downstream auctions on the Universal Service Centralized Market (PCSU) was suspended until August 10, 2017, new changes to the PCSU regulatory framework are expected, so as to minimize the risk of suspension/cancellation of future auctions.
- Approval of the methodology for establishing the tariffs applied by the last resort suppliers to final customers – ANRE Order no. 92/2015, which, starting with the second semester of 2015, set out the calculation stages and principles of these tariffs, completed by ANRE Order 30/05.04.2017, as a result of atypical situations recorded during January-February 2017 on the electricity market. In the following period, the tariffs methodology applied by the suppliers of last resort will be completed according to PCSU regulatory framework the changes

Although these changes had the overall aim of converging the Romanian legislation towards EU legislation, the process has not been completed, and major changes are expected to occur in the following years in all EU countries in order to progress towards completing the Internal Energy Market. Amongst these changes, we could mention: the implementation of a harmonized set of rules across member countries, increase in regional cooperation and a more active role for consumers.

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

As the transition to clean energy changes world energy markets, on 30 November 2016 the European Commission adopted a package of measures to maintain the European Union's competitiveness, entitled "Clean Energy for All Europeans".

The new legislative proposals cover energy efficiency, renewable energy, the design of the electricity market, security of electricity supply and governance rules for the Energy Union.

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

- Through the completion of the liberalisation timetable, competition will increase at national level amongst electricity suppliers. Regulated electricity tariffs will continue to be relevant for households until January 2018 in Romania when they will be eliminated completely and the Universal Service will be available for vulnerable consumers. ANRE has submitted to public consultation and is about to approve the draft order for competitive designation of suppliers of last resort from 1 April 2018. A trend in electricity

distribution activity is remuneration of the operator which also takes into consideration the quality of their service, together with the operational costs and efficiencies.

- To sustain the green energy production and the objectives due to be met after 2020, further investments for upgrading the networks are necessary (transmission and distribution networks) for integrating the green energy production.
- Future development of technologies will support energy efficiency policies such as:
 - Development of transmission and distribution networks, including smart grid and smart metering.
 - End-use energy efficiency (thermal integrity of buildings, lighting, electric appliances, motor drives, heat pumps, etc.).
- Full electric vehicles, light commercial vehicles and electrification of railways are expected to increase the consumption of electricity in the transport sector.
- Development of the transmission and distribution infrastructure and long-distance interconnection will become a necessity. The Electricity Market Target Model, which implies the development of Europe's internal electricity market, will continue to evolve and be in line with future trends and challenges in the energy industry.
- Distributed generation technologies will force the distribution operators to adapt their practices and to offer solutions to independent producers, considering the new prosumers, which are active participants in the energy market.
- Future development of smart meters will expose consumers to time-of-use pricing, which will lead to greater flexibility and reduce peak demand. Therefore, citizens will be more informed and engaged in the decision-making process as active participants.

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

Key driver	Description	Impact on
GDP evolution and industry structure	Economic growth is a key determinant of electricity demand. Although there is not a one-to-one relationship between GDP growth rates and electricity demand growth rates, there is a positive correlation, mainly between the industrial demand for electricity and economic growth. In the future, household and industrial electricity demand will also be influenced by energy efficiency policies.	Electricity consumption
Changes in regulations	The regulatory framework has experienced major changes aiming to align Romanian legislation that of the EU. Although important steps have been taken, other major changes are expected to occur in the next decade, particularly following the Framework Strategy for a European Energy Union and of the new legislative proposals "Clean Energy for All Europeans" which highlights the need for integration and cooperation amongst member states, having as main goals: putting energy efficiency first, achieving global leadership in renewable energies and providing a fair deal for consumers. Changes of the methodology during the regulatory period, indicate a lack of predictability and stability of regulatory environment, with a negative impact on the distribution operators' operational and financial performance. For the year 2017 it is expected to continue the changing of the regulatory framework for the wholesale energy market (the green	Electricity prices

Key driver	Description	Impact on
	certificates market, the centralized market for universal service - PCSU, the competitive designation of suppliers of last resort) as well as for implementation of the intelligent measuring systems at national level.	
Technological development	Smart grids and smart meters will create benefits for end consumers, distributors and suppliers in terms of energy efficiency and smarter use of energy, through more efficient use of information.	Electricity prices and consumption
Increase in environmental awareness	Romania has adopted the EU 20-20-20 targets, aiming to reduce greenhouse gas emissions, improve energy efficiency and raise the share of renewable energy. Moreover, the 2030 Framework increases these targets and therefore more efforts are needed from governments and market players to achieve them.	Electricity prices and consumption, regulatory framework

Source: Electrica

The Strategic Plan for the period 2015-2018, reflecting the Board's vision concerning managing the activities in the stakeholders' best interest at the time, both on a long-term and a short-term basis, had been formulated following an analysis of the following areas:

- The external environment, to determine the main environmental factors affecting this industry and the key drivers that can shape the future of the electricity market;
- Industry analysis, in order to identify future trends in the energy market, assess the market attractiveness and determine the critical success factors for competing and surviving in this market and help define the desired positioning of the Group;
- Internal analysis of the Group, to assess its past and current performance (relative to other market players).

Based on the above analysis, the Board has formulated the corporate and business strategies of Electrica with respect to the Group, and has set out the strategic objectives and the action plan with measures that the Board intends to undertake.

Electrica's corporate strategic directions with respect to the Group are the following:

- Preserve and enlarge the distribution and supply segments in Romania.
- Explore potential opportunities to expand the distribution and supply segments in the region.
- Enlarge the portfolio of the business, by developing "value-added services" related to distribution and supply activities, which can be offered to customers.
- Divest the unprofitable business segments and activities.

Electrica Group's business strategy addresses three key success factors in its implementation:

- operational excellence for efficiency and quality
- ensuring a committed and qualified workforce
- the highest standards in corporate governance.

The strategic action plans defined by the Electrica Board:

1. Overall financial performance of the Group
2. Excellence in financial processes management
3. Overall operational performance of the Group
4. Quality of services provided
5. Employees' productivity and support of their development
6. Implementation by the subsidiaries of the distribution segment investment programme
7. Corporate Governance and enhancement of our sustainability profile

Under the action plan, Electrica strives to:

- Restructure its activities in all Group companies with a view to address all seven strategic objectives
- Support and ensure implementation by the subsidiaries of the distribution investment plan.
- Increase transparency and communication with all stakeholders.
- Identify and implement measures aimed to reduce headcount to achieve peers' performance.
- Train the personnel and capitalise on their potential, expertise and capabilities to increase labor productivity.
- Reinforce the Group's management capabilities by training, coaching and selective recruitment of new managers, also from outside the Group.
- Continue the implementation of the Corporate Governance Action Plan agreed with EBRD.

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

9. RISK MANAGEMENT

Due to the complexity of the activities performed, Electrica S. A. may face risks stemming both from the internal and external environment, and the manner by which these risks will be addressed and managed, shows a major importance for the management of the company.

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

In the first semester of 2017 have been made important steps in order to develop the system of risk management according to the standard SR ISO 31000:2010 "Risk Management – Principles and guidelines". Thus, Electrica S.A.'s Board of Directors approved: Criteria for Risks Assessment, Risk Management Policy, and Principles of Credit Risk in the BRP's activity.

For the following period, it is envisaged to continue developing the risk management system according to international standards and best practices in the field, aligned with the organizational transformation program undertaken at the level of Electrica.

10. SUBSEQUENT EVENTS

There were no significant events subsequent to June 30, 2017.

11. Concluded Contracts reported according to art. 82 of Law 24/2017

In the first semester of 2017, there were not concluded contracts to be reported according to art. 82 of Law 24/2017 (previously art. 225 of Law 297/2004, annuled).

12. CAPITAL EXPENDITURES

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

Electrica's capital expenditures in the six month period ending 30 June 2017 and 30 June 2016 amounted to RON 232 million and RON 196 million, respectively.

The investments in the distribution network increased by RON 72 million, or 39%, to RON 256 million in the six month period ending 30 June 2017 from RON 184 million in the six month period ending 30 June 2016.

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

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

13. STATEMENTS

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the six month period ended June 30, 2017 give a true and fair view of Electrica Group's assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Half Year Report gives a true and fair view of important events that have occurred during the first six months of the financial year 2017 and their impact on the interim condensed consolidated financial statements, and a description of the principal risks and uncertainties.

**Chairman of the Board of Directors,
Cristian Busu**

**CEO,
Catalin Stancu**

**CFO,
Iuliana Andronache**



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

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

SDTS

- Replacement of power transformers MV/LV transformer with low loss – 11,471 th RON
- Automatic Distribution System modernization of PA - PT stage three – 7,026 th RON
- Replacement of power transformers HV/MV transformer with low loss – 4,817 th RON
- Modernization of the supply installations with electricity in housing blocks within SDEE Brasov - 3,118 th RON
- Switching to 20 kV LEA (electric air line) 6 kV Zarnesti and increasing security level in power supply Magura, Pestera zone, Brasov county - Object 1 - 2,620 th RON
- Improvement of voltage levels of LEA LV Bretcu zone, county Covasna - 2,418 th RON
- Modernization and increasing security level of 110/20/10 kV Baraj substation, county Mures - 2,246 th RON
- Modernization of cells (high voltage) in electrical substations of transformation - 1,981 th RON
- Increasing security level 110/20 kV Intorsura Buzaului substation, county Covasna - 1,944 th RON
- Modernization LEA 0,4 LV and electrical installations, Budila zone, county Brasov - 1,565 th RON
- Decentralization LEA MV, reconductorare LEA LV and modernization, secure electrical connections, Mandra zone, county Brasov - 1,560 th RON
- Modernization of 110/20/6 kV Predeal substation and switching to 20 kV RED Predeal zone - Objects 2: Switching to 20 kV RED Predeal zone, county Brasov - 1,486 th RON
- Improvement of voltage levels and modernization LEA LV Rausor, Mandra zone, county Brasov - 1,431 th RON
- Modernization LEA LV Blajel zone , county Sibiu - 1,248 th RON
- Improvement of voltage levels and modernization electrical distribution networks Trei Stejari zone, county Sibiu - 1,231 th RON
- Increasing security level in electricity supply LEA MV, 110/20/6 kV ICA Ghimbav substation, county Brasov - 1,223 th RON
- Modernization LEA LV, Jimbor zone, county Brasov - 1,205 th RON
- Improvement of voltage levels and modernization LEA LV Sarosu pe Tarnave zone, county Sibiu - 1,177 th RON
- Modernization of 110/20/6 kV Predeal substation and switching to 20 kV RED Predeal - Objects 1 and 3, Brasov county - 1,107 th RON
- Modernization LEA LV Borosneul Mare, PTa 1, PTz 2, PTa 3 zone, county Covasna - 1,085 th RON
- Improvement of voltage levels and modernization LEA LV , Apoldu de Sus zone, county Sibiu - 1,076 th RON
- Improvement of voltage levels and modernization LEA LV, Recea zone, county Brasov - 1,054 th RON
- Improvement of voltage levels and modernization LEA LV, CE Reghin (Petelea, Rapa de Jos), zone, county Mures - 1,054 th RON
- Improvement of voltage levels and modernization LEA LV, Hoghilag zone, county Sibiu - 1,0423 th RON

- Modernization of the supply installations with electricity in housing blocks SDEE Harghita - 1,022 th RON
- Modernization LEA LV, Crihalma zone, county Brasov - 1,018 th RON

SDTN

- Change of low-voltage conductors SDEE TN (42 works) - 5,694 th RON
- Increasing supply safety for users connected in the transformation stations of 110/MV Beclean - 3,393 th RON
- Modernization and systematization of transformer station 110/20kV CET 2 - stage I - 3,133 th RON
- Replacement of MV/LV transformers in SDEE TN transformation stations - 2,993 th RON
- Replacement of 110/MV power transformer with low losses transformers SDEE TN –2,764 th RON
- Modernization of the transformation station 110/35/20/10/6kV Baia Mare 1 - 2,244 th RON
- Modernization 110/6 KV Glade station and creation of the 20kV bar - 2,007 th RON
- Increasing supply safety for users connected in the transformation stations of 110/MV Somcuta - 1,761 th RON
- SCADA stage III and IV - preparation and integration of 110 kV Stations - 1,735 th RON
- Switching to 20 kV Sasar neighborhood, Baia Mare - Stage 3 and Stage 4 - 1,529 th RON
- Increase safety in electricity supply for consumers in Salonta - 1,455 th RON
- Modernization of low voltage networks in the city of Salonta - 1,114 th RON
- Modernization of 110 KV cells in SDEE TN electricity transformation stations - 1,109 th RON
- Increased security in electricity supply for South Station Airport Oradea - 1,054 th RON

SDMN

- Distribution Distribution Automation System for M.T. In Distribution Branches within the SDEE MN, st. - V-a- vol 2 (Buzau, Ploiesti) – 17,621 th RON
- Modernization of aerial workstation equipment (PTA) within SDEE MN st 1- 5,957 th RON
- Replacement power transformers 110 / MT with low loss transformers – 5,941 th RON
- First Emergency Works - Rehabilitation works for electricity distribution installations affected by weather phenomena during the period 19.04.2017 – 22.04.2017, Galati – 4,965 th RON
- Independent equipments (including work safety equipments) – 3,465 th RON
- Acquisition and installation of electricity meters - 2,661 th RON
- Distribution Distribution Automation System for M.T. In Distribution Branches within the SDEE MN, st. - V-a- vol 1 (Braila, Focsani, Galati) – 2,575 th RON
- Modernization 110kV disconnectors in transformation stations SDEE MN 2,487 th RON
- Capitalization of maintenance works – 1,852 th RON
- VKLF / VKLS insulation replacement for simple metal and concrete pillars mounted on 110 kV LEA routes from SDEE MN 106 zones (83 zones on metal poles and 23 zones on concrete poles) – 1,640 th RON
- Modernization - Improving voltage level consumers Buzau Sud area - Galbinasi – 1,019 th RON

During the first half of 2017, the largest transfers from constructions in progress to property, plant and equipment are the result of setting into operation the following investment objectives:

SDTS

- Replacement of power transformers MV/LV transformer with low loss – 10,842 th RON

- Replacement of power transformers HV/MV transformer with low loss – 3,857 th RON
- Automatic Distribution System modernization of PA - PT stage three – 2,886 th RON
- Improvement of voltage levels of LEA LV Bretcu zone, county Covasna - 2,458 th RON
- Improvement of voltage levels and modernization LEA LV, PTa 2 Bran and PTa 1, 2, 3, 4, Sohodol zone, county Brasov - 1,678 th RON
- Improvement of voltage levels LEA LV, Belin zone, county Covasna - 1,631 th RON
- Improvement of voltage levels and modernization LEA LV Rausor, Mandra zone, county Brasov – 1,566 th RON
- Improvement of voltage levels and modernization LEA LV, Sinca Veche – Sinca zone, county Brasov – 1,394 th RON
- Modernization LEA LV, Borosneul Mare, PTa 1, PTz 2, PTa 3 zone, county Covasna - 1,153 th RON
- Improvement of voltage levels, modernization LEA LV and electrical installations, Granari zone, county Brasov - 1,067 th RON

SDTN

- Replacement of power transformer 110 / MV with low loss SDEE TN - 4,418 th RON
- Consumer transfer from the CET 1 station at Crisul Oradea station - 2,691 th RON
- Increasing the electricity distribution capacity at 20kV of the 110/20/10kV Campului Station - 2,339 th RON
- Electricity distribution automatization - modernization of Transformation Points in Bistrita - 1,649 th RON
- SCADA stage III - preparations for SCADA integration of 15 stations - 1,639 th RON
- Modernization and systematization of 110/20kV transformer station CET 2 - stage I - 1,613 th RON
- Modernization of overhead electric lines of 20kV Simleu - Suplac (between Station 115 and Suplac Cell) - 1,448 th RON
- Smart Metering pilot project at Zalau 2016, Simleu Silvaniei town - 1,375 th RON
- Increasing the electricity distribution capacity at 20 kV, in 110/20/6kV Velenta transformer station - 1,366 th RON
- Increasing operation safety for overhead electric lines of 20 KV between the Carpathian-Rosiori Station and the Carpathian Station - Draga Petin - 1,357 th RON
- SCADA stage IV - integration into SCADA of 14 stations - 1,103 th RON

SDMN

- Distribution Distribution Automation System for MT In Distribution Branches within the SDEE MN, st. - V-a- vol 2 (Buzau, Ploiesti) – 14,882 th RON
- Replacement power transformers 110 / MT with low loss transformers – 5,934 th RON
- Modernization of aerial workstation equipment (PTA) within SDEE MN st 1- 4,262 th RON
- Independent equipments (including inclusiv Work safety equipments) – 3,465 th RON
- Acquisition and installation of electricity meters - 2,661 th RON
- Capitalization of maintenance works – 1,526 th RON
- Modernization and integration in SCADA power transformer station 110 kV Pastarnacu, Prahova County – 1,002 th RON