SOCIETATEA ENERGETICA ELECTRICA S.A.

Condensed Consolidated Interim Financial Information

31 March 2017

Contents

Condensed consolidated statement of financial position **1**

Condensed consolidated statement of profit or loss **3**

Condensed consolidated statement of comprehensive income **4**

Condensed consolidated statement of changes in equity **5**

Condensed consolidated statement of cash flows **7**

Notes to the condensed consolidated interim financial information

1. Reporting entity and general information 9
2. Basis of accounting 10
3. Basis of measurement 11
4. Significant accounting policies 11
5. Operating segments 12
6. Revenue 16
7. Other income 17
8. Electricity purchased 17
9. Earnings per share 17
10. Income taxes 18
11. Trade receivables 18
12. Cash and cash equivalents 19
13. Deposits, treasury bills and government bonds 19
14. Other payables 20
15. Bank borrowings 20
16. Financial instruments - fair values 21
17. Related parties 23
18. Subsidiaries in financial distress 25

SOCIETATEA ENERGETICA ELECTRICA S.A.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

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

	Note	31 March 2017 (unaudited and not reviewed)	31 December 2016
ASSETS			
Non-current assets			
Intangible assets related to concession arrangements		3,916,636	3,910,388
Other intangible assets		16,715	17,218
Property, plant and equipment		690,787	701,962
Restricted cash	12	289,326	134,492
Deferred tax assets		39,616	39,668
Other non-current assets		1,706	1,741
Total non-current assets		**4,954,786**	**4,805,469**
Current assets			
Trade receivables	11	726,818	777,989
Other receivables		19,023	20,030
Cash and cash equivalents	12	635,839	888,841
Deposits, treasury bills and government bonds	13	1,805,610	1,875,054
Inventories		26,251	22,750
Prepayments		14,568	5,635
Income tax receivable		2,384	2,385
Total current assets		**3,230,493**	**3,592,684**
Total assets		**8,185,279**	**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		102,976	104,681
Legal reserves		302,236	302,236
Retained earnings		1,390,285	1,429,908
Total equity attributable to the owners of the Company		**5,642,560**	**5,683,888**
Non-controlling interests		826,710	836,599
Total equity		**6,469,270**	**6,520,487**

(Continued on page 2)

SOCIETATEA ENERGETICA ELECTRICA S.A.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

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

	Note	31 March 2017 (unaudited and not reviewed)	31 December 2016
Liabilities			
Non-current liabilities			
Financing for network construction related to concession agreements		33,797	41,617
Deferred tax liabilities		199,555	195,689
Employee benefits		191,610	192,965
Other payables	14	41,050	44,921
Long-term bank borrowings	15	271,890	127,733
Total non-current liabilities		**737,902**	**602,925**
Current liabilities			
Financing for network construction related to concession agreements		69,226	85,513
Short term bank borrowings	15	7,000	-
Bank overdrafts		173,527	142,626
Trade payables		462,985	722,830
Other payables	14	128,227	160,890
Deferred revenue		4,650	4,415
Employee benefits		63,439	83,972
Provisions		61,835	62,407
Current income tax liability		7,218	12,088
Total current liabilities		**978,107**	**1,274,741**
Total liabilities		**1,716,009**	**1,877,666**
Total equity and liabilities		**8,185,279**	**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

SOCIETATEA ENERGETICA ELECTRICA S.A.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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

		Three month period ended	
	Note	**31 March 2017 (unaudited and not reviewed)**	**31 March 2016 (unaudited and not reviewed)**
Revenues	6	1,388,932	1,399,860
Other income	7	54,798	117,644
Electricity purchased	8	(952,269)	(760,349)
Green certificates		(90,586)	(110,541)
Construction costs related to concession agreements		(90,369)	(74,450)
Employee benefits		(149,340)	(160,816)
Repairs, maintenance and materials		(13,953)	(7,680)
Depreciation and amortization		(97,394)	(87,578)
Reversal of impairment of property, plant and equipment, net		746	-
Impairment of trade and other receivables, net		(286)	(122)
Change in provisions, net		572	(48,721)
Other operating expenses		(97,753)	(97,042)
Operating (loss)/profit		**(46,902)**	**170,205**
Finance income		7,993	9,180
Finance costs		(2,119)	(2,950)
Net finance income		**5,874**	**6,230**
(Loss)/Profit before tax		**(41,028)**	**176,435**
Income tax expense	10	(10,189)	(34,630)
(Loss)/Profit for the period		**(51,217)**	**141,805**
(Loss)/Profit for the period attributable to:			
- owners of the Company		(41,328)	117,983
- non-controlling interests		(9,889)	23,822
(Loss)/Profit for the period		**(51,217)**	**141,805**
Earnings per share			
Basic and diluted earnings per share (RON)	9	**(0.12)**	**0.35**

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 S.A.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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

	Three month period ended	
	31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
(Loss)/Profit for the period	**(51,217)**	**141,805**
Other comprehensive income	-	-
Total comprehensive (loss)/ income	**(51,217)**	**141,805**
Total comprehensive (loss)/income attributable to:		
- owners of the Company	(41,328)	117,983
- non-controlling interests	(9,889)	23,822
Total comprehensive (loss)/income	**(51,217)**	**141,805**

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 S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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

		Attributable to the owners of the Company									
	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Legal reserves	Retained earnings	Total	Non-controlling interests	Total equity
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											
Loss for the period (unaudited and not reviewed)		-	-	-	-	-	-	(41,328)	(41,328)	(9,889)	(51,217)
Total comprehensive loss		-	-	-	-	-	-	**(41,328)**	**(41,328)**	**(9,889)**	**(51,217)**
Other changes in equity (unaudited and not reviewed)											
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(1,705)	-	1,705	-	-	-
Balance at 31 March 2017 (unaudited and not reviewed)		**3,814,242**	**103,049**	**(75,372)**	**5,144**	**102,976**	**302,236**	**1,390,285**	**5,642,560**	**826,710**	**6,469,270**

(Continued on page 6)

SOCIETATEA ENERGETICA ELECTRICA S.A.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

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

		Attributable to the owners of the Company									
	Note	Share capital	Share premium	Treasury shares reserve	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016		**3,814,242**	**103,049**	**(75,372)**	**2,862**	**140,358**	**273,899**	**1,354,595**	**5,613,633**	**828,957**	**6,442,590**
Comprehensive income											
Profit for the period (unaudited and not reviewed)		-	-	-	-	-	-	117,983	117,983	23,822	141,805
Total comprehensive income		-	-	-	-	-	-	**117,983**	**117,983**	**23,822**	**141,805**
Other changes in equity (unaudited and not reviewed)											
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(2,643)	-	2,643	-	-	-
Loss of control over subsidiaries in financial distress	18	-	-	-	-	(6,426)	-	6,426	-	-	-
Balance at 31 March 2016 (unaudited and not reviewed)		**3,814,242**	**103,049**	**(75,372)**	**2,862**	**131,289**	**273,899**	**1,481,647**	**5,731,616**	**852,779**	**6,584,395**

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

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
Cash flows from operating activities			
(Loss)/Profit for the period		(51,217)	141,805
Adjustments for:			
Depreciation		11,945	11,749
Amortisation		85,449	75,829
Reversal of impairment of property, plant and equipment, net		(746)	-
Gain on disposal of property, plant and equipment		-	(172)
Impairment of trade and other receivables, net		286	122
Change in provisions, net		(572)	48,721
Net finance income		(5,874)	(6,230)
Gain on loss of control over subsidiaries in financial distress	18	-	(73,693)
Income tax expense	10	10,189	34,630
		49,460	**232,761**
Changes in :			
Trade receivables		16,789	(11,247)
Other receivables		6,969	(5,627)
Deposits, treasury bills and government bonds		6,022	2,022
Prepayments		(8,933)	(3,714)
Green certificates		-	(6,069)
Restricted cash		(154,834)	-
Inventories		(3,501)	(2,514)
Trade payables		(180,837)	(48,986)
Other payables		(34,611)	14,529
Employee benefits		(21,888)	(14,300)
Deferred revenue		235	26,058
Cash (used in)/generated from operating activities		**(325,129)**	**182,913**
Interest paid		(525)	(1,297)
Income tax paid		(12,088)	(35,198)
Net cash (used in)/from operating activities		**(337,742)**	**146,418**

(Continued on page 8)

SOCIETATEA ENERGETICA ELECTRICA S.A.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017
(All amounts are in THOUSAND RON, if not otherwise stated)

	Note	Three month period ended	
		31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(439)	(25,212)
Payments for network construction related to concession agreements		(134,579)	(154,682)
Proceeds from sale of property, plant and equipment		415	849
Purchase of treasury bills and government bonds	13	(295,550)	(452,530)
Proceeds from maturity of treasury bills and government bonds	13	267,895	358,687
Increase in deposits with maturity of 3 months or longer		(20,000)	(28,164)
Proceeds from deposits with maturity of 3 months or longer		104,700	76,286
Effect of loss of control over subsidiaries on cash		-	(1,609)
Interest received		6,377	6,628
Net cash used in investing activities		**(71,181)**	**(219,747)**
Cash flows from financing activities			
Proceeds from long term bank loans		144,157	-
Proceeds from short term bank loans		10,000	-
Repayment of short term bank borrowings		(3,000)	(52,621)
Repayment of financing for network construction related to concession agreements		(26,137)	(21,739)
Net cash from/(used in) financing activities		**125,020**	**(74,360)**
Net decrease in cash and cash equivalents		**(283,903)**	**(147,689)**
Cash and cash equivalents at 1 January		746,215	827,529
Cash and cash equivalents at 31 March	12	**462,312**	**679,840**

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

The non-cash transactions are disclosed in Note 12.

General Manager
Dan Catalin Stancu

Finance Manager
Iuliana Andronache

1 Reporting entity and general information

This financial information is the condensed consolidated interim financial information of Societatea Energetica Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group") as at and for the three month period ended 31 March 2017. During 2016 the Company changed its name from Societatea de Distributie si Furnizare a Energiei Electrice Electrica S.A. to Societatea Energetica Electrica S.A.

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

As at 31 March 2017 the main shareholder of Societatea Energetica Electrica S.A. is the Romanian State, represented by the Ministry of Energy (48.78%), after the ownership dilution following an initial public offer in July 2014. The second largest shareholder based on the share of ownership is EBRD with 8.66%.

The Company's subsidiaries are the following:

Subsidiary	Activity	Tax code	Head Office	% shareholding as at 31 March 2017	% shareholding as at 31 Dec 2016
Societatea de Distributie a Energiei Electrice Muntenia Nord SA	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	78.0000021%	78.0000021%
Societatea de Distributie a Energiei Electrice Transilvania Nord SA	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	77.99999%	77.99999%
Societatea de Distributie a Energiei Electrice Transilvania Sud SA	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	78.0000019%	78.0000019%
Electrica Furnizare SA	Electricity Supply	28909028	Bucuresti	77.99997%	77.99997%
Electrica Serv SA	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%	100%
Servicii Energetice Muntenia SA (in reorganization)	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%	100%
Servicii Energetice Oltenia SA (in reorganization)	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 18). As of this date the Group ceased to consolidate this company.*

The main activities of the Group include operation and construction 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 electricity distribution tariffs approved by National Authority for Energy Regulation ("ANRE") are as follows (RON/MWh, presented cumulatively for medium and low voltage):

	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 adopted 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 11 May 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.

5 Operating segments

(a) Information about reportable segments

Three month period ended 31 March 2017 (unaudited and not reviewed)	**Electricity supply**	**Electricity distribution**	**External electricity network maintenance**	**Headquarter**	**Total for reportable segments**	**Consolidation eliminations and adjustments**	**Consolidated total**
External revenues	1,131,143	251,052	6,737	-	1,388,932	-	**1,388,932**
Inter-segment revenue	65,964	331,845	-	-	397,809	(397,809)	**-**
Segment revenue	**1,197,107**	**582,897**	**6,737**	**-**	**1,786,741**	**(397,809)**	**1,388,932**
Segment profit (loss) before tax	**(53,563)**	**6,795**	**2,047**	**3,693**	**(41,028)**	**-**	**(41,028)**
Net finance income (cost)	331	(1,682)	1	7,224	**5,874**	**-**	**5,874**
Depreciation, amortization and impairment, net	(3,204)	(92,756)	(227)	(461)	**(96,648)**	**-**	**(96,648)**
EBITDA*	(50,690)	101,233	2,273	(3,070)	**49,746**	**-**	**49,746**
Segment net profit (loss)	(53,616)	(3,341)	2,047	3,693	**(51,217)**	**-**	**(51,217)**
Employee benefits	(18,903)	(120,192)	(5,648)	(4,597)	**(149,340)**	**-**	**(149,340)**
Capital expenditure	728	90,450	-	-	**91,178**	**-**	**91,178**
Three month period ended 31 March 2016 (unaudited and not reviewed)							
External revenues	1,168,895	223,944	7,021	-	1,399,860	-	**1,399,860**
Inter-segment revenue	22,634	322,192	2,651	-	347,477	(347,477)	**-**
Segment revenue	**1,191,529**	**546,136**	**9,672**	**-**	**1,747,337**	**(347,477)**	**1,399,860**
Segment profit (loss) before tax	**55,261**	**74,065**	**72,272**	**(25,163)**	**176,435**	**-**	**176,435**
Net finance income	401	3,161	8	2,660	**6,230**	-	**6,230**
Depreciation, amortization and impairment, net	(2,506)	(82,702)	(1,027)	(1,343)	**(87,578)**	-	**(87,578)**
Gain on loss of control over subsidiaries	-	-	73,693	-	**73,693**		**73,693**
EBITDA*	57,366	153,606	73,291	(26,480)	**257,783**	-	**257,783**
Segment net profit (loss)	43,823	50,811	72,334	(25,163)	**141,805**	-	**141,805**
Employee benefits	(18,204)	(132,782)	(5,722)	(4,108)	**(160,816)**	-	**(160,816)**
Capital expenditure	1,464	80,623	-	-	**82,087**	-	**82,087**

At 31 March 2017 (unaudited and not reviewed)	**Electricity supply**	**Electricity distribution**	**External electricity network maintenance**	**Headquarter**	**Total for reportable segments**	**Consolidation eliminations and adjustments**	**Consolidated total**
Segment assets	**1,003,983**	**5,118,051**	**149,788**	**2,203,593**	**8,475,415**	**(290,136)**	**8,185,279**
Trade and other receivables	602,168	425,538	34,791	-	**1,062,497**	(316,656)	**745,841**
Cash and cash equivalents	311,513	220,235	15,496	88,595	**635,839**	-	**635,839**
Restricted cash	-	-	-	289,326	**289,326**	-	**289,326**
Deposits, treasury bills and government bonds	-	-	-	1,805,610	**1,805,610**	-	**1,805,610**
Trade and other payables and short term employee benefits	626,131	278,190	76,841	9,844	**991,006**	(305,565)	**685,441**
Bank overdrafts	-	173,527	-	-	**173,527**	-	**173,527**
Financing for network construction related to concession agreements and bank loans	-	381,913	-	-	**381,913**	-	**381,913**
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**

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

Three month period ended 31 March 2017 (unaudited and not reviewed)	**Distribution Muntenia Nord**	**Distribution Transilvania Nord**	**Distribution Transilvania Sud**	**Electricity network maintenance**	**Eliminations**	**Total Electricity distribution**
External revenues	69,376	87,057	88,110	6,509	-	**251,052**
Inter-segment revenue	112,159	104,670	112,105	58,858	(55,947)	**331,845**
Segment revenue	**181,535**	**191,727**	**200,215**	**65,367**	**(55,947)**	**582,897**
Segment profit (loss) before tax	**(18,437)**	**14,831**	**15,673**	**(5,273)**	**1**	**6,795**
Net finance income/(cost)	(273)	(288)	(1,075)	(46)	-	**(1,682)**
Depreciation, amortization and impairment, net	(27,683)	(31,983)	(31,563)	(2,630)	1,103	**(92,756)**
EBITDA*	9,519	47,102	48,311	(2,597)	(1,102)	**101,233**
Net profit	(18,790)	11,317	9,405	(5,273)	-	**(3,341)**
Employee benefits	(33,127)	(28,560)	(27,995)	(32,286)	1,776	**(120,192)**
Capital expenditure	23,213	34,851	32,305	81	-	**90,450**
Three month period ended 31 March 2016 (unaudited and not reviewed)						
External revenues	68,581	84,305	63,258	7,800	-	**223,944**
Inter-segment revenue	120,690	115,240	122,307	70,487	(106,532)	**322,192**
Segment revenue	**189,271**	**199,545**	**185,565**	**78,287**	**(106,532)**	**546,136**
Segment profit (loss) before tax	**19,018**	**14,549**	**42,037**	**(1,539)**	**-**	**74,065**
Net finance income/(cost)	2,137	434	740	(150)	-	**3,161**
Depreciation, amortization and impairment, net	(22,800)	(27,889)	(28,572)	(3,441)	-	**(82,702)**
EBITDA*	39,681	42,004	69,869	2,052	-	**153,606**
Net profit	16,332	5,351	32,033	(2,905)	-	**50,811**
Employee benefits	(33,568)	(26,498)	(25,166)	(47,550)	-	**(132,782)**
Capital expenditure	27,673	37,267	15,380	303	-	**80,623**

At 31 March 2017 (unaudited and not reviewed)	**Distribution Muntenia Nord**	**Distribution Transilvania Nord**	**Distribution Transilvania Sud**	**Electricity network maintenance**	**Eliminations**	**Total Electricity distribution**
Segment assets	**1,673,246**	**1,536,426**	**1,517,874**	**444,904**	**(54,399)**	**5,118,051**
Trade and other receivables	130,783	126,017	134,101	89,036	(54,399)	**425,538**
Cash and cash equivalents	123,939	12,291	79,922	4,083	-	**220,235**
Trade and other payables and short term employee benefits	80,459	88,827	103,840	59,463	(54,399)	**278,190**
Bank overdrafts	-	129,737	43,790	-	-	**173,527**
Financing for network construction related to concession agreements and bank loans	105,232	125,066	144,615	7,000	-	**381,913**
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.

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

	31 March 2017 (unaudited and not reviewed)	31 December 2016
Total assets		
Total assets for reportable segments	8,475,415	8,733,467
Elimination of inter-segment assets	(329,752)	(373,733)
Unallocated amounts	39,616	38,419
Consolidated total assets	**8,185,279**	**8,398,153**
Trade and other receivables		
Trade and other receivables for reportable segments	1,062,497	1,238,096
Elimination of inter-segment trade and other receivables	(316,656)	(438,828)
Unallocated amounts	-	(1,249)
Consolidated trade and other receivables	**745,841**	**798,019**
Trade and other payables and short term employee benefits		
Trade and other payable and short term employee benefits for reportable segments	991,006	1,351,950
Elimination of inter-segment trade and other payables and short term employee benefits	(305,565)	(348,348)
Unallocated amounts	-	(1,249)
Consolidated trade and other payables and short term employee benefits	**685,441**	**1,002,353**

6 Revenue

	Three month period ended	
	31 March 2017 (unaudited and not reviewed)	31 March 2016 (unaudited and not reviewed)
Supply and distribution of electricity	1,277,235	1,302,171
Construction revenue related to concession agreements	92,111	76,162
Repairs and maintenance and other services rendered	13,813	17,677
Re-connection fees	2,121	2,353
Sales of merchandise	3,652	1,497
Total	**1,388,932**	**1,399,860**

7 Other income

	Three month period ended	
	31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
Rent income	22,232	22,502
Late payment penalties from customers	6,085	2,548
Commissions for the collection of radio and TV taxes	2,153	3,549
Gain on loss of control over subsidiaries (Note 18)	-	73,693
Other	24,328	15,352
Total	**54,798**	**117,644**

8 Electricity purchased

The cost of the electricity purchased increased in the three month period ended 31 March 2017, due to the significant increase in prices on the Romanian electricity market mainly in January and February months 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 or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Profit or loss attributable to ordinary shareholders

	Three month period ended	
	31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
(Loss)/Profit for the period attributable to the owners of the Company	(41,328)	117,983
(Loss)/Profit attributable to ordinary shareholders	**(41,328)**	**117,983**

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

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

The weighted average number of outstanding ordinary ordinary shares (unaudited and not reviewed) as at 31 March 2017 is 339,049,336 (31 March 2016: 339,049,336).

Earnings per share	**Three month period ended**	
	31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
Basic and diluted earnings per share (RON per share)	**(0.12)**	**0.35**

10 Income taxes

	Three month period ended	
	31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
Current year tax expense	7,270	24,390
Deferred tax expense	2,919	10,240
Total income tax expense	**10,189**	**34,630**

11 Trade receivables

	31 March 2017 (unaudited and not reviewed)	**31 December 2016**
Trade receivables, gross	1,855,208	1,906,093
Bad debt allowance	(1,128,390)	(1,128,104)
Total trade receivables, net	**726,818**	**777,989**

Receivables from related parties are disclosed in Note 17.

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

12 Cash and cash equivalents

	31 March 2017 (unaudited and not reviewed)	31 March 2016 (unaudited and not reviewed)
Total cash and cash equivalents in the condensed consolidated statement of financial position	**635,839**	**799,979**
Overdrafts used for cash management purposes	(173,527)	(120,139)
Total cash and cash equivalents in the condensed consolidated statement of cash flows	**462,312**	**679,840**

As at 31 March 2017, Electrica SA has guarantees in the form of collateral deposits at BRD - Groupe Societe Generale on the withdrawals account made by Societatea de Distributie a Energiei Electrice Transilvania Sud and Societatea de Distributie a Energiei Electrice Transilvania Nord. The amount of the collateral deposits as at 31 March 2017 is RON 289,326 thousands (31 December 2016: RON 134,492 thousands) presented as long-term restricted cash. Refer also to Note 15.

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 34 million during the three month period ended 31 March 2017 (three month period ended 31 March 2016: RON 19 million).

During the three month period ending 31 March 2017, the Group made payments related to property, plant and equipment acquired in the prior periods, in amount of RON 135 million.

13 Deposits, treasury bills and government bonds

	31 March 2017 (unaudited and not reviewed)	31 December 2016
Treasury bills and government bonds denominated in RON with original maturity of more than three months	1,780,986	1,757,746
Deposits with maturity of more than three months	24,624	117,308
Total deposits, treasury bills and government bonds	**1,805,610**	**1,875,054**

Treasury bills and government bonds with original maturity of more than three months have an average interest rate (yield) of 0.63%.

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

14 Other payables

	31 March 2017 (unaudited and not reviewed)		31 December 2016	
	Current	**Non-current**	**Current**	**Non-current**
VAT payable	70,370	-	85,346	-
Liabilities to the State	31,182	-	29,837	-
Payables related to radio and TV tax	363	-	9,981	-
Liabilities related to green certificates acquisition obligation	-	-	13,980	-
Other liabilities	26,312	41,050	21,746	44,921
Total	**128,227**	**41,050**	**160,890**	**44,921**

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

15 Bank borrowings

a) Short-term bank borrowings

In September 2015 Electrica Serv contracted a loan from OTP Bank Romania of RON 20,000 thousand in order to finance the subsidiary's payables. 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 31 March 2017 is RON 7,000 thousand (31 December 2016: nil).

b) Long-term bank borrowings

	31 March 2017 (unaudited and not reviewed)	31 December 2016
Long-term bank borrowings	271,890	127,733
Total	**271,890**	**127,733**

On 17 October 2016 the Company's distribution subsidiaries (Societatea de Distribuție a Energiei Electrice Transilvania Sud, Societatea de Distribuție a Energiei Electrice Muntenia Nord and Societatea de Distribuție a Energiei Electrice Transilvania Nord) concluded loan contracts with BRD – Groupe Societe Generale, in which Electrica SA has the quality of guarantor.

The Group has long-term bank borrowings from BRD as follows:

Beneficiary	Facility type	Maturity	Limit (th RON)	Balance at 31 March 2017 (unaudited and not reviewed)	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	until 16 October 2021	80,000	62,564	-
Societatea de Distributie a Energiei Electrice Transilvania Nord	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	until 16 October 2021	114,000	114,000	95,502
Societatea de Distributie a Energiei Electrice Transilvania Sud	term loan, non-revolving facility, financing the treasury deficit generated by the investment activity	until 16 October 2021	126,000	95,326	32,231
Total			**320,000**	**271,890**	**127,733**

16 Financial instruments – fair values

(a) Accounting classifications and fair values

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

	Carrying amount				Fair value			
31 March 2017 (unaudited and not reviewed)	**Loans and receivables**	**Held to maturity financial assets**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value								
Trade receivables	726,818			726,818				
Deposits, treasury bills and government bonds		1,805,610		1,805,610				
Cash and cash equivalents	635,839			635,839				
Restricted cash	289,326			289,326				
Total	**1,651,983**	**1,805,610**		**3,457,593**				

Financial liabilities not measured at fair value								
Bank overdrafts			173,527	173,527				
Long term bank loans			271,890	271,890				
Short term bank borrowings			7,000	7,000				
Financing for network construction related to concession agreements			103,023	103,023		104,881		104,881
Trade payables			462,985	462,985				
Total			**1,018,425**	**1,018,425**				

	Carrying amount				**Fair value**			
31 December 2016	**Loans and receivables**	**Held to maturity financial assets**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets not measured at fair value								
Trade receivables	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**				
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	*Discounted cash flows (DCF) method* The discount rates used are the average 12 M ROBID-ROBOR interest rates of 0.98% as at 31 March 2017 (31 December 2016: 0.98%).

17 Related parties

(a) Management and administrators' compensation

	Three month period ended	
	31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
Executive Management compensation	1,264	876

Executive management compensation refers to the managers with mandate contract, which are the General Managers of each subsidiary and the managers of Electrica SA.

Compensations granted to the members of the Board of Directors were as follows:

	Three month period ended	
	31 March 2017 (unaudited and not reviewed)	**31 March 2016 (unaudited and not reviewed)**
Members of Board of Directors	**782**	**693**

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

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

	Purchases (excluding VAT)		Balance (including VAT)	
Supplier	**Three month period ended 31 March 2017 (unaudited and not reviewed)**	**Three month period ended 31 March 2016 (unaudited and not reviewed)**	**31 March 2017 (unaudited and not reviewed)**	**31 December 2016**
Nuclearelectrica	113,896	128,606	35,402	30,893
Transelectrica	357,683	189,972	82,440	141,474
Complexul Energetic Oltenia	1,632	6,600	-	8,395
Hidroelectrica	80,538	118,120	35,402	52,297
OPCOM	238,206	112,112	2,972	3,889
Electrocentrale Bucuresti	-	13,534	-	-
SNGN ROMGAZ	-	14,449	-	-
CN Posta Romana SA	114	1,171	6	9
Others	10,223	17,689	3,200	12,430
Total	**802,292**	**602,253**	**159,422**	**249,387**

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

	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
Client	**Three month period ended 31 March 2017 (unaudited and not reviewed)**	**31 March 2017 (unaudited and not reviewed)**		
CFR Telecomunicatii	874	959	-	959
CFR Electrificare	1,822	1,010	-	1,010
SNGN Romgaz	3,306	1,059	-	1,059
OPCOM	6,257	2,764	-	2,764
Cupru Min S.A. Abrud	9,549	3,092	-	3,092
Transelectrica	2,543	23	-	23
CN Romarm	3,025	397	-	397
CN Remin SA	115	71,223	(71,223)	-
C.N.C.A.F. MINVEST S.A.	-	78,759	(78,759)	-
Oltchim	-	715,259	(715,259)	-
Baita SA	264	4,978	(4,390)	588
E-Distributie Muntenia	5,937	5,799	-	5,799
Others	9,768	11,226	(6,161)	5,065
Total	**43,460**	**896,548**	**(875,792)**	**20,756**

Client	Sales (excluding VAT)	Balance, gross (including VAT)	Allowance	Balance, net
	Three month period ended 31 March 2016 (unaudited and not reviewed)	31 December 2016		
CFR Telecomunicatii	14,911	4,474	(53)	4,421
CFR Electrificare	2,068	1,203	-	1,203
SNGN Romgaz	3,654	1,256	-	1,256
OPCOM	1,371	2,590	-	2,590
Cupru Min S.A. Abrud	8,758	-	-	-
Transelectrica	2,640	1,361	-	1,361
CN Romarm	1,770	62	-	62
CN Remin SA	128	71,180	(71,148)	32
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,259	(715,259)	-
Baita SA	605	5,002	(4,334)	668
E-Distributie Muntenia	3,360	9,101	-	9,101
Others	15,612	10,103	(6,713)	3,390
Total	**54,877**	**900,326**	**(876,242)**	**24,084**

18 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 a liquidation basis starting the commencement of their insolvency procedures.

As at 31 March 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:

31 March 2017 (unaudited and not reviewed)	**Servicii Energetice Muntenia**	**Servicii Energetice Oltenia**	**Total**
Property, plant and equipment	93,826	23,817	**117,643**
Trade receivables	4,389	7,453	**11,842**
Cash and cash equivalents	13,696	1,800	**15,496**
Total assets	**111,911**	**33,070**	**144,981**
Trade payables	(19,943)	(3,557)	**(23,500)**
Payables to the State budget	(173)	(6,357)	**(6,530)**
Social security and other salary taxes	(477)	(5,902)	**(6,379)**
Provisions, employee benefits and deferred taxes	(23,980)	(12,459)	**(36,439)**
Total liabilities	**(44,573)**	**(28,275)**	**(72,848)**

31 December 2016	**Servicii Energetice Muntenia**	**Servicii Energetice Oltenia**	**Total**
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)**

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Economic and financial indicators for Electrica Group as of 31.03.2017 according to Annex 30B to CNVM Regulation no.1/2006

Current liquidity ratio= Current Assets / Current Liabilities = 3.3

Capital Gearing ratio = Debt / Equity * 100 = 8.6%

Trade receivables turnover = Average balance trade receivables/ Turnover * 90 = 49 days

Non-current asset turnover ratio= Turnover / Non-current assets = 0.3

*based on the unaudited condensed consolidated interim financial statements in accordance with IFRS-EU for the first three months of 2017

CFO

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