electrica s.a.

ANNUAL REPORT 2015

SUMMARY

KEY FIGURES ELECTRICA GROUP

	2013	2014	2015
Operational results			
Distributed energy (Twh)	16.1	16.3	17.1
Number of users (mil.)	3.57	3.62	3.65
Supplied energy on retail (Twh)	9.7	9.2	10.1
Number of customers (mil.)	3.57	3.59	3.61
Number of employees at period end	12,780	11,740	10,539
Financial results			
Revenues (mil. RON)	5,383	5,044	5,503
EBITDA (mil. RON)	624	869	922
EBIT (mil. RON)	298	511	569
Profit for the year attributable to the owners of the company (mil. RON)	213	297	363
Profit for the year attributable to the owners of the company excluding transferred minority shareholdings (mil. RON)	150	297	363
Net cash from operating activities (mil. RON)	501	981	743
Capital expenditures (mil. RON)	367	465	551
EPS (RON)	1.03	1.07	1.07

ELECTRICA SIGNIFICANT SUBSIDIARIES AND KEY FIGURES

FONDUL PROPRIETATEA — 22%

electrica s.a. — 78% — 100%

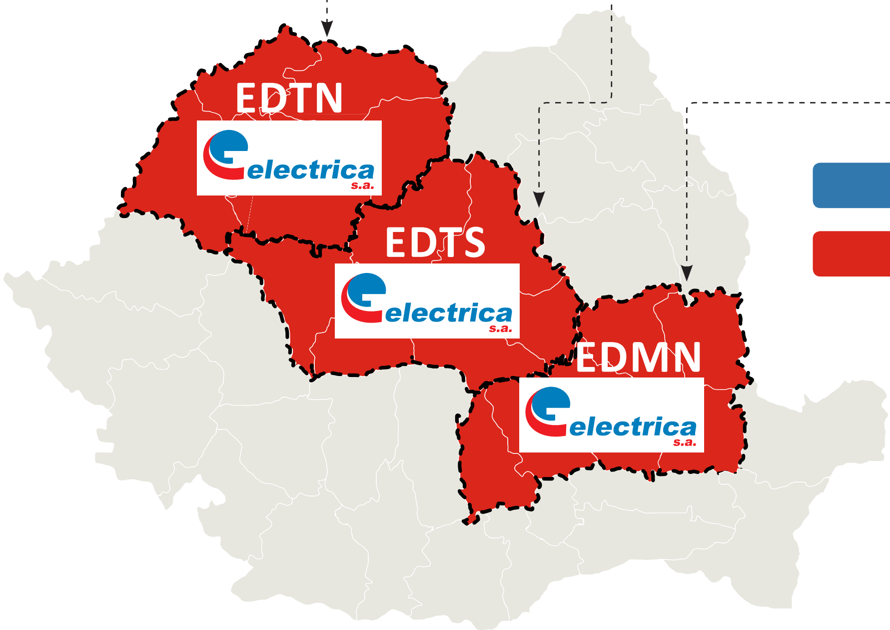
Electrica Furnizare (EF)
- 3.61 mil consumers
- Market share 21%
- Revenues: RON 4,488 mil
- EBITDA: RON 165 mil
- Supplied volume on retail market: 10.1 TWh

Electrica Distributie Transilvania Nord (EDTN)
- 1.23 mil users
- Market share 11.6%
- Revenues: RON 858 mil
- EBITDA: RON 276 mil
- Distributed volume: 4.9 TWh

Electrica Distributie Transilvania Sud (EDTS)
- 1.11 mil users
- Market share 13.2%
- Revenues: RON 840 mil
- EBITDA: RON 276 mil
- Distributed Volume: 5.6 TWh

Electrica Distributie Muntenia Nord (EDMN)
- 1.3 mil users
- Market share 15%
- Revenues: RON 872 mil
- EBITDA: RON 263 mil
- Distributed Volume: 6.5 TWh

Electrica Serv (E.S.)
- Revenues: RON 396 mil
- EBITDA: RON (5.5) mil

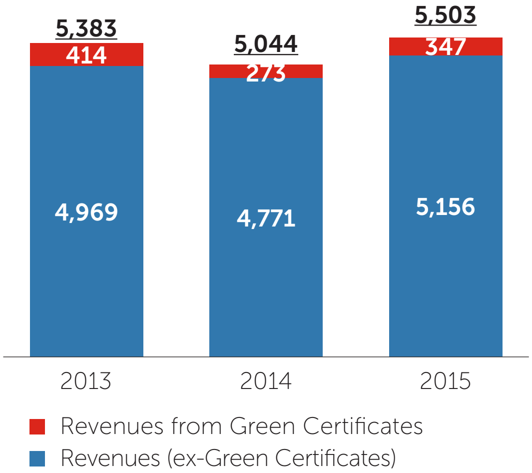


SUPPLY

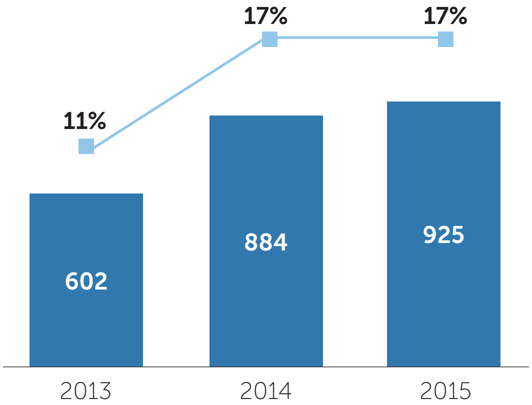
DISTRIBUTION

SUMMARY CONSOLIDATED FINANCIALS

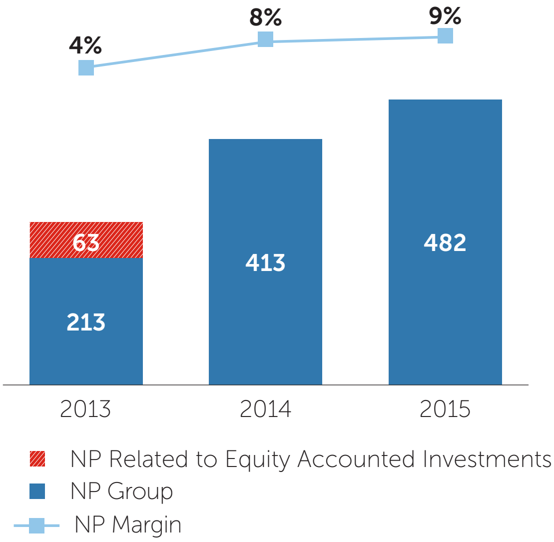
Consolidated Revenues (RON mil)



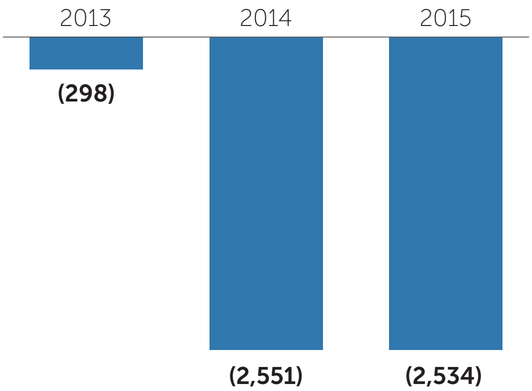
Adjusted EBITDA (RON mil) and Adjusted EBITDA Margin (%)



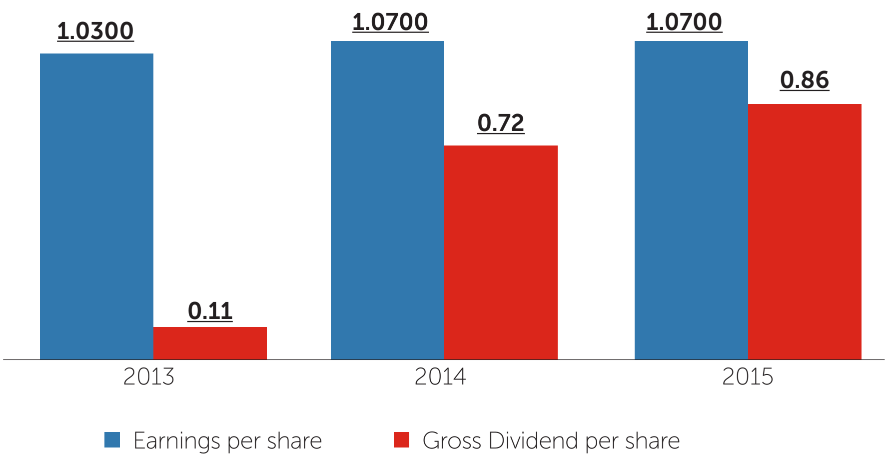
Net Profit (RON mil)



Capital Structure: Net Debt / (Net Cash) Position (RON mil)

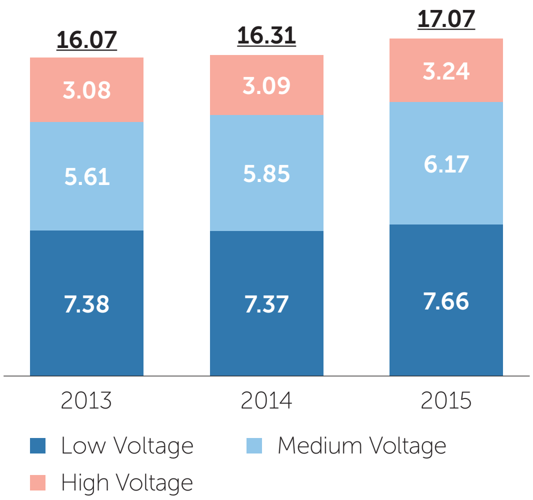


Earnings and gross dividends per share (RON)

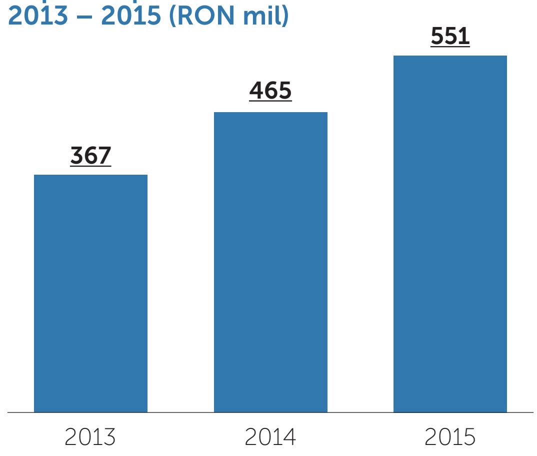


DISTRIBUTION

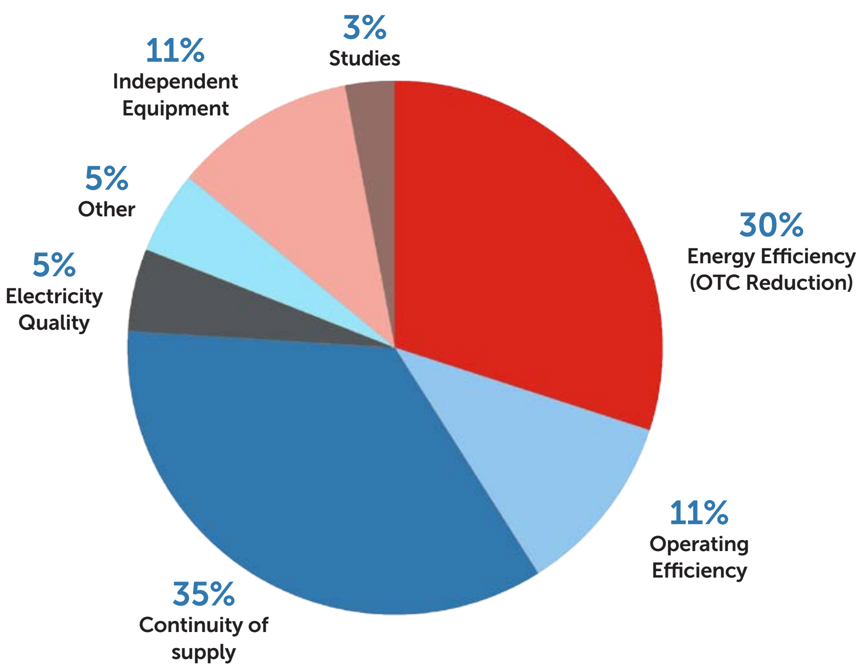
Distributed Volumes (TWh)



Capital expenditures 2013 – 2015 (RON mil)

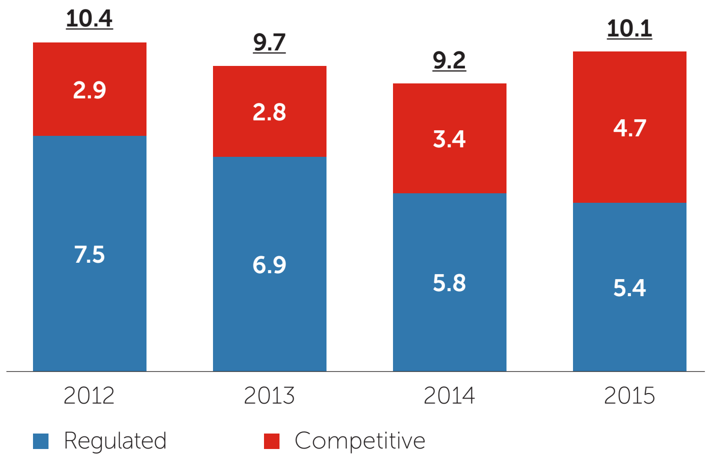


The structure of Electrica Group's investments in 2015



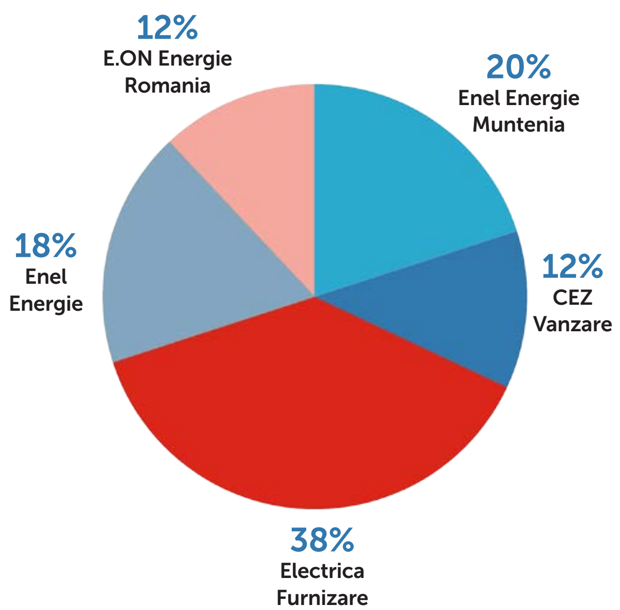
SUPPLY

Volumes of electricity supplied on retail market (TWh)

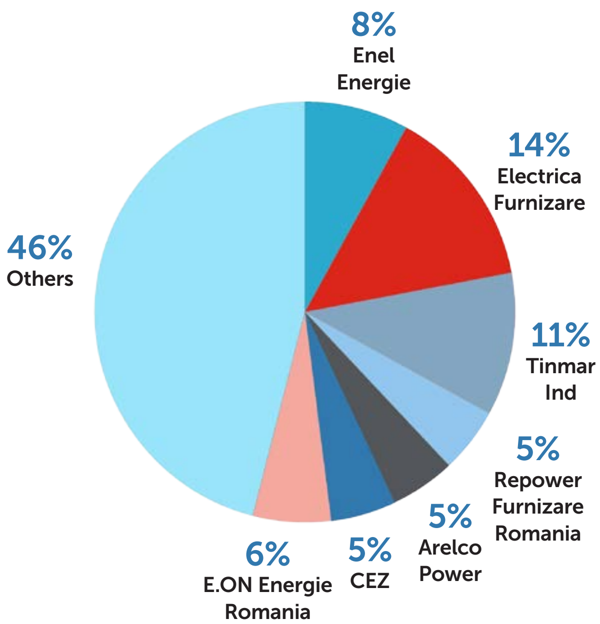


SUPPLY MARKET SHARE (21.4% OVERALL) – SEPTEMBER 2015

Regulated market



Competitive market



CRISTIAN BUȘU
Chairman of the Board

2015 was a year of major changes for Electrica. Besides the remarkable financial and operational results, this year we intended and succeeded to make a quantum leap in the company's reorganization.

The journey was not easy because the process of re-structuring and modernization is a profound one. The important thing is that we are on the right path. In 2015, the financial result of Electrica SA has significantly improved compared to the previous year, mainly influenced by the distribution segment performance, but also by a resettlement of the activity in the sector of energy services.

The three distribution companies of Electrica Group serviced about 3.65 million customers and distributed about 40% of the total electric power distributed nationwide. As regards the supply activity, Electrica Supply remained the leader in the regulated market as well as in the competitive one, with a market share of about 38% and over 14%, respectively, according to the latest data published by ANRE.

These figures are important and speak a lot about people's achievements in this company, but our ambitions do not stop there. We intend to expand our leading position in the sectors of electricity supply and distribution, both nationally and regionally. Of course, in all our major decisions we are guided by our main goals: to offer long-term value to the company shareholders while providing excellent service to our customers.

Results of reforms implemented or under implementation started to be visible. We have a new organizational structure and we work every day to building a new Electrica culture, centered on ethics and integrity, because we want to focus on people's development and involvement. At the same time, practical measures to increase service quality, operational efficiency, and also to adopt the best practices of corporate governance are undeniable. Moreover, we are building a solid foundation allowing us to be able to successfully face the current market environment and future challenges, whether they are related to the often sudden changes of the regulatory framework, to the technology developments or, simply, to the change in customer needs. Projections state that in the coming period, energy consumption will increase, so we also take into account, naturally to a moderate extent, an increase in volumes consumed.

We are a company with enviable investment availability, so we intend to drive our investments in three major directions: in our networks, we analyze acquisition opportunities and, not least, we invest in people and the communities where we operate.

2015 was a tumultuous year for the energy sector, culminating in its last days with the changing of methodology for setting distribution tariffs and implicitly with new rates effective as of January 1st 2016. I only want to say that, besides any interest, we need an attractive legislative and economic framework to stimulate investment and sustainable development of the business environment. Predictability requires continuity and a vision to adhere to if we are to achieve our goals and build a sustainable company and business.

2015 was also the first full year of activity on the stock market for Electrica that, obviously, has brought us more visibility and, at the same time, transparency. It should be noted that for this whole period, Electrica shares have had a performance above the market average, which makes us proud. I am sure that, based on Electrica listing model, this is an exercise which will be followed by other companies in which the state still holds a majority stake.

> 2015 was the first full year of activity on the stock market for Electrica that, obviously, has brought us more visibility and, at the same time, transparency.

IULIANA ANDRONACHE
CEO of Electrica SA

2015 was the year when Electrica started a true marathon, a marathon of major changes for the company. Of course, the listing in July 2014 meant, symbolically speaking, a historical milestone, but what happened last year represents the start of a test of strength, tenacity and courage.

The market and the world we live in, in general, are constantly changing and we must quickly adapt in order to meet daily challenges. The steps Electrica has taken since the listing and up until now are outstanding and it is worth mentioning that they follow the right path. But the reform of the company has not been completed yet.

The specific measures to improve productivity and service quality, especially the joint effort of people from Electrica, made 2015 a year of financial and operational results considerably better than those obtained in the past.

We continued to invest in our networks, in technology, and the results are seen in improved performance indicators. We managed to achieve an important progress not only in providing better services to our customers or long-term plus value for shareholders, but also a conducive, safe and secure work environment for the Group's employees.

The pace of change around us also changes the field in which we operate, a very technical one until not very long ago, that is slowly turning into an almost IT sector, and at the same time, more open to people and the needs of others around us: customers, investors and employees. We anticipated that and we continued to invest not only in top networks and technology, but especially in people and community.

We have assumed and will continue to assume the social responsibility to support important projects for the Romanians, like we did in 2015 as partners of the largest cultural event taking place in Romania, George Enescu International Festival. In 2015 we also tried to implement the best corporate governance practices and we managed to lay the foundation for developing a modern organizational culture centered on ethics and integrity. We have a new code of ethics, plus a whistleblowing platform to very high standards.

So far, we have come through the normal stages of this process to transform Electrica Group for the better. There are more to come...

We are a large company, a leader in the distribution and supply of electricity in Romania and expectations for our part are accordingly high. We have a clear vision, we have important strategies and plans for the future.

We are trying to broaden our horizons in view of possible investments in the region, but not only that. We also consider an expansion of our business portfolio by developing certain value-added services. We want to evolve year after year. And so far we have succeeded. 2015 was a good year. We intend to make 2016 even better.

> The steps Electrica has taken since the listing until now are obvious and, important to say, such steps are made the right way.

CONSOLIDATED DIRECTORS' REPORT FOR THE YEAR 2015

SUMMARY

GLOSSARY

ACER	Agency for the Cooperation of Energy Regulators
ANRE	Romanian Energy Regulatory Authority
BPS	Basis points
BoD	Board of Directors
BRP	Balancing Responsible Party
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
CCM	Component of the Competitive Market
CEE	Central-Eastern Europe
CGC	Corporate Governance Code
CIRED	International Conference on Electricity Distribution
CISO	Chief Information Security Officer
CMUS	Centralised Market for Universal Service
CNTEE	The National Transmission System Operator
COO	Chief Operating Officer
OTC	Own Technological Consumption
DSO	Distribution System Operator
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
EDB	Enel Distributie Banat
EDD	Enel Distributie Dobrogea
EDM	Enel Distributie Muntenia
EDMN	Electrica Distributie Muntenia Nord
EDTN	Electrica Distributie Transilvania Nord
EDTS	Electrica Distributie Transilvania Sud
ELSA	Electrica S.A.
EGMS	Extraordinary General Meeting of Shareholders
EU	European Union
EUR	European monetary unit
FDEE	The distribution subsidiaries in the Electrica Group
GC	Green Certificates
GDP	Gross Domestic Product
GDR	Global Depositary Receipts
GMS	General Meeting of Shareholders
GWh	Giga Watt hour
G.D.	Government Decision
HV	High Voltage
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMS	Integrated Management System
IPO	Initial Public Offering
IR	Investor Relations
KPI	Key Performance Indicators
kV	KiloVolt
LSH	Labour safety and health
LV	Low Voltage
MV	Medium Voltage
MWh	MegaWatt hour
NAFA	National Agency for Fiscal Administration
NCI	Non-controlling Interests
NEN	National Electricity Network
NRC	Nomination and Remuneration Committee
OGMS	Ordinary General Meeting of Shareholders

GLOSSARY

OPCOM	Romanian Gas and Electricity market operator
OTC	Own Technological Consumption
PCB	Polychlorinated Biphenylsor
RAB	Regulated Asset Base
REMIT	Regulation on Wholesale Energy Market Integrity and Transparency
ROA	Return on Assets
RON	Romanian monetary unit
RRR	Regulated Return Rate
SCADA	Supervisory Control And Data Acquisition
SDFEE	Societatea de Distributie si Furnizare a Energiei Electrice
SSC	Shared Service Center
TESA	Tehnical, Economic and Socio-Administrative
TWh	TeraWatt hour
UM	Unit of Measurement
USD	United States Dollar
VAT	Value Added Tax

IDENTIFICATION DETAILS OF THE ISSUER

Report date: March 11th, 2016

Name of the Issuer: Societatea de Distributie si Furnizare a Energiei Electrice Electrica S.A.

Headquarter: 9, Grigore Alexandrescu Street, 1st District, Bucharest, Romania

Telephone/fax number: +4021.208.5999; +4021.208.5998

Fiscal code: RO13267221

Trade Registry No: J40/7425/2000

Share capital: 3,459,399,290 RON subscribed and paid

Main characteristics 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 issues securities are traded: As at December 31st, 2015 the Company shares are listed on the Bucharest Stock Exchange and Global Depositary Receipts are listed on the London Stock Exchange.

	Ordinary Shares	GDR
ISIN	ROELECACNOR5	US83367Y2072
Bloomberg Symbol	0QVZ	ELSA:LI
Currency	RON	USD
Nominal Value	10 RON	40 RON
Stock Market	Bursa de Valori Bucuresti REGS	London Stock Exchange MAINMARKET
Ticker	EL	ELSA

Free translation, the Romanian version of the document will prevail in the event of discrepancies with the English version

1 RESULTS OF ELECTRICA GROUP IN 2015

1.1 KEY FINANCIAL DATA

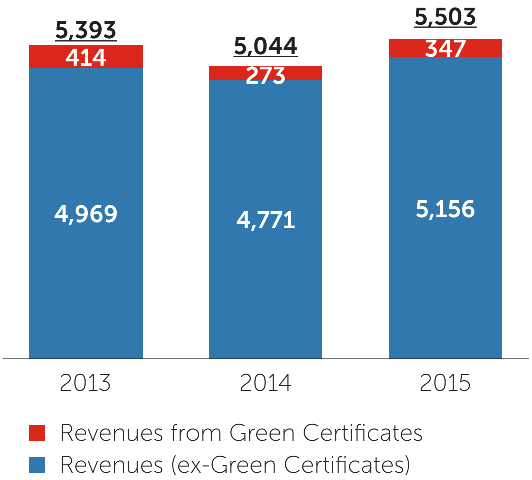
In 2015, the financial results of Electrica improved significantly as compared to the previous year, being mainly influenced by a positive result of the supply business and by a higher profitability of the distribution business.

The Group's income in 2015 and 2014 amounted to RON 5,503 million and, respectively, RON 5,044 million. The increase in income by RON 459 million or 9% in 2015 as compared to 2014 is based on higher income for both supply and distribution businesses:

(mil. RON)	2015	2014[1]	2013[2]
Income	5,503	5,044	5,383
Other income	211	177	128
Operational costs	(5,145)	(4,710)	(5,213)
Adjusted EBITDA[3]	**925**	**884**	**602**
EBIT	**569**	**511**	**298**
Profit before taxes	589	524	349
Net profit	**482**	**413**	**276**

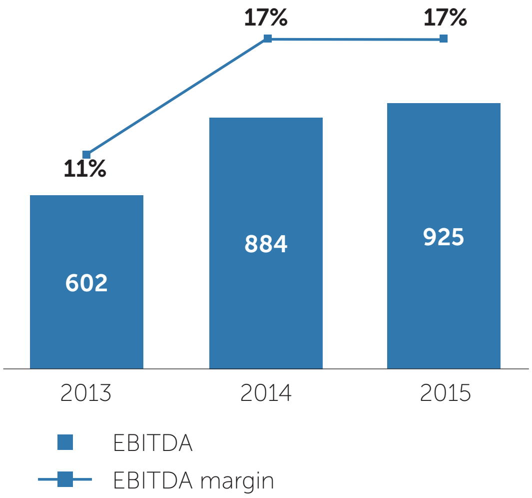
As presented in the charts below, the EBITDA margin was relatively constant in 2015 compared to 2014, and the net profit margin increased from 8% to 9%.
On December 31st, 2015, the Company's equity structure presented a Net debt/(Cash)[4] position of minus RON 2,534 million, mainly influenced by the funds obtained from the Company's IPO on July 4th, 2014.

FIGURE 1 Consolidated income of Electrica Group (RON mil.)



Source: Electrica

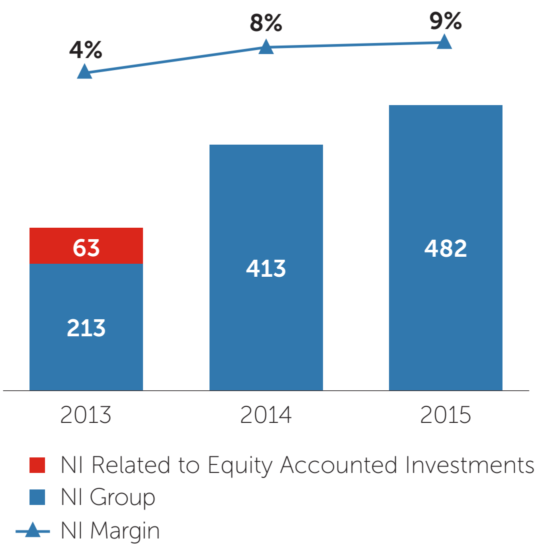
FIGURE 2 Adjusted EBITDA (RON mil.) and adjusted EBITDA margin (%)



Source: Electrica

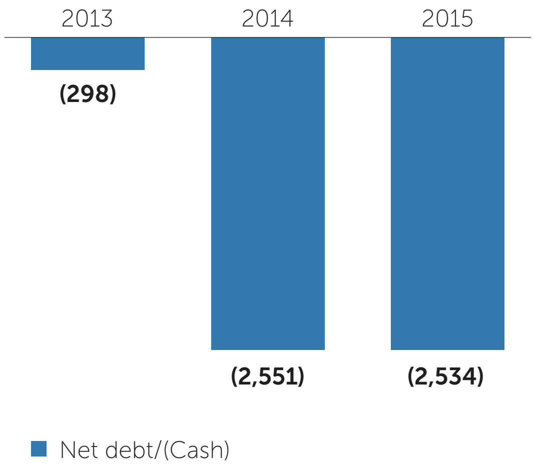
[1] Retreated due to the application of IFRIC 21 starting with January 1st 2015
[2] Retreated due to the application of IFRIC 12 and the new standards, with initial application date January 1st 2014 as per IFRS-EU; Retreated due to the application of IFRIC 21 starting with January 1st 2015
[3] The Company defines Group adjusted EBITDA as Group EBITDA adjusted for non-recurring events (i) consolidated impairment / reversal of impairment of trade and other receivables, net and (ii) consolidated write down / reversal of write down of inventories, net.

FIGURE 3 Net profit (RON mil.)



Source: Electrica

FIGURE 4 Net debt/(Cash) (RON mil.)[1]



Source: Electrica

Liquidity

Cash and cash equivalents include cash balances, demand deposits and deposits with maturity up to three months from the acquisition date, that have an insignificant exposure to the risk of change in fair value and are used by the Group for the management of short-term commitments.

(RON mil.)	December 31st, 2015	December 31st, 2014
Bank current accounts	123	77
Call deposits	679	1,352
Cash in hand	0.3	0.3
Treasury bills and government bonds with original maturity less than 3 months	91	199
Total cash and cash equivalents in the consolidated statement of financial position	893	1,629
Overdrafts used for cash management purposes	(66)	(48)
Total cash and cash equivalents in the consolidated statement of cash flows	**828**	**1,581**
Deposits, treasury bills and government bonds	**1,988**	**1,221**

Source: Electrica

Cash and cash equivalents include treasury bills and government bonds denominated in RON for the amount of RON 90,865 thousand, with initial maturity of three months or less and average interest rate (average return) of 0.56% per year.
The treasury bills and government bonds include treasury bills and government bonds amounting to RON 1,756,339 thousand, denominated in RON, with original maturity of more than three months and average interest rate of 0.93%, as well as deposits with a maturity of more than three months, amounting to RON 231,542 thousand.
Deposit, treasury bills and government bonds have been presented as investments held until maturity.
The Company strategy was to place IPO proceeds in risk-free securities and short-term deposits.

[1] Net debt/ (Cash) is defined as bank borrowings+ bank overdrafts + financial leases + funding for concession agreements less cash and cash equivalents, bank deposits and treasury bills and government bonds.

1.2 KEY EVENTS IN 2015

Main events of 2015:

- Corporate governance related
  - Starting July 4th, 2014 the Company's shares are listed on Bucharest Stock Exchange, and the GDRs are listed on London Stock Exchange. Following the admission to trading on the regulated markets in Bucharest and London, Electrica has made major steps towards aligning to the best practices of publicly listed companies by putting in place a corporate governance action plan, defining clear lines of responsibility and accountability, implementing a code of ethics and professional conduct, evaluating management through an external party and implementing a whistleblowing policy.
  - The most important 2015 resolutions of the General Meeting of Shareholders (December 14th, November 10th, September 9th, July 9th and April 27th) refer to:
    - Election of a Board of Directors with seven non-executive members. Details about its composition may be found in Chapter 6.
    - Approval of new Articles of Association in November 2015. The main changes refer to the modification of the number of directors and of the selection method for the candidates.
    - Mandating the Board for starting negotiations with Fondul Proprietatea for acquiring the minority shareholdings in its DSOs and supply subsidiaries.
    - Approval of the CAPEX plan consolidated at group level and income and expenses budgets for Electrica S.A. and its subsidiaries (Note: the 2015 CAPEX plan consolidated at group level was initially rejected on April 27th, 2015, then approved on July 9th, 2015).
    - Approval of the 2014 financial statements and of the profit distribution for Electrica and its subsidiaries.
    - Rejection of the new framework - management agreement for directors and of the new proposed remuneration of the members of the Board of Directors.
    - Approval of the general limits of remuneration for the managers having a mandate agreement.
  - On November 17th, 2015 Mr. Victor Vlad Grigorescu was appointed Minister of Energy in the Ciolos Government and resigned from his position of director. On November 19th, 2015, the Board of Directors appointed a temporary director, until December 14th, 2015.
- Executive management related
  - In July and October, the Board appointed four executive managers with mandates; at the date of the current report, two executive managers positions are not occupied: COO and CISO.
  - The new organisational structure and the corresponding processes were approved by the Board of Directors in April 2015. The implementation is done in steps, out of which the first step is a transitional one, during which the structures and the processes are refined and consolidated. The project will be finalized and subsequently started for the subsidiaries (during 2016).
- Distribution activity related
  - Preparation of the updated investment plans for the three distribution service operators in accordance with the Offering Prospectus and with the methodology and the requirements of the regulation authority. The total value of the investment plans accepted by ANRE for the entire regulatory period (2014–2018) is 3.2 billion RON (in nominal terms, adjustable by inflation).
  - The decisions for establishing the distribution tariffs applicable starting January 1st, 2016 were published on December 14th, 2015, while the detailed supporting documentation containing the tariff elements were made available by ANRE in January 2015;
  - ANRE approved, as a matter of urgency, the modification of the Methodology through Order no. 165 on December 7th, 2015.
  - Electrica, its distribution and supply subsidiaries registered in 2015 in the National registry for the participants to the wholesale energy market, in accordance with the Regulation on wholesale Energy Market Integrity and Transparency ("REMIT") and obtained the unique ACER code. Agreements with OPCOM were concluded (under the Registered reporting mechanism) for reporting transactions data to ACER. For 2015, the reporting was done free of charge, as per the ANRE provisions from letter no. 67619/21.09.2015.
  - Electrica and its subsidiaries have filed in 2016, as claimants, several legal actions having as object the annulment and suspension of certain orders issued by the ANRE president: action for the annulment, respectively for the suspension of the ANRE Order No. 165/2015 for modification of the Methodology for es-

tablishing the tariffs for electric energy distribution service, approved by ANRE's president Order No. 72/2013 (Order 165/2015); actions for the partial annulment, respectively for the partial suspension (regarding the specific tariffs) of the ANRE Order No. 171/2015 for the approval of specific tariffs for the electric energy distribution service and of the price for reactive electric energy for EDTS; actions for the partial annulment, respectively for the partial suspension (regarding the specific tariffs) of the ANRE Order No. 172/2015 for the approval of specific tariffs for the electric energy distribution service and of the price for reactive electric energy for EDMN.

- In January 2015, Electrica and its subsidiaries have filed, as claimants, actions for the annulment of the ANRE president Order No. 146/2014 and for repealing Article 122 of the Methodology for establishing the tariffs for electric energy distribution services. Electrica has also requested, through the same action, as a direct consequence of the annulment of Order no. 146/2014, the annulment of the orders for establishing the tariffs for the distribution operators. The Group has also initiated actions for the annulment of the ANRE orders for establishing the tariffs starting with January 1st, 2015.
- In November 2015, the court annulled the ANRE order for establishing the 2015 distribution tariff for EDTN. The decision may be challenged by ANRE.

- Supply activity
  - Coming into force of the first exception agreements of energo-intensive clients based on G.D. no. 495/2014, some of them being large companies, clients of Electrica Furnizare, on the competitive market.
  - The price liberalization calendar continued. ANRE approved the Methodology for establishing last resort suppliers' tariffs to final clients (Order no. 92/2015). Through this methodology, starting with the second half of 2015, the phases and calculation principles for these tariffs were decided upon.
  - On March 1st, 2015 came into force ANRE Order no. 115/2014 regarding the approval of the Rules regarding monthly settlement of payment obligations in the balancing market and the imbalances between the parties in charge with the balancing.
  - Starting with the second half of 2015, acquisition of electricity to cover electric power consumption at CCM tariff has been done by simultaneous tenders with decreasing price on the Centralized Market for Universal Service, managed by OPCOM.
  - On December 17th, 2014, European Commission adopted the Regulation (EU) no. 1348/2014 regarding data reporting for the enforcement of article 8, paragraphs (2) and (6) of the Regulation (EU) no. 1227/2011 of the European Parliament and Council regarding the integrity and transparency of energy wholesale market. The regulation implies additional obligations for the market players, among which the obligation to report the details on wholesale energy products sold on regulated markets, including standard contracts and trading orders, correlated and uncorrelated by the Agency for Cooperation of Regulatory Authorities in Energy (ACER). The obligation to report the trading data admitted on specialized platforms of regulated markets came into force starting October 7th, 2015, while the obligation to report non-standardized contracts on wholesale energy market will come into force starting with April 7th, 2016.
  - Changes in primary legislation (adjustments to Law no. 220/2008 through Law no. 122/2015) and in secondary legislation (ANRE Order no. 101/2015) regarding the promotion of electricity production from renewable energy sources and the state aid scheme regarding the exemption of some categories of final consumers from the application of Law no. 220/2008.
  - Retail sales of Electrica Furnizare increased in 2015 by 9.3% compared to 2014.
  - The market share of Electrica Furnizare on retail market for January-September 2015 period was 21.4%, compared to 20.8% during the same period of 2014.
  - Electricity price liberalisation continued throughout 2015, the percentages of electric energy acquisition from the competitive market for home clients who did not use their eligibility right were the following: 40% since January 1st, 2015 and 50% since July 1st, 2015.
  - The launch of the Centralized Market for Universal Service ("CMUS"): starting with April 1st, 2015, the electricity volumes necessary for final clients eligible for universal service were acquired based on the contracts concluded following simultaneous auctions with decreasing bid on the Centralized Market for Universal Service.

Regarding distressed subsidiaries, the process of reducing their activity was continued:

- SE Moldova – during 2015 went through a voluntary liquidation procedure; tenders have been organised by the liquidator to capitalize the assets; entered bankruptcy in January 2016.

• SE Dobrogea – entered bankruptcy in January 2015; tenders have been organised by the liquidator to capitalize the assets.

• SE Banat entered bankruptcy in August 2014; the company has not yet been deregistered.

• SE Oltenia – insolvency with reorganization since May 2014. The reorganization plan was approved by the Creditors' Meeting in May 2015, and confirmed by the court in June 2015; SE Oltenia had 224 employees as at end of 2015;

• SE Muntenia – insolvency with reorganization since November 2014. The reorganization plan was approved by the Creditors' Meeting in November 2015, and confirmed by the court in November 2015; SE Muntenia had 285 employees as at end of 2015.

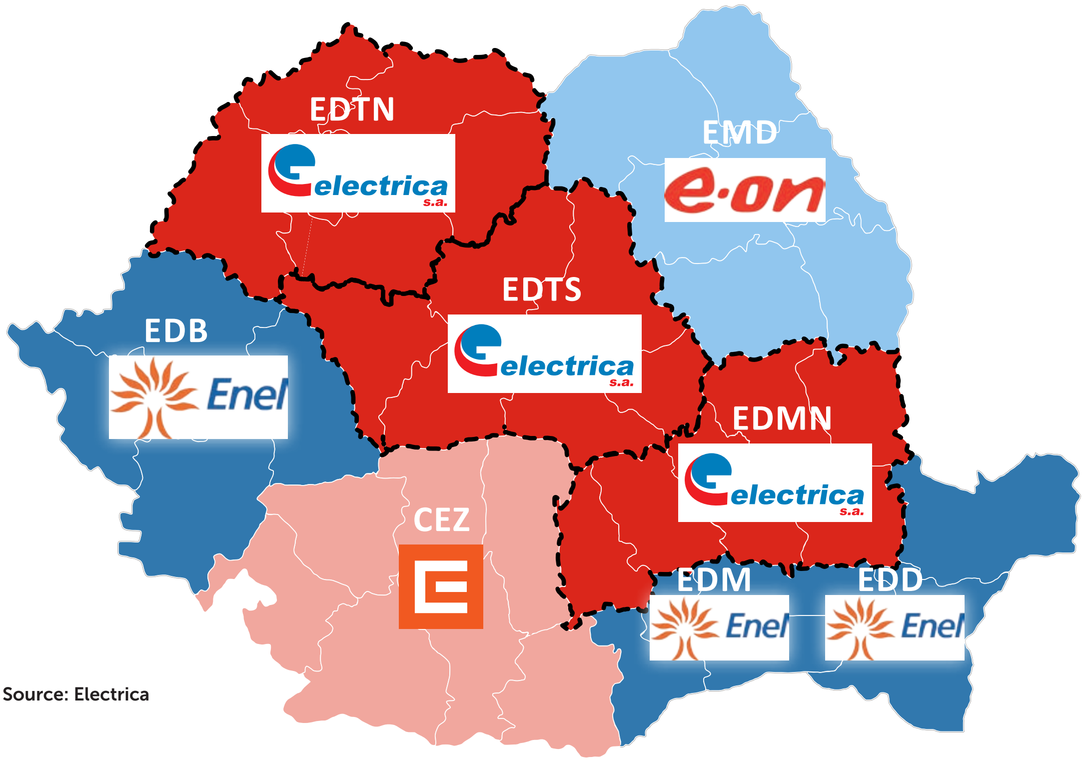
1.3 KEY DATA BY BUSINESS

DISTRIBUTION BUSINESS

Essential information

- Electricity distribution in Romania is controlled currently by eight authorized electricity distribution system operators ("DSOs").
- Each company is responsible for the exclusive distribution of electricity in the region for which it is authorized, under a concession agreement with the Romanian state through the Ministry of Energy.
- Electrica and Enel each own three distribution companies, while CEZ and E.ON own the remaining two.
- Electrica is a key player in the electricity distribution sector, both in terms of areas covered and number of users served.
- The Regulated Assets Base (RAB) in 2015 was RON 4,423 million.
- 194,666 km of electric lines - 7,577 km for High Voltage ("HV"), 44,782 km for Medium Voltage ("MV") and 142,307 km for Low Voltage ("LV").
- Total area covered: 97,196 km2, 40.7% of Romania's territory.
- 3.65 million users in 2015 for the distribution activity.
- 17.1 TWh of electricity distributed in 2015, an increase of 5% as compared to 2014.
- 39.8% market share for the distribution of electricity to final users in 2014 (based on distributed quantities according to ANRE annual report 2014).

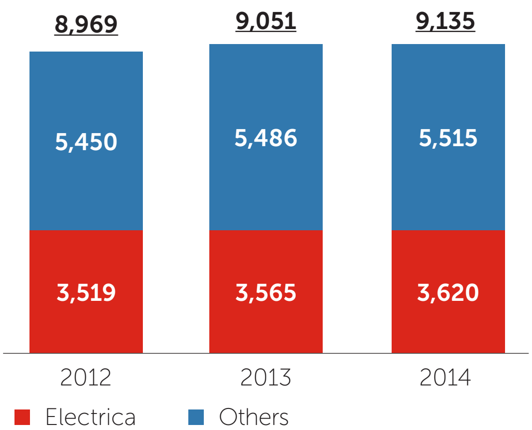
FIGURE 5 Romanian electricity distribution map



Source: Electrica

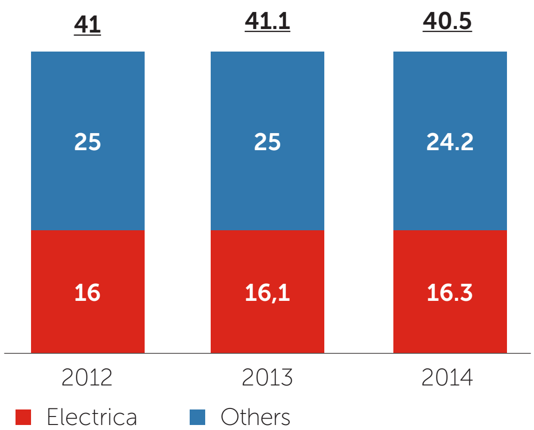
The three electricity distribution companies, part of Electrica Group, delivered electricity in 2015 to about 3.65 million customers (or a volume of more than 17 TWh). Electrica's DSOs distributed about 39.8% of the total electricity distributed on a national level in 2014, maintaining an average market share of 39% during 2012-2014, market share which is expected to remain constant in the following period.

FIGURE 6 Evolution in number of customers (thousands)



Source: Electrica

FIGURE 7 Quantity distributed (TWh)



Source: Electrica

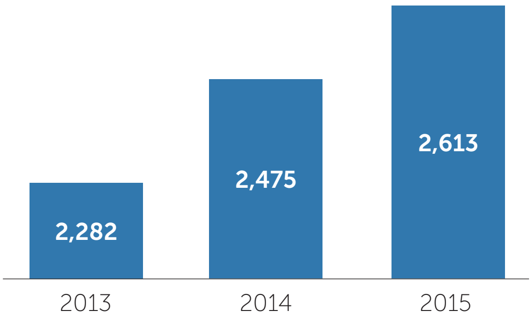
Key financial indicators

Revenues from the distribution business increased by RON 138 million, or 5.6%, to RON 2,613 million in 2015, compared to RON 2,475 million in 2014. This was a direct consequence of increases in the volumes of electricity distributed. Electrica Serv presented a slight improvement in terms of external revenues (services to companies outside the distribution segment) from RON 22 million in 2014 to RON 33 million in 2015.

The increase in revenues, the reduction of costs of energy acquired to cover network losses, as well as improving employee costs and other operational expenses, have all led to a growth of RON 107 million or 15.3% of EBITDA for the distribution business.

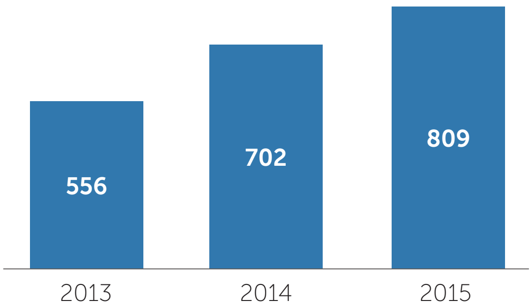
The EBITDA margin increased by 261 bps in 2015, from 28.36% in 2014 to 30.97% in 2015, mainly owing to the performance of EDTS (637 bps improvement from last year).

FIGURE 8 : Revenues from distribution (RON mil.)



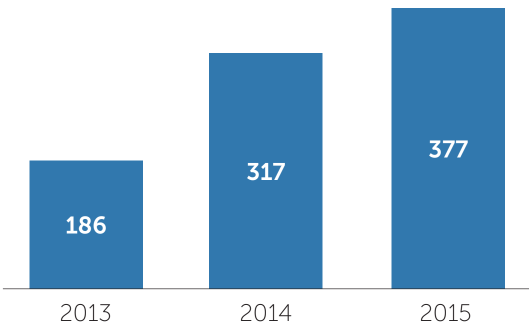
Source: Electrica

FIGURE 9 EBITDA – distribution segment (RON mil.)



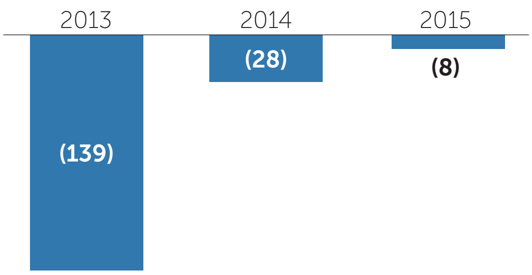
Source: Electrica

FIGURE 10 Net profit – distribution segment (RON mil.)



Source: Electrica

FIGURE 11 Net debt/(Cash) – distribution segment (RON mil.)



Source: Electrica

SUPPLY BUSINESS

Essential market data (ANRE Report - September 2015)

- The supply market is composed of the regulated market and the competitive market.
- There are five last resort suppliers on the regulated market.
- The competitive market includes 94 suppliers (including the last resort suppliers active on the competitive segment of the retail market) of which 86 are relatively small (<4% market share).

Electrica Furnizare is the market leader in both the regulated and competitive market, with a market share of 37.98% and, respectively, 14.13% in 2015 (ANRE report, September 2015). As a comparison, in 2014, Electrica Furnizare had a regulated market share of 38.28% and competitive market share of 11.7% (ANRE report in December 2014). In 2015, the total electricity supplied by Electrica increased by approximately 7.6% compared to 2014.

The company experienced a 38% increase in the quantity of electricity sold on the competitive market, as an aggregate effect of attracting new customers through advantageous price offers and in line with market conditions regarding customers switching from the regulated to the competitive market.

The net revenues (excluding revenues from Green Certificates) from the supply activity increased by RON 281 million or 7.3% to 4,142 million RON in 2015, from RON 3,861 million in

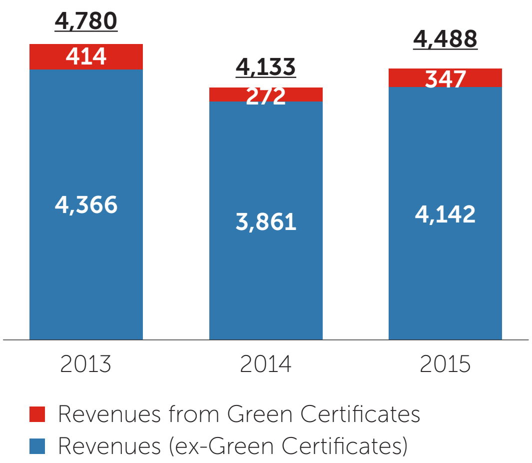
2014. This was caused by an increase of 7.6% in the quantity supplied, which cancelled the effect of a 4.7% decrease in the average supply tariff.

From a financial point of view, Electrica presented an EBITA decrease and a reduction in cash in 2015 compared to 2014, the latter representing a highly profitable year owing to a non-recurring circumstance, more specifically the reduced acquisition price of electricity over the year.

The increase in electricity purchases by RON 376 million in 2015 compared to 2014 resulted in decreasing EBITDA by RON 68 million or 29%, which, along with an increase in revenue, resulted in a decrease by 196 bps in the EBITDA margin from 5.63% in 2014 to 3.67% in 2015.

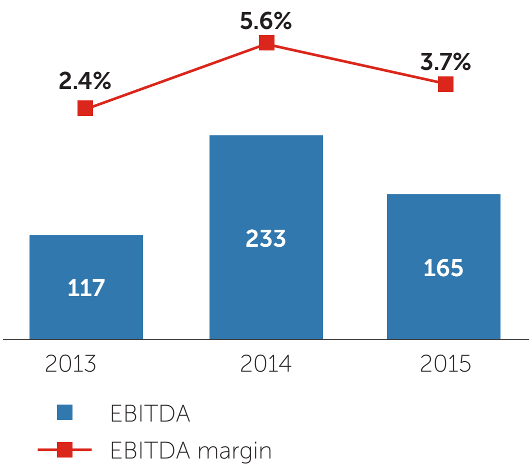
The supply segment has a strong financial position, namely a cash position of RON 338 million, influenced by strong financial results in 2015.

FIGURE 12 Supply revenues (RON mil.)



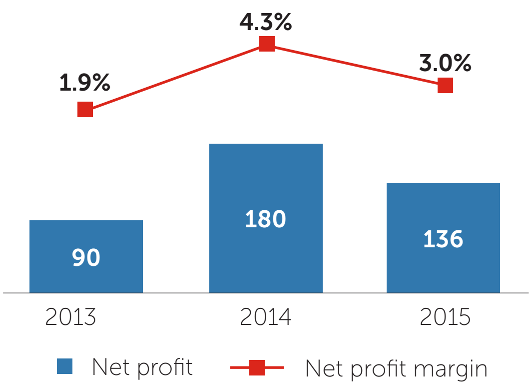
Source: Electrica

FIGURE 13 EBITDA – supply segment (RON mil.)



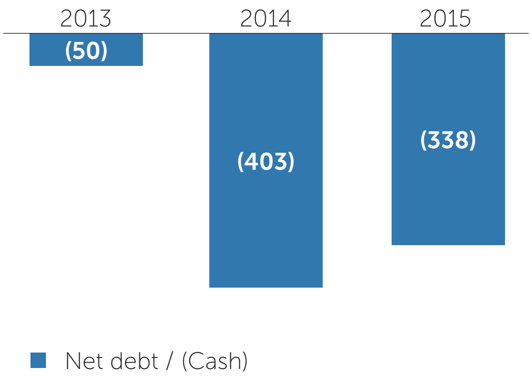
Source: Electrica

FIGURE 14 Net profit – supply segment (RON mil.)



Source: Electrica

FIGURE 15 Net debt / (Cash) – supply segment (RON mil.)



Source: Electrica

2 ELECTRICA GROUP OVERVIEW

2.1 GENERAL OVERVIEW

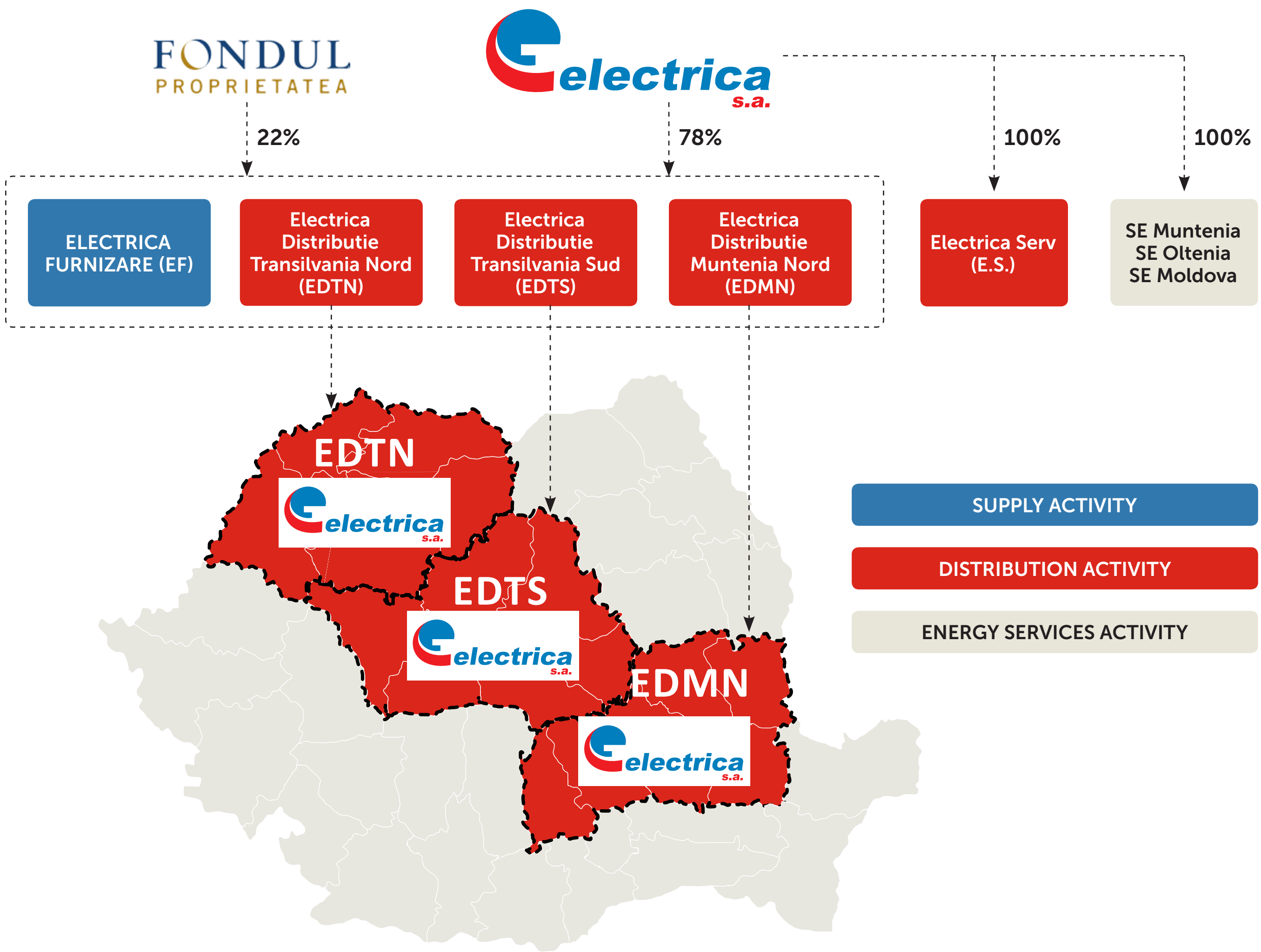
Electrica S.A. (the "Company") is the majority shareholder in Electrica Distributie Transilvania Nord S.A. ("EDTN"), Electrica Distributie Transilvania Sud S.A. ("EDTS"), Electrica Distributie Muntenia Nord S.A. ("EDMN"), Electrica Furnizare S.A. ("Electrica Furnizare"), Electrica Serv S.A. ("Electrica Serv"), Servicii Energetice Moldova S.A. ("SE Moldova"), Servicii Energetice Oltenia S.A. ("SE Oltenia"), Servicii Energetice Muntenia S.A. ("SE Muntenia"), together representing "the Group" or "Electrica Group".

On December 31st, 2015, the Company held all the shares in Servicii Energetice Banat ("SE Banat") and Servicii Energetice Dobrogea ("SE Dobrogea"). However, starting with November 2014 it has lost control over SE Banat, and starting January 2015 over SE Dobrogea, as a result of the two companies entering bankruptcy proceedings. Consequently, the two companies were not consolidated in the financial statements.

The registered office of the Company is 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has the unique registration number 13267221 and the Trade Register registration number J40/7425/2000. According to Decision no. 627/2000, the Romanian Government approved the setting up of Societatea Comerciala de Distributie si Furnizare a Energiei Electrice „Electrica" S.A.

As at December 31st, 2015 the biggest shareholder of Electrica S.A. is the Romanian State, represented by the Ministry of Energy (48.78%), after its ownership was diluted following the initial public offer in 2014. The second shareholder based on the share of ownership is EBRD with 8.66%.

FIGURE 16 Group entities as of December 31st, 2015



The Group's subsidiaries are presented below:

Subsidiary	Activity	Registration code	Headquarters	% stake as of December 31st, 2015
Electrica Distributie Muntenia Nord S.A.	Electricity distribution in North Muntenia geographical area	14506181	Ploiesti	78.0000021%
Electrica Distributie Transilvania Nord S.A.	Electricity distribution in Northern Transylvania geographical area	14476722	Cluj-Napoca	77.999999%
Electrica Distributie Transilvania Sud S.A.	Electricity distribution in Southern Transylvania geographical area	14493260	Brasov	78.0000019%
Electrica Furnizare S.A.	Electricity supply	28909028	Bucharest	77.9999700%
Electrica Serv S.A.	Services in the energy sector (maintenance, repair, construction)	17329505	Bucharest	100%
Servicii Energetice Muntenia S.A.	Services in the energy sector (maintenance, repair, construction)	29384120	Bucharest	100%
Servicii Energetice Moldova S.A.	Services in the energy sector (maintenance, repair, construction)	29386768	Bacau	100%
Servicii Energetice Oltenia S.A.	Services in the energy sector (maintenance, repair, construction)	29389861	Craiova	100%
Servicii Energetice Dobrogea S.A.* (in bankruptcy)	Services in the energy sector (maintenance, repair, construction)	29388378	Constanta	100%
Servicii Energetice Banat SA* (in bankruptcy)	Services in the energy sector (maintenance, repair, construction)	29388211	Timisoara	100%

***) Electrica S.A. has lost control over Servicii Energetice Banat S.A. in November 2014 and over Servicii Energetice Dobrogea S.A. in January 2015. Starting January 2016 SE Moldova has initiated the simplified insolvency procedure estimated to be finalized at the end of 2016.**
Source: Electrica

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 North Muntenia (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), North Transylvania (Cluj, Maramures, Satu Mare, Salaj, Bihor and Bistrita-Nasaud counties) and South Transylvania (Brasov, Alba, Sibiu, Mures, Harghita and Covasna counties), operating with transformation stations and power lines ranging from 0.4kV to 110 kV.

The Company's distribution subsidiaries (EDTN, EDTS and EDMN) invoice the electricity distribution service to electricity suppliers (mainly to Electrica Furnizare subsidiary, the main electricity supplier in North Muntenia, North Transylvania and South Transylvania), which further invoice the electricity consumption to final consumers.

Electrica Furnizare 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 North Muntenia, North Transylvania and South Transylvania areas. According to the regulations issued by ANRE, suppliers of last resort have the obligation to ensure the electricity supply to the final customers which have not exercised their eligibility right (the right to choose their electricity supplier).

The electricity supply for universal service and last resort customers is done based on regulated contracts, with ANRE regulated prices, based on regulated tariff for the last resort customers and a "component of the competitive market" (CCM) substantiated by the last resort suppliers and endorsed by ANRE.

2.2 MISSION, VISION, VALUES

To continue succeeding over the long-term horizon, the Group has set its Vision, Mission and Values, which represent the foundation for formulating and implementing its corporate goals, objectives and business strategy.

VISION

The Group's vision is to expand its leading position in the electricity distribution and supply market segments, both nationally and regionally.

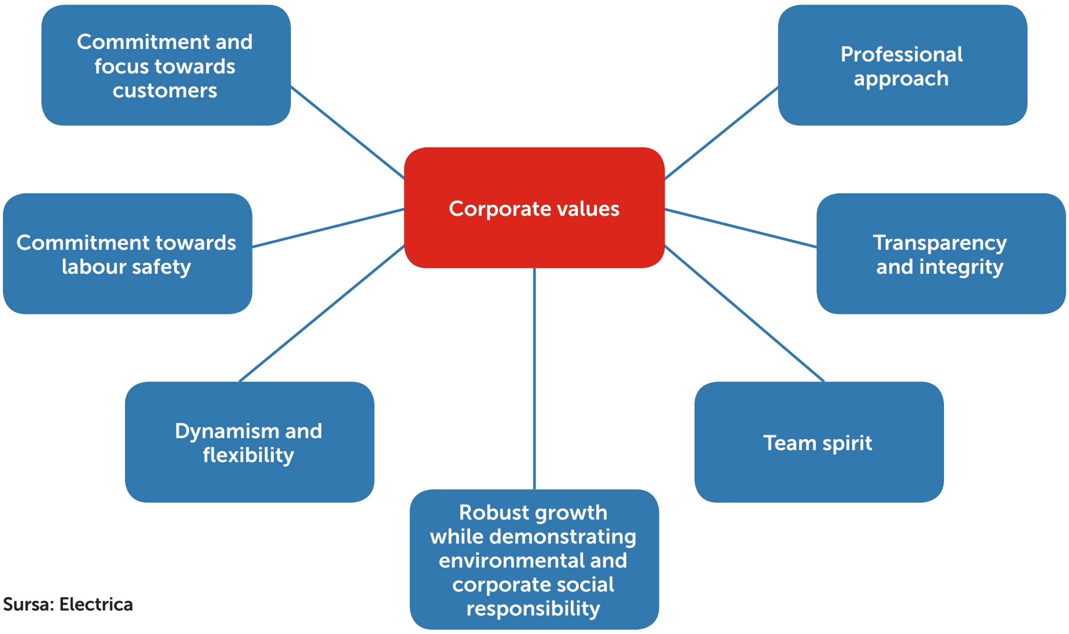
MISSION

The mission of the Group is to deliver long term value to our shareholders by distributing and supplying electricity and providing exceptional services to our customers, in a safe, reliable, affordable and sustainable manner.

VALUES

The values exercised across all structures of the Group are presented in the figure below. Electrica established these values as guiding lines in achieving its strategic objectives and communicating them to both internal and external interested parties. They reflect the Group's commitment to create an internal environment where integrity and ethics represent the corporate culture's fundamentals and are based on an open and transparent communication approach.

FIGURE 17 Electrica Group Corporate Values



Sursa: Electrica

2.3 KEY ELEMENTS OF THE 2015 – 2018 STRATEGIC PLAN

On July 9th, 2015 Electrica's Board of Directors presented to the Extraordinary General Meeting of Shareholders (EGMS) a document containing the main elements of the 2015 – 2018 Strategic Plan.

The document reflects the Board's vision on directing the business in the interest of its stakeholders in a mid to long term period. The Strategic Plan details the goals and objectives of Electrica S.A. itself and with respect to its subsidiaries (together referred to as "the Group" or "Electrica Group"), its corporate strategic directions and the action plan ("the Action Plan") that the Board intends to follow in order to achieve them.

The Strategic Plan has been formulated following an investigation of the following areas:

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

Based on the above-mentioned analyses, 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 presented below. With respect to the Group, Electrica S.A. aims to:

- 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 business portfolio by developing "value-added services" related to distribution and supply activities.
- Divest the unprofitable business segments and activities.

Electrica Group's business strategy addresses three major strategic themes: operational excellence for efficiency and quality, ensuring a committed and qualified workforce as well as the highest standards in corporate governance.

The corporate strategic directions and the strategic goals of Electrica with respect to the Group have been cascaded into strategic objectives. For each strategic objective, an Action Plan has been framed, alongside with Key Performance Indicators (KPI).

Electrica envisages the following strategic objectives with respect to the Group:

1. To enhance the overall financial performance of the Group.
2. To achieve excellence in financial processes management.
3. To enhance the overall operational performance of the Group.
4. To increase the quality of the provided services.
5. To improve employees' productivity and support their development.
6. Implementation by the subsidiaries of the distribution segment investment programme.
7. Corporate Governance progress and enhancement of the sustainability profile.

Some of the measures are presented below, while the detailed Action Plan can be found on Electrica's website. Under the Action Plan, Electrica aims to:

- Divest unprofitable business segments and activities and ensure implementation by the subsidiaries of the restructuring programme for all its operating segments.
- Create a Shared Service Centre ("SSC") to centralise and optimise common support activities of the Group companies, within the legal framework.
- Ensure implementation by the subsidiaries of the distribution investment plan.
- Integrate various services and capabilities in the Group's operations to create new "value-added" services.
- Increase transparency and communication with all stakeholders.
- Implement an Information Security Policy at Group level.
- Identify and implement measures aimed at reducing headcount to achieve peers' performance.
- Train the personnel and capitalise on their potential to increase labour productivity.
- Continue the implementation of the Corporate Governance Action Plan agreed with EBRD.

2.4 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) all these 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.

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.
- 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.

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 February 25th, 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; decarburization of the economy; research, innovation and competitiveness.

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.
- 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 new Framework Strategy for a European Energy Union which highlights the need for integration and cooperation amongst member states. Also, 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.	Electricity prices
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

For elaborating its Strategic Plan for 2015 – 2018, Electrica considered the above mentioned factors when formulating its corporate goals, objectives and strategy. The most important assumptions which Electrica considered are as follows:

- Romanian GDP will have a positive trend in the future and consequently the electricity consumption will increase at a moderate pace.
- The legal framework will not change significantly and the liberalization timetable will continue to be implemented in its current form.
- Romania will maintain its commitment towards achieving the 20-20-20 strategy for climate change and implement the new Framework for the period 2020-2030.
- The remuneration mechanism for distribution companies will not change significantly. However, the tariff type and regulated rate of return could be subject to changes.
- There will be no major geopolitical turbulences which will significantly affect the Romanian electricity market.
- Financial markets will remain stable and the availability of finance sources will support companies' investment programs.

Please note that 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 S.A. may update its strategy to reflect these changes.

3 OPERATING ACTIVITY

3.1 OPERATING SEGMENTS

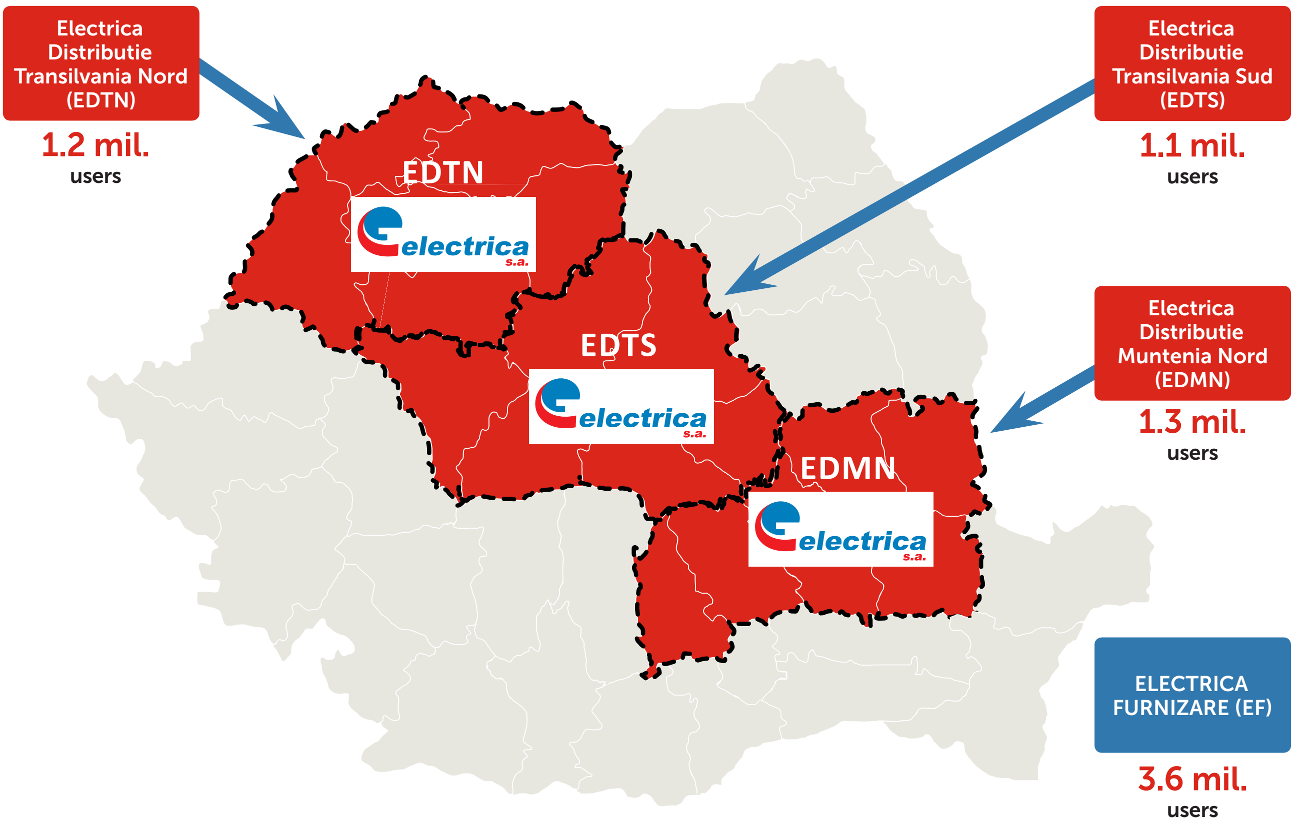
The operations of each reportable segment are summarized below.

Segments	Operations
Electricity supply	Purchasing electricity and supplying electricity to final consumers (includes Electrica Furnizare and the trading and representation activity on the Balancing Market as Balance Responsible Party – BRP Electrica)
Electricity distribution	Electricity distribution service (includes EDTN, EDTS, EDMN, Electrica Serv and the investments in the distribution activity done by Electrica)
External electricity network services	Repairs, maintenance and other services for electricity networks owned by other distributors (include SE Moldova, SE Oltenia and SE Muntenia)
Headquarters	Includes corporate services at parent level

Source: Electrica

The figure below shows the areas covered by the Group subsidiaries and the number of clients they serve.

FIGURE 18 : The geographical coverage of the companies in the Electrica Group



Note: The diagram relates to the number of company's clients on December 31st, 2015.
Source: Electrica

DISTRIBUTION SEGMENT

Electrica's distribution segment operates through its subsidiaries EDMN, EDTN, EDTS and Electrica Serv, the latter aimed at maintenance and repair of distribution networks. The distribution segment is limited geographically and by the services provided. Thus, Electrica is the operator of electricity distribution in North Muntenia region (Prahova, Buzau, Dambovita, Braila, Galati and Vrancea counties), Northern Transylvania (Cluj, Maramures, Satu Mare, Salaj, Bihor, Bistrita-Nasaud counties) and Southern Transylvania (Brasov, Alba Sibiu, Mures, Harghita and Covasna counties), operating transformer stations and transmission lines with voltages of 0.4 kV and 110 kV.

The Group has exclusive distribution licenses for these regions valid for the next 12 years with extension clause. Within its distribution business, Electrica provides equipment maintenance services, repair and other services for its network and to a smaller extent for third parties.

Distribution segment contributes with the highest share to the operational profitability of Electrica.

Electricity distribution is a regulated activity in Romania and specific tariffs applicable to distribution services must be approved by ANRE as a "tariff basket ceiling" mechanism as established by Order no. 31/2004 (applicable in the first regulatory period 2005-2007), no. 39/2007 (applicable in the second regulatory period 2008-2012), no. 51/2012 (applicable in the transition year 2013) and no. 72/2013 (applicable in the third regulatory period 2014-2018), amended and completed by ANRE Order no. 146/2014, Order no.112/2014 and Order no.165/2015.

The methodology "tariff basket ceiling" plans to reduce income fluctuations and avoid significant fluctuations in the electricity prices charged to consumers. The tariff model is based on the principle of remuneration through tariffs of controllable costs recorded by the distribution operator, the Distributor's main source of profit being the rate of return on capital invested in the distribution activity.

The tariffs are annually adjusted considering the operating performance reached, including the volumes of distributed electricity, amounts and acquisition price of electricity to cover the own technological cost ("OTC"), uncontrollable costs, change of revenues from reactive energy compared to the forecasted ones, depreciation and forecasted capital expenses, change of forecasted gross profit from other activities, as well as the difference between the assets return values determined by RRR cut down from 8.52% to 7.7%.

ANRE Order no.165/2015 modified Art.105 para.1 of the Methodology of tariffs setting up for electricity distribution service, in the sense of eliminating the maximum percentages by which the distribution tariffs could have been reduced, while keeping the percentage limits in case of distribution tariffs increase.

The current regulatory period ("the third regulatory period") within which the Group is operating has started on January 1st, 2014 and will end on December 31st, 2018. Both the current regulatory framework, and the rules related to RAB determination and to distribution tariffs are expected to remain unchanged, at least until the end of 2018.

ANRE sets up the annual level of distribution tariffs in RON per MWh for each distribution company and for each voltage level (high, medium and low). The tariffs invoiced to clients are cumulated depending on their related voltage level (i.e. the tariff for medium voltage also includes the tariff for high voltage, and the tariff for low voltage also includes the tariff for high and medium voltages).

ANRE sets up the annual regulated income levels required for each year during the regulatory period, based on projections submitted by the distribution operators, in line with the methodology requirements.

Starting January 1st, 2016, electricity distribution tariffs approved by ANRE are as follows (RON/MWh):

Tariff (RON/MWh)	ANRE Order no.	High voltage	Medium voltage	Low voltage
EDTN	173/December 14th, 2015	19.93	44.27	103.54
EDTS	171/December 14th, 2015	21.22	42.36	108.44
EDMN	172/December 14th, 2015	15.93	36.67	118.78

Source: ANRE

SUPPLY SEGMENT

The electricity supply segment operates through Electrica Furnizare subsidiary, both on the regulated electricity market (in geographical regions where the Group distribution segment is operating), and on the competitive market. The Group has two supply licenses covering the whole of Romania's territory valid until 2021 and 2022, respectively, and extendable afterwards.

The electricity market is divided in regulated market and competitive market. On both markets, electricity can be sold or purchased wholesale or retail.

Regulated market

The liberalization of the electricity market in Romania started on January 1st, 2007, after the implementation of the Second Energy Package of EU. The tariffs of electricity supply to non-households consumers have been fully liberalized and only the tariffs of electricity supply to households are still partially regulated by ANRE. The households are free to change their electricity supplier, still having access to regulated tariffs of electricity supply until this market will be fully liberalized in 2018. Starting January 1st, 2014, the tariffs of electricity supply to non-households consumers are determined by the market and freely negotiated. It is possible that increasing competition on this market segment which is no longer under regulated tariffs will determine consumers to switch their electricity suppliers and may result in an increased consumer's migration to the Group's competitors.

The electricity supply market in Romania could also record migration within the segment of household consumers, as the liberalization process is progressing. However, considering the insignificant savings that could be obtained by household consumers from changing their electricity supplier, the Management expects a relatively small liberalization effect over the household segment. When the households segment will be completely liberalized, Electrica should be able to offer packages of tariffs and competitive and innovating services to household consumers.

Currently, Electrica Furnizare is "supplier of last resort" for approximately 3.52 million consumers. A supplier of last resort is, under Energy Law, a supplier designated by the regulatory authority to provide the universal service of electricity supply under specific regulated conditions.

Until 2018, when the liberalization of the household segment is planned to be completed, tariffs for households must be approved each year by ANRE based on relative cost categories as well as on regulated profit margin. Tariffs are calculated in order to cover the cost of electricity (including transport costs, network services, distribution costs and a regulated profit margin). ANRE's previous methodology (ANRE Order no. 82/2013) provided for a maximum profit per unit of electricity sold to consumers at regulated and CPC tariffs of RON 4/MWh and operating cost supply of RON 4.5 /client/month. Electrica Furnizare records supply costs including costs of contracts closing, billing, bill collection, database management and costs of IT and telecommunications infrastructure.

The new methodology (ANRE Order no. 92/2015) provides for a percentage of the profit from supply worth 1.5% of the total cost (which includes acquisition, transport, distribution, system services, and market operation and supply costs) and an operation supply cost of RON 4.5 /client/ month in 2015 and of RON 4.7/client/month in 2016. According to the new methodology, ANRE can increase the supply activity cost by the quota of the occasional costs recorded by Electrica Furnizare as a result of special circumstances (such as re-contracting based on ANRE Order no. 88/2015, adjustment of IT. systems to comply with the latest regulations, losses from receivables, etc.).

In 2015, the households were billed, according to the calendar of regulated tariffs elimination, at a tariff that consists of a mix of regulated tariff component and a "component of the competitive market" (CCM). Non-household clients, beneficiaries of the Universal Service, were invoiced at CCM tariffs, while those which did not benefit from the Universal Service were invoiced at tariffs of last resort for 100% of their achieved consumption.

The electric energy supplied at regulated tariffs is acquired by means of regulated contracts, with amounts and prices set up by ANRE.

The electric energy supplied at CCM tariffs is acquired by means of bilateral contracts concluded as a result of tenders conducted on CMUS (centralized market for universal services), respectively, by means of bilateral contracts concluded on the competitive market for electricity supply at last resort tariffs.

Any difference between the achieved revenues and the costs plus profit from the supply at regulated/CCM/LR tariffs for the periods before the regulated tariffs elimination will be corrected during the next period of tariffs substantiation applied to the clients on regulated market.

The cost categories of the supplier of last resort, which contribute to the tariffs applied to the final clients up to the level regarded as admissible by

ANRE, are:

- Acquisition costs of electricity.
- Costs associated to electricity transport service.
- Costs related to the system technological and functional services.
- Costs related to services provided by the operator of the centralized electricity market.
- Costs related to electricity distribution services.
- Costs related to electricity supply to final consumers who have not used their eligibility right.
- Occasional costs incurred by force majeure (if applicable).

Competitive market

Trading on competitive wholesale market is transparent, public, centralized and non-discriminatory. Prices may be freely negotiated by the parties on the competitive retail market. Participants on the wholesale market can trade electricity using bilateral agreements concluded on the dedicated centralized market. Since July 19th, 2012, the Energy Law no longer allows the conclusion of selling-buying contracts on the wholesale electricity market outside centralized markets, except for the import/export energy contracts.

BRP Electrica – Balancing Responsible Party

Electrica S.A. has been a Balance Responsible Party (BRP Electrica) on the Balancing Market since 2005, based on the License for electricity supply no. 1091/2012. This activity complies with the market mechanisms detailed in the Commercial Code of Energy Wholesale market of Romania.

Within the Electrica Group, Electrica S.A. is the only entity conducting activity as BRP, and considering its contribution to the National Electricity Network, it ensures the balancing of over 29% of total consumption in Romania.

Participation on the Balancing Market, a component of the wholesale market, is mandatory and each license owner is bound to delegate the balancing responsibility to a BRP.

Responsibility delegation to a BRP has the advantage of aggregating imbalances, in the sense of cutting down the costs on the Balancing Market compared to the case in which the producer/supplier/distributor would act on its own behalf as a Balance Responsible Party.

The Subsidiaries – EDTS, EDTN, EDMN and Electrica Furnizare delegated their responsibility to BRP Electrica, establishing in this way strategic partnerships within the Group.

By establishing relations with over 140 license owners from all parts of the wholesale market, BRP Electrica is the Group binder, contributing to the development of profitable partnerships and to the promotion of the Electrica brand on the electricity market.

ENERGY SERVICES SEGMENT

The Group's portfolio also includes the energy services segment (equipment maintenance, repair and other additional services related to the network), performed almost entirely to the distribution subsidiaries outside the Group.

In 2015, the energy services segment consists of SE Moldova, SE Oltenia, SE Muntenia, and until the end of January it also included SE Dobrogea which faced bankruptcy.

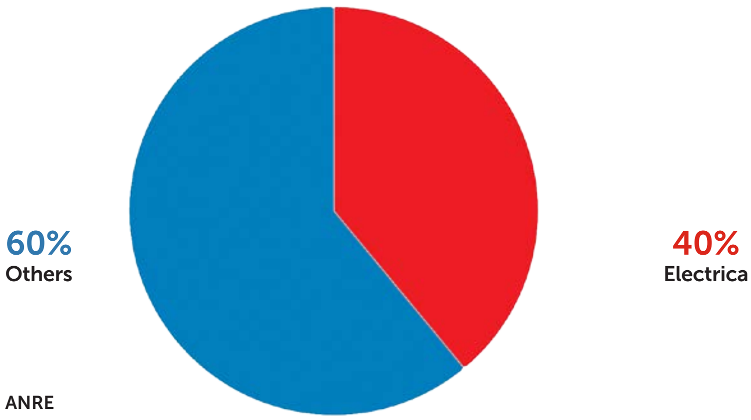
3.2 ACQUISITIONS

Electrica S.A. will continue its process of centralizing acquisitions within the Group, a process which will delegate the centralized acquisition to Electrica S.A. The objective is to reduce costs, optimize acquisition and ensure a uniform policy within the Group. This process of centralizing acquisitions will enable standardization of assets acquisition and, equally, will increase the integrity level.

3.3 SALES ACTIVITY

The main factors influencing Electrica's revenues are represented by the distribution and supply segments. In 2015, the contribution, on the one hand, of EDMN, EDTS, EDTN and Electrica Serv, and, on the other hand, of Electrica Furnizare to Electrica's total revenues were 40% and 55%, respectively. In comparison, in 2014, the contribution of the electricity distribution segment and electricity supply segment in total revenues were 41% and 55%, respectively.
The Group's distribution operators are natural monopolies in their respective markets and as such, they hold a dominant position. Also, the Group's distribution operators have a legal monopoly in their relevant regions and hence, other entities cannot set up a competing electricity distribution business.
The following figure shows the national market share (based on the amounts of distributed electricity) held by the Group's subsidiaries in the electricity distribution segment, according to the most recent ANRE report available.

FIGURE 19 Market share of distribution segment in 2014



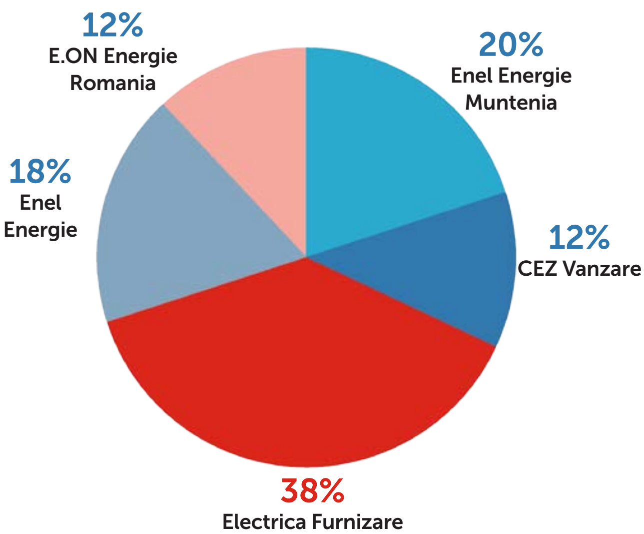
Sursa: ANRE

Although it holds a dominant position on the electricity supply market, Electrica Furnizare is facing growing competition on the market in operates on.
The supply market consists of the regulated and competitive segments:

- The regulated segment comprises five supply companies, which are part of a group comprising also the corresponding distribution operators.
- The competitive segment comprises 95 suppliers (including the last resort ones operating on the competitive segment of retail market), of which 88 are relatively small (<4% market share).

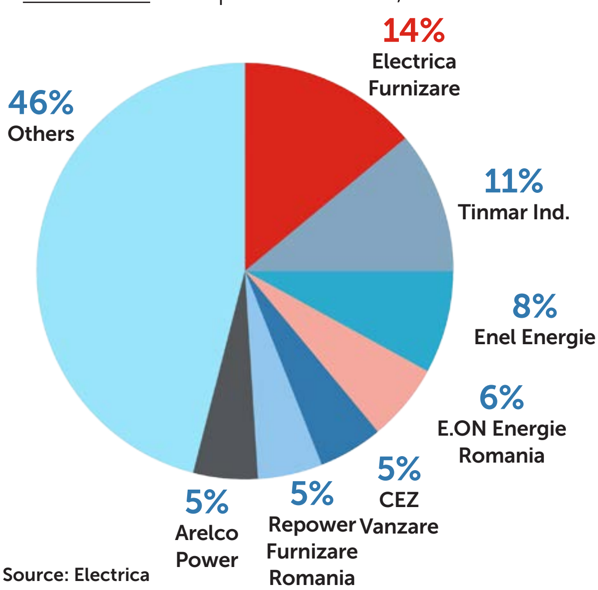
The figure below shows the market shares of Electrica's supply business on September 30th, 2015 (based on the supplied quantities):

FIGURE 20 Regulated Market, 2015



Source: Electrica

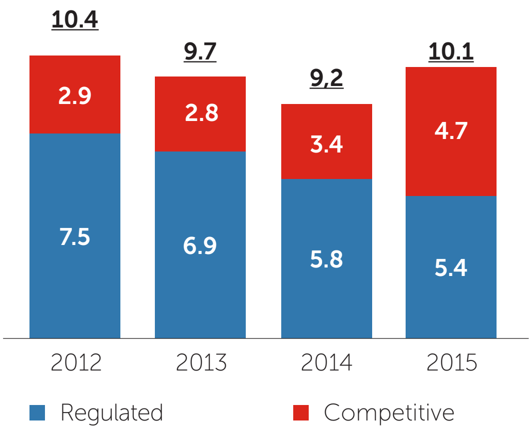
FIGURE 21 Competitive Market, 2015



Source: Electrica

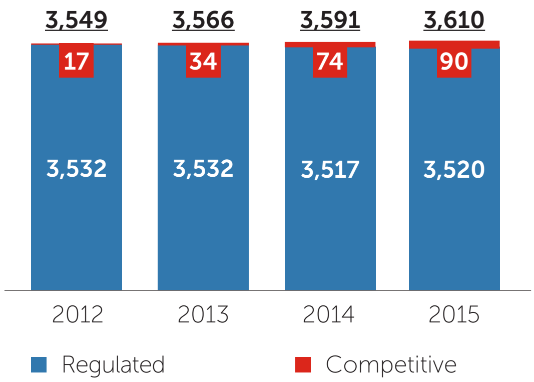
The total number of consumers supplied of Electrica Furnizare was 3.61 million in 2015 with 149 sale points.

FIGURE 22 Volume of electricity supplied on retail market (TWh)



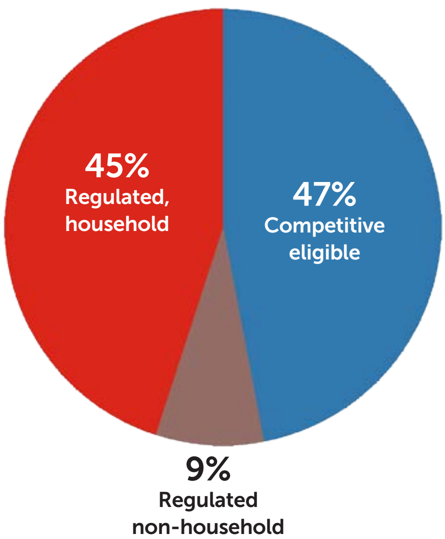
Source: Electrica

FIGURE 23 Evolution in number of consumers (thousand)



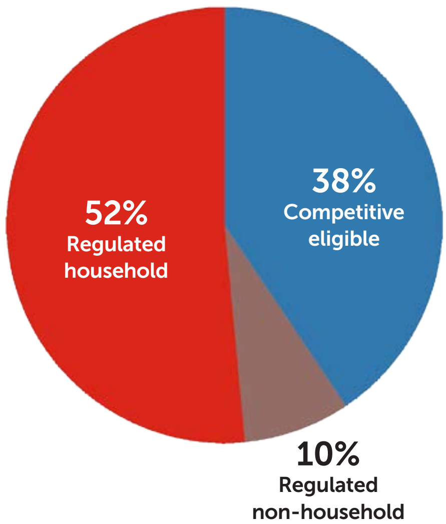
Source: Electrica

FIGURE 24 Consumers by volume of electricity supplied, 2015



Source: Electrica

FIGURE 25 Consumers by revenues, 2015



Source: Electrica

Major client exposure

Electrica Furnizare does not have a significant exposure to a certain client or group of clients that could drastically influence its activity.

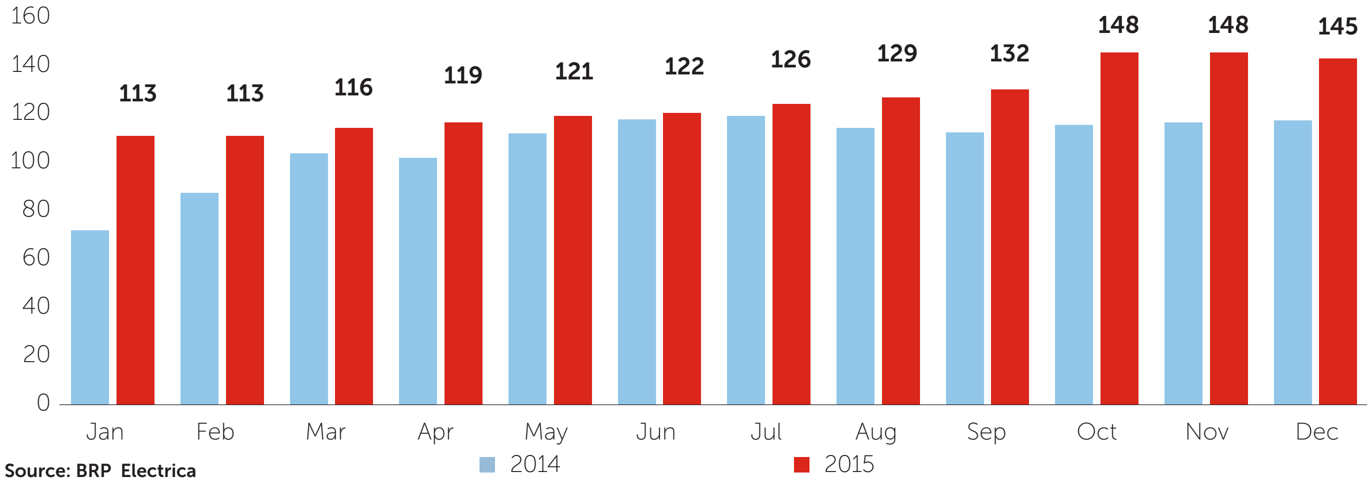
However, under Romanian legislation, certain electricity consumers, such as hospitals, ambulance stations, schools, nursing homes, air or naval traffic services are deemed of special importance, and cannot be disconnected by the electricity supplier. Moreover, the clients subject to the insolvency law, can benefit from protection against the creditors and, perhaps, against their energy suppliers. Thus, the electrical energy must be supplied by Electrica Furnizare, even if they are in payment default.

BRP Electrica - Balancing Responsible Party

In 2015, 108 Balance Responsible Parties were set up in Transelectrica S.A., with a total of 960 licensed participants.

At the end of 2015, 145 licensed participants (21 suppliers, 119 producers and five distributors) delegated their responsibility to BRP Electrica, as compared to 2014, when 120 licensed participants were registered with BRP Electrica.

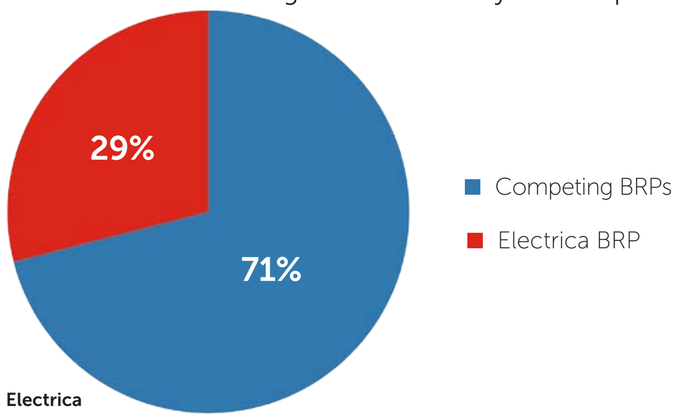
FIGURE 26 Number of BRP Electrica members



Source: BRP Electrica

The members' number increased as a result of promoting BRP Electrica high quality services, aimed at attracting new clients (producers and distributors), and clients from the portfolios of competing BRPs (suppliers and producers).

FIGURE 27 : BRP Electrica share with regards to electricity consumption in 2015



Source: Electrica

3.4 REORGANIZATION AND DISPOSAL OF ASSETS

In 2013, the Company approved the liquidation procedure for three subsidiaries: SE Banat, SE Dobrogea and SE Moldova.

In January 2014, the Board of Directors of SE Oltenia and, in October 2014, the Board of Directors of SE Muntenia, have decided to start the insolvency proceedings in view of reorganization.

In November 2014, SE Banat started bankruptcy proceedings, being followed by SE Dobrogea in January 2015, and consequently, the Company has derecognized these subsidiaries, given that it no longer had control over them.

SE Oltenia has been placed under insolvency with reorganization from May 2014. The Assembly of Creditors approved the Reorganization Plan in May 2015, which was confirmed by the court in June 2015.

SE Muntenia has been placed under insolvency with reorganization from November 2014. The Assembly of Creditors, and, subsequently, the court, approved the Reorganization Plan in November 2015.

SE Moldova is under simplified insolvency proceedings (bankruptcy) from January 2016, a procedure estimated to last until the end of 2016.

3.5 PERSONEL

On December 31st, 2015, the Group counted 10,539 employees.
The table below provides an overview of employment in the Group, by business segments, on the specified dates.

	2013	2014	2015
Electricity distribution	**9,347**	**9,386**	**8,767**
EDMN	2,092	2,156	1,949
EDTN	2,007	2,011	1,880
EDTS	1,874	1,874	1,795
Electrica Serv	3,374	3,345	3,143
Supply segment	**1,225**	**1,217**	**1,110**
Electrica Furnizare	1,225	1,217	1,110
Services related to other DSOs	**2,059**	**988**	**526**
SE	2,059	988	526
Headquarters	**149**	**149**	**136**
Electrica	149	149	136
Total	**12,780**	**11,740**	**10,539**

Source: Electrica

The reduction in the number of Group employees during 2015 was due to the voluntary retirement program, plus retirements at age limit (including due to reduction of age limit retirement), disability and termination of individual labour agreements due to other causes (resignation, parties' agreement), as well as reduction in the number of employees of subsidiaries in financial distress.

On December 31st, 2015 about 56% of the Group's employees were directly productive personnel and 44% were indirectly productive personnel, including technical, economic, social and administrative personnel.
The table below presents the Group's employment, by age as follows:

	December 31st, 2014	December 31st, 2015
Below 18 years old	0%	0%
18-30	6.16%	5.96%
31-40	20.37%	19.47%
41-50	38.90%	40.98%
51-60	29.90%	29.49%
over 60 years old	4.67%	4.10%
Total	**100%**	**100%**

Source: Electrica

On December 31st, 2015, about 98% of the Group's employees were members of Trade Unions and their employment conditions were governed by a collective labour agreement, renegotiated at least every two years and filed with the relevant labour authorities in Romania.

The Electrica Group has never confronted with strikes or other forms of labour conflict that would interfere with the company's business.
In November 2015, the program of voluntary retirements with compensatory package was initiated at Group level. This program was main-

ly addressed to employees having at most five years until the standard retirement age, as well as to those with medical problems.
As for the development of a policy regarding reorganization/restructuring actions conducted at Group level, it will be developed and negotiated with the social partners in accordance with the provisions of the Vollective Labour Agreement.
In parallel with this policy, Electrica also undertook the drafting and implementation of a National Training Program at Group level. This program aims at using professional reconversion to avoid, as much as possible, staff lay-offs. A procedure was drafted for the management of Group regarding restructuring efforts, including reporting deadlines and information of stakeholders.

The Company and its subsidiaries have in place internal regulations related to: general employment provisions, non-discrimination, labour safety and health, rights and obligations of the employer and of the employees, employee complaint procedures, rules on labour discipline, disciplinary sanctions and disciplinary infringements, rules regarding disciplinary procedure, the criteria and procedure for employees' professional appraisal and final provisions.
Electrica's training programmes aim at upgrading the skills of the Group's employees so they can adapt to more complex tasks for the better use of the existing resources. The Company's management believes that their emphasis on training and development helps employees meet business challenges effectively.

LABOUR SAFETY AND HEALTH

Achieving safety and health at work at Electrica level represents an integrated part of organizing and conducting work processes and includes all the measures and actions resulting in the prevention of accidents and professional diseases and the improvement of work environment.
In 2015, the supervision audit was conducted on the integrated management system of quality, environment, occupational health and safety, with labour health and safety activity performed in compliance with the standard OHSAS 18001/2009.
Electrica is focused on training the employees on danger awareness, in compliance with the legislation, with the aim of eliminating the accidents and professional diseases, which are identified by assessing the risk level in all of the workplaces.
The Labour Health and Security Committee coordinated at Group level meets periodically to analyse and solve the problems identified at all levels of the hierarchy. In 2015, labour health and security activity for 2014 was analysed, as well as the individual protection equipment for employees - mainly the electricians, planned for a centralized acquisition.

Implementation of the action plan

In order to ensure labour health and safety in 2015, the prevention and protection plan drafted at subsidiary/branch level has set up measures requiring funds allocation. In view of implementing the action plan, Electrica approved a budget of RON 15,532 thousand, mainly representing production funds.

Status of work accidents in Electrica Group

In 2015, the Group registered nine work accidents of which: three lethal work accidents and six accidents resulting in temporary work incapacity. As compared to the previous year, the accidents seriousness increased in terms of both the number of deaths and the longer recovery periods following the accidents (amounting to 615 days of work incapacity).

Preventive actions of labour safety and health

In this context, besides guidance and control actions for the compliance with legal requirements of labour safety and health, a large scale monitoring action was conducted on the working teams executing works and/or manoeuvres in electrical equipment, regarding their knowledge of and conformity with labour safety and health ("LSH") norms. The action was conducted during June-September 2015, based on an approved schedule and with the direct involvement on site of the management of subsidiaries, branches and agencies. Deficiencies were identified which required application of sanctions on 10 employees, implementation of immediate measures, as well as the development of long term programs.
Some deficiencies can be rapidly removed when control actions are carried out, while the others require preventive/corrective measures with set deadlines. The measures are followed up and reported on the deadline by the unit worker appointed by the prevention and protection office in the subsidiary and are centralized and submitted for analysis to Electrica S.A. Labour Safety and Health Committee, respectively.
The total number of inspections and controls on labour safety and health, fire control and civil protection performed by certified personnel in 2015 was 4,769.

The analysis of accidents occurred in 2015 revealed the need of an audit on occupational safety and health: by an independent consultant, at Electrica group level to define the risks mitigation actions aimed at improving the LSH management system in 2016, a project which has already started.

Special committees to analyse the favouring factors and causes of each accident were established specifically for this purpose and the investigation files were endorsed by the Territorial Labour Inspectorate. Worth mentioning is the fact that the risk of electric shock was a main cause of three work accidents, two of which were lethal. Statistical analysis indicated no requirement for imposing general measures, but specific measures for each case separately.

Most accidents were recorded in the age group over 50 years old (six out of the nine accidents) and having over 25 years of work experience in their occupation. As in previous years, the work accidents stem from complementary causes of human nature (inadvertence, lack of technological discipline, lack of control/supervision).

Preventive action in fire control

A single dangerous incident was recorded in 2015: the fire at a joint SDEE-AISE Cluj warehouse, in the storage area of disposed wood pillars. Fire brigades participated to extinguish the fire and no other material damages were registered. At the same time, a total of 12 minor incidents were reported (fire onsets extinguished by internal personnel): 10 at EDTS and two at EDMN.

The prevention program in fire control and civil protection for 2015 included: specific half-yearly training of the technical, economic and socio-administrative ("TESA") staff and monthly training of operating staff, according to the annual training programs and topics approved by the Company. a total of 313 evacuation drills and alarms at the Group level; check-up and assurance that all fire extinguishers are working in each location, reformed by authorized companies; alerts and fire extinguish performed by authorized companies.

Status of Electrica employees' health in 2015

Electrica did not register any occupational diseases or diseases related to occupation. Observation of the employees' health is conducted by doctors employed by Electrica Serv, based on a services agreement and also outsourcing contracts. The health control of all Electrica's employees and diagnosis of occupational diseases, respectively the work related diseases, are conducted by the labour medicine specialized doctor, by interpreting a series of statistical indices included in the framework operational procedure, received from each subsidiary.

The main health indicators are given by the degree of impacting the ability to work, respectively medical/psychological chronic diseases that limit the ability to work, physical effort, work at height, work under voltage, and the total number of days of temporary incapacity to work (medical leaves caused by chronic and/or acute medical conditions).

Thus, in 2015, the conditional aptitude indicator is estimated at 12.5% out of the total number of employees, of which one third is represented by cardiovascular issues, the rest of the issues being of ophthalmological/psychological nature. The days of medical leave for common illness represented less than 2.7% of the actual working time in 2015 and less than six days of absence per employee (compared to the statistical average of seven days).

The main causes of temporary work incapacity in 2015 resulting in medical leaves are related to traumatisms outside the work place (sprains, dislocation, fractures, contusions), cardiovascular affections (high blood pressure, coronary heart disease, chronical ostial disease), malignant tumours, osteomuscular affections (back pains, arthroses), respiratory disorders, pregnancy and nursing, digestive affections, psychic disorders.

Prevention is achieved through: medical examinations by occupational doctors, other than the mandatory ones; medical laboratory analyses; anti-influenza vaccination; occupational medicine and first aid training; hygiene conditions control.

3.6 ENVIRONMENTAL CONSIDERATIONS

While conducting its activities and implementing its business strategy, the Group promotes environmentally friendly policies and procedures. These include, for instance, the implementation of smart grid networks and the expected reduction in network losses, in order to improve energy efficiency and a reduction in CO2 emissions.

The Group's Management systems in relation to environmental and health and operational safety matters are implemented and operated on a standalone basis by each of the Group's subsidiaries. The annual capital investment budgets of each of the Group's subsidiaries include expenditure for environmental matters.

The Group's activities impact the environment, principally as a result of the noise generated by equipment and transformer posts from the transformers' stations, and secondly, because the Group uses equipment containing insulating oil with polychlorinated biphenols "PCBs", sulphuric acid and other polluting substances, whose operation is subject to regulation by specific environmental laws and regulations, including the provisions of the EGO no. 195/2005 related to environmental protection (the "Environmental Protection Law"). The Group is functioning based on environmental authorisations, and environmental authorities monitor the compliance with granted authorisations and endorsements, which may be suspended in case of compliance failures. In addition to the compliance with the Environmental Protection Law, the Group is also subject to the following regulations:

- EGO no. 68/2007 on the environmental liability with respect to the prevention and remedying of environmental damage to land, water and air in the case of pollution event.
- Law no. 104/2011 regarding air quality published in the Official Gazette of June 28th, 2011, which relates to restrictions on atmospheric pollutants and the elaboration of air quality plans.
- Law no. 211/2011 on waste management, published in the Official Gazette on 25 November 2011, which relates to ensuring a high level of environmental protection and the safety of the public's health through management of waste and prevention or reduction of the adverse impact of waste generation.
- Other specific restrictions related to package and packaging waste, disposal of waste oils, batteries, tyres, PCBs and other materials used in the distribution segment's business.
- The privatisation legislation regarding the notification of the National Agency for Environmental Protection and obtaining the confirmation that is not necessary to set environmental obligations in the privatisation process, except for EDMN with respect to the compliance with the regulation of the special regime on management and control of PCBs and AISE Buzau, AISE Galati, AISE Ploiesti, AISE Targoviste, AISE Focsani, AISE Brasov, AISE Miercurea Ciuc, AISE Sibiu, AISE Bistrita, AISE Baia Mare, AISE Satu Mare, AISE Cluj, AISE Braila.

At the date of this report, the Group held all important permits required for it to conduct its business, and the Group's business was conducted in compliance with all specific environmental regulations. Integrated Quality, Environment, Occupational Health and Safety management systems certified in accordance with ISO 9001:2008, ISO 14001:2014 and EN OHSAS 18001:2007 have been implemented in each of the Group's subsidiaries.

3.7 RESEARCH AND DEVELOPMENT ACTIVITIES

With regards to Electrica's concern to promote technological innovation by participating in research and development projects co-financed by European funds, namely to test new technologies, simulating and managing behaviours which can be integrated in the distribution electricity networks, we emphasise the involvement in accessing such funds by filing projects within the calls on FP7 and Horizon 2020. Projects proposed with Electrica participation that are worth mentioning are:

- Electrica participated as a member in various consortia for the elaboration of project proposals on the calls opened for research-development-innovation within EU and the Ministry of Education and Scientific Research. Worth mentioning of these projects are:

  - The research-development project (which is in progress), co-financed on FP7," SINGULAR", has the purpose to test software designed to forecast loads in network nodes and the production generated by a wind power mill and photovoltaic plant, using measures from remotely read counters. Managing the forecasted consumption/production in an island network area might ensure allocation of electricity losses and an improved monitoring aimed at mitigating losses. Moreover, testing software applications on a real network to optimize power flows followed by demos constitutes a way to develop methodologies for determining electricity losses in networks that integrated renewable sources, in order to improve energy and operational efficiencies for networks with an increased degree of penetration of renewable sources.

The main objective of the project is to generate efficient data and solutions to maximize the integration of islander energy resources which are variable and unpredictable, while minimizing the related negative technical and economic consequences.

The Company participated in drafting other projects, presented below:

- H2020-DRS-12-2015 SUCCESS – project declared eligible, for which Electrica obtained full EU financing.
- H2020-SCC-2015 SmaSH
- H2020-LCE-2015-3 InToReGRID
- H2020-EE-2015-2-RIA DRIBLE
- H2020-LCE-2016-2017 PROVISION

The Group's current strategy includes the achievement of the objectives of the Pilot innovation project "Green Highway", which are aimed at supporting infrastructure development for electric vehicles. Although initially proposed only for the Oradea – Bucharest route (for two possible routes), in case of success, the Group will extend the project to another two routes in Romania.

This project is based on the survey "Development of an implementation strategy of a business in electric vehicle charging at Electrica level - Business Plan Drafting" in compliance with the Plan of Actions included in EU Framework Strategy, which stipulates, among others, the need to accelerate the energy streamlining and decarbonisation process in the transport segment, progressive shift to alternate fuels, and integration of the energy and transport systems.

Another important endeavour of Electrica in promoting engineering innovation is the dissemination of modernization solutions of electric network using smart grids concept during the international conferences/symposia organized by Electrica every year in November, when topics like smart grids and smart metering solutions are included. In this sense, we mention the organization under the patronage of Electrica S.A., of the international symposium "Smart Metering".

Moreover, we can emphasise the participation in the International Conference on Electricity Distribution ("CIRED"), which is focused on technological innovation and promotion of new technologies which improve operational efficiency. Thus, in June 2015, the company participated with the paper "Impact of distributed generation on distribution networks".

In May 2015, Electrica participated as co-organiser in the following symposia: "Smart networks – Networks of the Future" Symposium and "Integration of renewable energy sources in the electrical grid" Symposium.

3.8 RISK MANAGEMENT

To implement the risk management system as well as an internal control/management system at group level, the following provisions were considered:

- Order of the Ministry of Public Finance no. 946/2005 regarding the development of an internal control/management system, with subsequent amendments and completions.
- Government Order no. 119/1999 regarding internal control and preventive financial control, with subsequent amendments and completions.
- Internal procedures adopted with this purpose.
- Best practices and methodologies applied in listed and non-listed companies.
- International Standards on Risk Management Systems.

In 2015, all the initially identified risks were re-assessed and the risks register was updated. The risks re-assessment was performed depending on their occurrence probability and on their possible impact on the achievement of the Company's objectives. Thus, after calculating risk exposure level, the risks were grouped according to four levels of tolerance (tolerable/ high tolerance/ low tolerance/ intolerable) and adequate control measures were adopted, according to the emergency level and the time span required to implement new processes/procedures, aimed at avoiding or mitigating such risks in the future.

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.

For 2016, the Company considers the development of risk management system according to the provisions of the international standard SR ISO

31000:2010 "Risk Management – Principles and Guidelines".

The risks related to the activity and sector of Electrica operates in can be presented as follows, for the year 2015:

- Group's supply segment may be exposed to increasing competition due to the market liberalization.
- Group's financial performance may be negatively influenced by changing tariffs on the regulated market.
- Group's supply segment might lose its status of supplier of last resort.
- Group's financial performance may be negatively influenced by changing prices for energy.
- Romania's electricity demand is linked to various factors beyond control of the Group, such as economic, political and climate-changing factors.
- The Group has to comply with regulatory requirements and has to keep in place regulated approvals, being exposed to significant liabilities in case of non-compliance.
- Components of the Group's distribution network are subject to deterioration over time.
- The Group's assets and/or business could be damaged by natural and man-made acts or disasters.
- The Group's IT systems are outdated and are not integrated.
- The migration of the Group to a new integrated ERP system may encounter difficulties and delays.
- The Group may face risks associated with restitution claims with regard to certain real estate properties.
- Electrica Furnizare may be prohibited from suspending or interrupting the supply of electricity to certain of the Group's customers, even if such customers are in payment default.
- Failure to observe public procurement legislation by members of the Group may lead to fines and voided contracts.
- The Group's position in electricity distribution and supply markets may expose it to claims relating to abuse of dominant position.
- A strike or other labour disruption could adversely affect the Group's business.
- Failure to execute management's business strategy may lead to cost savings and revenue forecasts being lower than predicted for the Group.
- The Group's reputation, future prospects or results of operations may be materially adversely affected by claims or litigation.
- Not conforming to legislation regarding public purchases by members of the Group could lead to fines and annulment of contracts.
- Ownership title over certain real estate properties owned by members of the Group may be deemed uncertain.
- The Company may face additional claims from tax authorities for budgetary debts due for previous periods.
- The Romanian taxation system is subject to change and may issue inconsistent interpretations of tax legislation.
- After the Offering, the State will continue to have significant influence over the Company.
- After the Offering, the State will continue to have significant influence over the Company.
- Components of the Group's distribution network are subject to deterioration over time.
- The distribution subsidiaries' activity may be negative impacted by natural disasters or unauthorized human interventions.
- The existence of companies involved in the electricity distribution and network construction in the area where the Group's distribution subsidiaries performed their activity.
- Regulation risk generated by frequently changes and without appropriate consulting sessions with the electricity distribution operators negatively influence the budget planning capabilities.

FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks resulting from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mainly from the Group's receivables from customers, cash and cash equivalents, bank deposits and treasury bills and government bonds.

Cash, bank deposits, treasury bills and government bonds are placed with financial institutions, which are regarded as having a high creditworthiness. The accounting value of financial assets represents the maximum exposure to the credit risk.

Trade receivables

The Group's credit risk related to receivables is concentrated on the state-controlled companies. The Group registers a depreciation allowance which is the best estimation of losses recorded as related to trade receivables.

The ageing statement of trade receivables was as follows:

RON thousand	December 31st, 2015 Gross value	December 31st, 2015 Bad debt allowance	December 31st, 2014 Gross value	December 31st, 2014 Bad debt allowance
Not past due	654,679	-	501,052	-
Past due 1-90 days	189,243	(15,916)	240,421	-
Past due 90-180 days	12,525	(3,605)	23,542	-
Past due 180-360 days	9,864	(9,008)	29,463	(13,657)
Past due 1-2 years	33,561	(33,561)	52,801	(52,801)
Past due 2-3 years	19,388	(19,388)	105,710	(105,710)
Past due more than 3 years	1,043,639	(1,043,639)	975,487	(975,487)
Total	**1,962,899**	**(1,125,117)**	**1,928,476**	**(1,147,655)**

Source: Electrica

RON thousand	Net trade receivables December 31st,2015	Net trade receivables December 31st,2014
Not past due	654,679	501,052
Past due 1-90 days	173,327	240,421
Past due 90-180 days	8,920	23,542
Past due 180-360 days	856	15,806
Total	**837,782**	**780,821**

Source: Electrica

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities settled by transferring cash or another financial asset. The Group's approach to liquidity management is to ensure, as far as possible, sufficient liquidity to meet its liabilities when they are due, both under normal and stressed conditions, without incurring unacceptable losses. The Group aims at maintaining its cash and cash equivalents at a level exceeding the forecasted cash outflows for the payment of financial liabilities. The Group also monitors the forecasted cash inflows from trade receivables collection together with forecasted cash outflows on trade and other payables. In addition, the Group maintains overdrafts.

Exposure to liquidity risk

The following table shows the remaining contractual maturities of financial liabilities on the reporting date. The gross amounts are undiscounted, and include estimated interest costs.

(RON thousand) Financial liabilities	Book value	Contractual cash flows Total	less than 1 year	1-2 years	2-5 years	more than 5 years
December 31st, 2015						
Bank overdrafts	65,963	65,963	65,963	-	-	-
Financing for network construction related to concession agreements	221,641	228,332	100,248	97,002	31,082	-
Finance lease	59,821	59,821	59,821	-	-	-
Trade payables	656,410	656,410	656,410	-	-	-
Total	**1,003,835**	**1,010,526**	**882,442**	**97,002**	**31,082**	**-**

(RON thousand)			Contractual cash flows			
Financial liabilities	Book value	Total	less than 1 year	1-2 years	2-5 years	more than 5 years
December 31st, 2014						
Bank overdrafts	48,132	48,132	48,132	-	-	-
Financing for network construction related to concession agreements	250,550	262,231	101,633	87,114	73,484	-
Finance lease	294	294	294	-	-	-
Trade payables	555,256	555,256	555,256	-		-
Total	**854,232**	**865,913**	**705,315**	**87,114**	**73,484**	**-**

Source: Electrica

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates – will affect the Group's revenue or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent there is a mismatch between the currencies in which sales and purchases are denominated and the functional currency of the Group. The functional currency of the Group is the Romanian Leu (RON).

The currencies in which these transactions are primarily denominated are RON and EUR. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as much as possible. The Group does not use derivative or hedging instruments.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk is as follows:

	December 31st, 2015	December 31st, 2014
In thousand RON	EUR	EUR
Cash and cash equivalents	10,241	10,138
Deposits (deposits, treasury bills and government bonds)	139,581	136,704
Financing for network construction related to concession agreements	(221,641)	(250,550)
Finance lease	-	(294)
Net exposure of financial position statement	**(71,819)**	**(104,002)**

Source: Electrica

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
RON	**2015**	**2014**	**2015**	**2014**
1 EUR	4.4450	4.4446	4.5245	4.4821

Source: Electrica

Sensitivity analysis

A reasonably possible appreciation (depreciation) of the EUR against RON at December 31st would have affected the assessment of financial instruments denominated in foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Thousand RON	Profit before tax	
Effect	Appreciation	Depreciation
December 31st, 2015		
EUR (change by 5%)	(3,591)	3,591
December 31st, 2014		
EUR (change by 5%)	(5,200)	5,200

Source: Electrica

Interest rate risk

The Group's policy is to use mainly supplier's credit to finance its investments. The Group does not have significant long-term bank loans.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

Thousand RON	December 31st, 2015	December 31st, 2014
Fixed-rate instruments		
Financial assets		
Bank accounts (cash and cash equivalent)	678,612	1,352,487
Treasury bills and government bonds (cash and cash equivalent)	90,865	199,500
Deposits, treasury bills and government bonds	1,987,881	1,220,521
Financial liabilities		
Financing for network construction related to concession agreements	(221,641)	(250,550)
Finance lease	-	(294)
Total	**2,535,717**	**2,521,664**
Variable-rate instruments		
Financial liabilities (thousand RON)		
Short-term borrowings	(59,821)	-
Overdrafts	(65,963)	(48,132)
Total	**(125,784)**	**(48,132)**

Source: Electrica

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
Thousand RON	50 bps increase	50 bps decrease
December 31st, 2015		
Variable-rate instruments	(629)	629
December 31st, 2014		
Variable-rate instruments	(240)	240

Source: Electrica

4 FIXED ASSETS

The number of users and volume of installations at December 31st, 2015 at the level of the three distribution subsidiaries (EDTN, EDTS and EDMN) and at Electrica's overall level are quantified as follows:

	UM	TN	MN	TS	Total
Geographical coverage	km^2	34,162	28,962	34,072	97,196
Number of users, of which:	**-**	**1,232,610**	**1,304,991**	**1,113,577**	**3,651,178**
110 kV	-	35	39	65	139
medium voltage (MV)	-	3,989	3,451	2,789	10,229
low voltage (LV)	-	1,228,586	1,301,501	1,110,723	3,640,810
Overhead power lines length, of which:	**km**	**52,215**	**58,562**	**45,474**	**156,251**
110 kV	km	2,179	2,148	3,166	7,493
medium voltage (MV)	km	11,723	12,517	10,383	34,622
low voltage (LV)	km	38,313	43,897	31,925	114,136
whereof connections	km	17,944	23,848	17,206	58,998
Underground power lines length, of which:	**km**	**15,400**	**11,719**	**11,297**	**38,415**
110 kV	km	27	15	41	83
medium voltage (MV)	km	3,536	3,321	3,303	10,160
low voltage (LV)	km	11,837	8,382	7,953	28,172
whereof connections	km	6,769	2,119	2,430	11,317
Cumulative power of transformers/power AT	**MVA**	**6,091**	**8,488**	**6,699**	**21,278**
in power stations					
(110 kV/MT + MT/MT)	MVA	3,757	5,466	4,139	13,362
in power stations 110 kV/MT	MVA	3,715	5,111	4,129	12,955
in power stations MT/MT	MVA	43	355	10	407
Switching stations/Transformer stations	-	2,334	3,022	2,560	7,915
No. of substations, of which:	**-**	**121**	**216**	**106**	**443**
power stations 110 kV/MT	-	92	124	101	317
power stations MT/MT	-	29	92	5	126
Number of switching stations and transformer stations	**-**	**8,576**	**10,125**	**8,719**	**27,420**

Source: Electrica

The vast majority of the distribution equipment currently in the patrimony of electricity distribution subsidiaries within Electrica were built in the last 60 years, following the successive development phases of the National Electricity System. This led to a great variety of equipment currently in use. A relatively small group, accounting for approx. 20% of total equipment, is represented by new installations, put into force after 1990 and which are made at Western standards. The vast majority of installations were produced by the Romanian industry during 1960-1990, in which case a high rate of wear and tear is noticed.

Depending on voltage level, categories of installations, year of commissioning and specific operating conditions, wear of installations can be assessed as follows:

	UM	TN	MN	TS
High voltage power lines (110 kV)	Underground power lines	45%	25%	50%
	Overhead power lines	80%	75%	75%
Medium voltage power lines	Underground power lines	80%	48%	65%
	Overhead power lines	75%	60%	60%
Low voltage power lines	Underground power lines	75%	52%	75%
	Overhead power lines	75%	58%	70%
Substations		75%	75%	60%
Transformers	Pole - Amount	70%	45%	65%
	Concrete enclosure	75%	51%	75%
	Pad-Mount	85%	69%	15%
	Underground	95%	16%	85%

Source: Electrica

Investments

Electrica intends to modernize and develop the distribution network managed into a concept of smart grid by installing smart meters and infrastructure systems, such as SCADA, SAD systems etc., in order to improve operational efficiency and restore the existing network infrastructure to reduce losses in the network, improve network flexibility, quality, stability and reliability of the network in the distribution segment. Investments at Group level considered the wear of assets of distribution companies, in order to increase the efficiency of distribution networks.

Within the implementation of the investment program, Electrica ensures the compliance with the following criteria:

- Group's Strategy.
- Inclusion in RAB of regulated investments.
- Non-regulated investments of the Group should provide an IRR higher than weighted average cost of capital.
- The investment program will follow the Group financial strategy to maintain a solid capital structure.

Based on the above criteria and in the context of Electrica Group's commitment to improve the operational performance and quality of the electricity distribution service, as stated in the Prospectus, the IPO proceeds obtained by Electrica Group will be used to improve the existing grid infrastructure, to develop the network for connecting new users and for investments in smart grid and smart metering.

According to the strategy of investment in Electrica's power grids, it is aimed to promote those categories of capital expenditure contributing to the development of a distribution activity as profitable as possible and to the creation of conditions of access to more energy consumers or producers to the electricity distribution network, in line with market requirements, especially based on:

- Automation of distribution by integrating the installation in SCADA, SAD etc.
- Expansion of modern systems for metering electricity consumption, transmitting data on consumption parameters and monitoring of consumers.
- Modernization of the equipment in transformer stations and the medium voltage network.
- Introduction of equipment with reduced own losses, with higher operating efficiencies, environmentally-friendly.
- Modernization of the connections.

At the same time, the group plans important investments in the improvement and modernization of the IT infrastructure, IT systems, as well as investments in cyber-security and business continuity. They are all based on findings of the IT audit and aim at improving data protection and implicitly the quality of services provided.

The following table presents the investment program approved by ANRE on distribution subsidiaries within Electrica Group:

Commissioning program approved by ANRE for the period 2014 - 2018 (RON mil.)						
	2014	**2015**	**2016**	**2017**	**2018**	**Total**
EDTS	117.00	180.00	219.60	250.00	287.50	**1,054.10**
EDTN	126.00	184.00	223.20	259.20	288.00	**1,080.40**
EDMN	113.81	171.33	205.04	252.41	287.09	**1,029.68**

Source: ANRE

Based on IPO proceeds, Electrica Group has decided to increase the volume of investments in the distribution network in the third regulatory period compared to the volume approved by ANRE at the end of 2013.
The investment programs approved by ANRE for the third regulatory period (2014-2018) can be supplemented with investments which, although not remunerated in RAB in the current regulatory period, they will generate cost savings and additional efficiency, the benefit being equal or higher than RRR.
The investment plan consolidated at group level for 2015 had been initially rejected on April 27th, 2015 and subsequently approved, with an increase by 30% compared to the initial proposal, on July 9th, 2015.
In 2015, the companies within Electrica Group made the following investments (both financed from own sources and supplier's credits, and capitalized repairs) compared to those approved by the General Meeting of Shareholders in July 2015:

Subsidiary Electrica Group (RON mil.)	Initially planned	Planned in July 2015	Achieved
EDTN	210	273	213.3
EDTS	195	253	149.5
EDMN	190	247	140.5
Electrica Furnizare	20	20	19.1
Electrica Serv	15	15	1.7
Electrica S.A.	52	52	27
Total	**682**	**860**	**551**

Source: Electrica

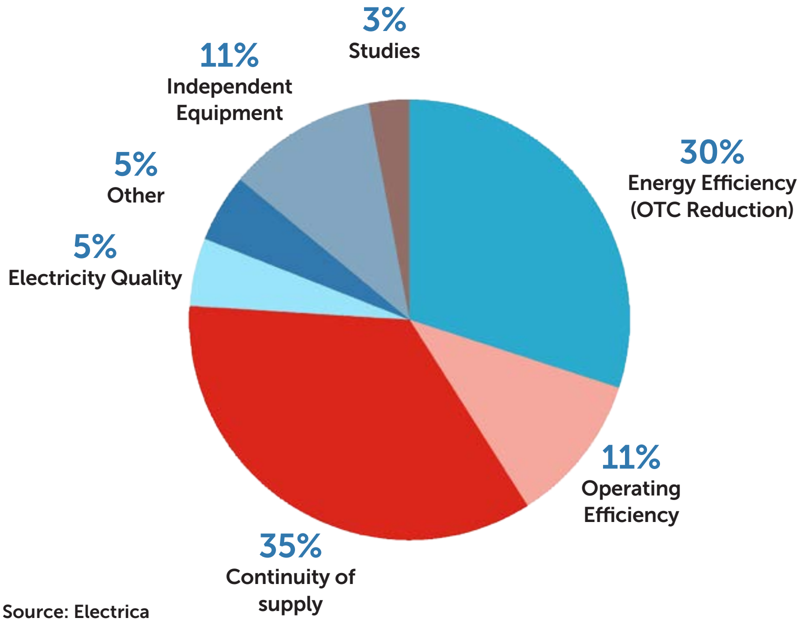
From the previous table it can be seen that at Group level the plan was achieved at a rate of 64%, with the mention that for distribution subsidiaries a rate of 65% was recorded, reported at the increased plan and 85%, reported to the initially planned. This level of achievement is the result of approval of the consolidated investment plan increased by 30% during July 2015, which generated major delays in the work schedule.
The synthetic structure of the investments planned by distribution subsidiaries in 2015 is presented in the table below (for details of the main investments made see Appendix 2).

Category of works (RON mil.)	Total
Efficiency	312
Energy efficiency/OTC	228
Operational efficiency	84
Quality of service	310
Continuity of supply	269
Quality of energy	41
Other categories	36
Independent equipment	88
Studies and projects for the coming years	27
Total	**773**

Source: Electrica

The main investments of Electrica Group in 2015 focused on increasing the quality and efficiency of the distribution service.

FIGURE 28 The structure of Electrica Group's investments in 2015



Source: Electrica

The commissioning plan (both financed from own sources and supplier's credits and capitalized repairs) for 2015, approved by ANRE, was achieved at a rate of 93.1%.

Subsidiary Electrica Group (RON mil. nominal terms)	Planned	Achieved	%
EDTN	193.7	194.6	100.4
EDTS	189	184	97.4
EDMN	180	145	80.6
Total	**562.7**	**523.6**	**93.1**

Source: Electrica

As a result of investments made during 2011-2015, the structure of the Regulatory Assets Base of the three distribution operators in the portfolio of Electrica Group is presented in the table below:

RAB (RON mil.)	2011	2012	2013	2014	2015
EDTN	1,166	1,261	1,292	1,335	1,437
EDTS	1,213	1,321	1,332	1,343	1,425
EDMN	1,312	1,408	1,434	1,490	1,561

Source: Electrica

During 2011 – 2015 RAB evolution has been increasing for all the three distribution companies in the Group's portfolio, which is reflected in increased profitability across the Group.

5 CAPITAL MARKET

Starting on July 4th, 2014 the Company's shares are listed on Bucharest Stock Exchange (BSE) under the ticker symbol EL, while the GDRs (Global Depositary Receipts) are listed on London Stock Exchange (LSE) under the ticker symbol ELSA.

FIGURE 29 Share price history on BSE, together with the most important events occurred between the first day of trading and March 4th, 2016 (RON)

Source: BSE, Electrica

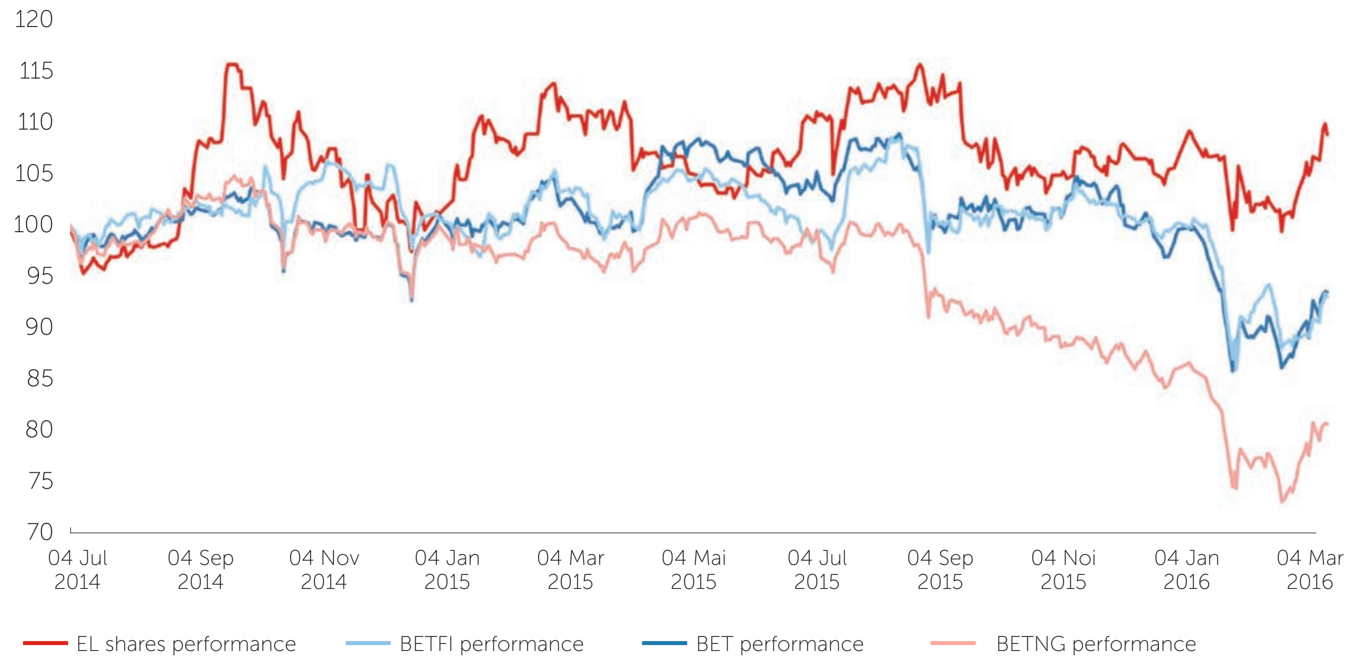
FIGURE 30 Global depositary receipts' price history on LSE, together with the most important events occurred between the first day of trading and March 4th, 2016 (USD)

Source: BSE, Electrica

No.	Date	Event description
1	4-Jul-14	First day of trading on BSE and LSE
2	14-Aug-14	Publication of H1 2014 results (followed by results presentation webcast on August 22nd, 2014)
3	15-Sep-14	Escalation of tension in Ukraine (from September 14th)
4	22-Sep-14	GMS elected a new BoD consisting of 5 non-executive members
5	14-Nov-14	Publication of Q3 2014 results (followed by results presentation webcast on November 18th, 2014)
6	12-Dec-14	ANRE modified RRR (regulated rate of return) from 8.52% to 7.7%
7	16-Feb-15	Publication of preliminary standalone 2014 results
8	27-Mar-15	Publication of 2014 results (followed by results presentation webcast on April 30th, 2015)
9	2-Apr-15	Suspended the discussions with FP on the acquisition of their shareholdings in Electrica's subsidiaries
10	27-Apr-15	OGMS rejected the 2015 consolidated CAPEX and the proposal for the BoD's remuneration
11	15-May-15	Publication of Q1 2015 results (followed by results presentation webcast on May 21st, 2015)
12	9-Jul-15	GMS approved the 2015 consolidated CAPEX plan, approved the limits of remuneration for the executive managers, rejected the proposal for the BoD's remuneration; the BoD presented to the GMS the elements of Electrica's Strategy for 2015-2018
13	30-Jul-15	Appointment of 3 executive managers by the BoD, namely of Human Resources Director, Sales Director and the Strategy and Corporate Governance Director
14	14-Aug-15	Publication of H1 2015 results (followed by results presentation webcast on August 20th, 2015)
15	8-Sep-15	News relating to potential SAPE claims; publication of a BoD letter for the shareholders. GMS rejected the Administration Plan, the BoD Remuneration Plan and the KPIs (7 - 10 Sep)
16	27-Oct-15	Appointment of the CFO by the BoD
17	10-Nov-15	EGMS mandated the BoD to negotiate a transaction with FP; EGMS modified the Articles of Association; main changes: increasing the no. of BoD members from 5 to 7; the method of selection for BoD candidates was changed
18	13-Nov-15	Publication of Q3 2015 results (followed by results presentation webcast on November 19th, 2015)
19	14-Dec-15	GMS elected a new BoD consisting of 7 non-executive members, out of whom 4 independent
20	4-Jan-16	External storm erased 11.8% from BET cap in 2016, while Electrica's shares fell by 5.7%
21	13-Jan-16	Chairman of Board of Directors appointment and consultative committees establishment
22	18-Jan-16	Legal actions for annulment/suspension of certain ANRE orders Tariffs for 2016 approved through ANRE orders for the distribution operators in Electrica Group
23	10-Feb-16	Decision of Mr Michael A M Boersma to resign, starting with May 1st, 2016 from his position of member of the Board of Directors of Electrica SA
24	15-Feb-16	Publication of preliminary standalone 2015 results
25	26-Feb-16	Mutual agreement on Mr Ioan Roșca's mandate termination as CEO of Electrica SA (until June 2016)

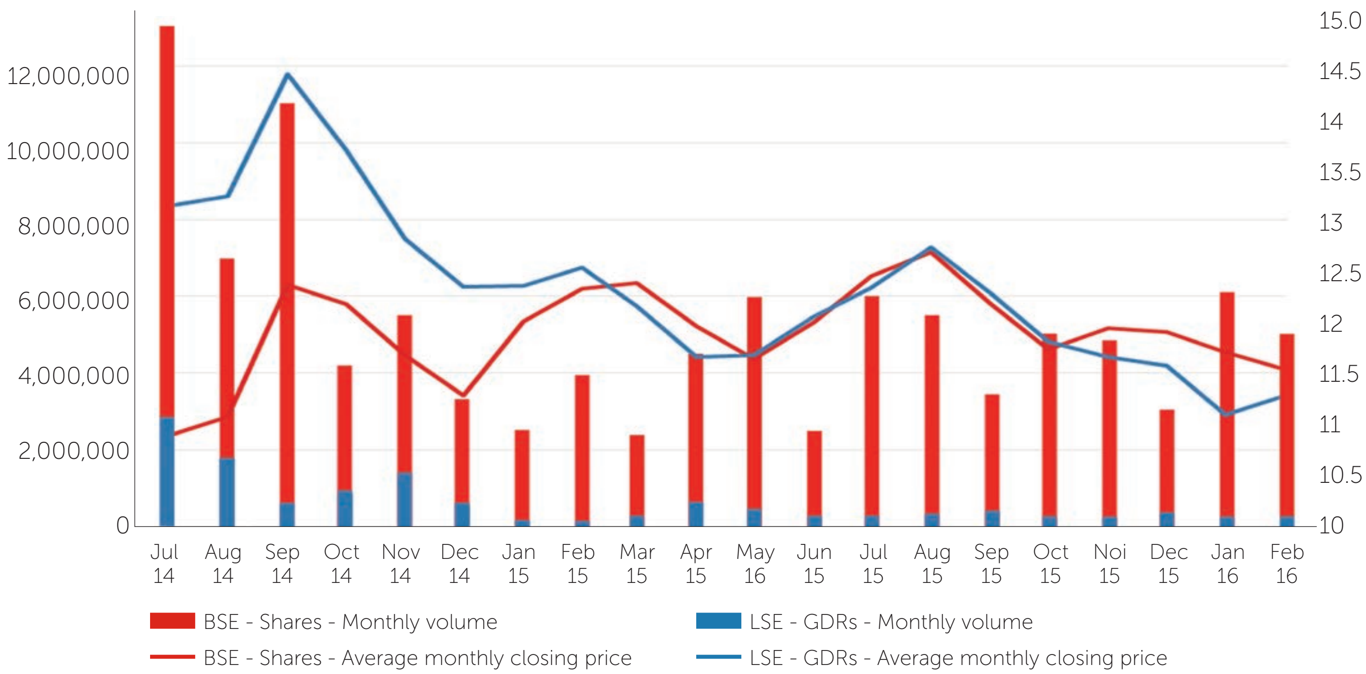
Source: Electrica

FIGURE 31 Comparative performance of Electrica's share price and BSE indices: BET, BETNG and BETFI (%, as compared with the first day of trading, July 4th, 2014)



Source: BSE, Electrica

FIGURE 32 Monthly trading volume and average monthly closing price of shares on BSE (in RON) and GDRs on LSE (in USD)



Sursa: BSE, LSE, Electrica

Dividend distribution

Romanian companies may distribute dividends from statutory earnings only, as per separate financial statements prepared in accordance with Romanian accounting regulations. The dividends distributed by the Company in 2012–2015 (from the statutory profits of preceding years) were as follows:

(RON mil.)	2012	2013	2014	2015
Dividends distributed	6.0	13.2	22.5	245
Dividends/share (RON)	0.029	0.064	0.108	0.722

Source: Electrica

Dividend policy

Dividends, if and when declared, are distributed to shareholders on a pro-rata basis proportionately to their participation in the paid-up share capital of the Company. Each fully paid Share gives its owner the right to receive dividends. The Company will pay any dividends in RON.

The Company will distribute dividends on the basis its annual financial statements which starting with 2014 are prepared in accordance with IFRS-EU. Management's intention is to distribute dividends, based on a guidance of approximately 85% of consolidated profit attributable to shareholders of Electrica S.A.

Repurchase of treasury shares

In July 2014 the Company bought back for price stabilization purposes, 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent of 1,684,000 shares. The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372 thousand. There were no changes in the value of the treasury shares in 2015.

6 MANAGEMENT OF THE GROUP

6.1 THE BOARD OF DIRECTORS OF ELECTRICA S.A.

During 2015, the Board of Directors has undergone several changes. At the beginning of the year, the Board of Directors consisted of five non-executive members, appointed by the Ordinary General Meeting of Shareholders on September 22nd, 2014. One of the directors was elected following his proposal by the Romanian state, represented at that time by the Ministry for Energy, three were elected at the proposal of private shareholders and one was elected at both the proposal of the Romanian state and of private shareholders. Four of the five directors fulfilled the independence criteria provided by the Articles of Association.

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.

During September 22nd, 2014 – November 17th, 2015, the Board of Directors had the following members:

- Mr. Victor Cionga – non-executive independent director, elected as Chairman of the Board of Directors until January 2016
- Ms. Arielle Malard de Rothschild - non-executive independent director
- Mr. Michael Boersma – non-executive independent director
- Mr. Cristian Bușu - non-executive independent director
- Mr. Victor Grigorescu - non-executive director.

We present below the most relevant aspects regarding the professional experience of the members of the Board of Directors at the time of their appointment:

Name	Mandate	Professional experience
Victor Cionga	4 years	• Has held non-executive positions, including in energy companies (Member of the Supervisory Board of Hidroelectrica, Chairman of the Board of Directors of Arctic Gaesti, Member of the Board of Directors of Sidex). • Has experience in listing processes (involved in the initial public offering of Transelectrica, Siderurgica Hunedoara, Sidex and Petrotub), in bond issue projects (he has prepared one of the largest issues of municipal bonds on the Romanian market, issued by the Local Council of Timisoara Municipality) and in M&A (Continental Hotels, NetCity). • Has comprehensive corporate governance knowledge: he was manager of BSE and created a partnership with OPSPI in order to start a program through which the Institute of Corporate Governance offered free training programs to state-owned companies, thus helping them in preparing for the listing process.
Arielle Malard de Rothschild	4 years	• Has an extensive experience in investment banking, spending over 25 years in companies such as Lazard Frères & Cie and Rothschild. She is the founder of the Emerging Markets Division at the Rothschild & Cie investment bank, part of the Rothschild group. • Before joining Rothschild & CIE in 1999, she spent 10 years as an investment banker at Lazard Frères & Cie, as part of the Sovereign Advisory team. • Her experience includes major privatization projects in Romania, Poland, Russia, Hungary and Morocco, coordinating the privatization of companies such as MOL, Nafta Polska, ZIL, BCR or Dacia. • Has experience in M&A projects, working in over 40 such projects in Eastern Europe and Africa. • Member of the Board of Directors of Imerys S.A. (SBF120) and of Rothschild & Co, both listed on the Paris Stock Exchange and of Groupe Lucien Barrière.
Michael Boersma	4 years	• Professor of corporate governance at the TIAS School for Business and Society, University of Tilburg in the Netherlands • Senior adviser for First State European Diversified Infrastructure Fund, London, UK. • Non-executive independent director of Nynas AB, Stockholm, Sweden, a company owned by PDVE and Neste Oil Oyj, specializing in the production and trade of oils and bitumen. • Chairman of the Board of Directors of Prometheus Energy, based in Houston (Texas, U.S.A.). • Chairman of the Supervisory Board of TMG, a Dutch listed company, Amsterdam. • Member of the Supervisory Board of PostNl, a Dutch listed company, The Hague, the Netherlands. • Chairman of the Supervisory Board of the VieCuri Medical Center for Noord-Limburg in Venlo, the Netherlands. • Chairman/member of foundations/institutions/advisory bodies (e.g. Energy Fund Limburg, Jheronimus Bosch 500, Protective preference shares FUGRO). • From 2003 until the end of 2009 - CEO and Chairman of the Executive Board of Directors of Essent, the largest Dutch utility.

Name	Mandate	Professional experience
Cristian Bușu	4 years	• Member of the Board of Directors and of the Audit Committee at SIF OLTENIA. • Manager at the Central branch of Marfin Bank in Bucharest. • Between 2009 and 2013, he served as Financial Manager of Fondul Proprietatea and was a member of the Representatives Committee. • Economic Adviser for the Economic Department of the Romanian Government. • Lecturer at the Bucharest Academy of Economic Studies, in which capacity he conducted various teaching and research activities.
Victor Grigorescu	4 years	• Expert at the Department for Energy. • Manager of AG Industrial Consult, company specializing in consulting in the field of public policies. • During 2007-2011 - Second Secretary at the Permanent Mission of Romania to the EU, the commercial division, with responsibilities concerning the EU's common commercial policy. • Since 2004 - EU expert at the Ministry of Economy and Trade, Foreign Trade Department. • Since 2006 - Romania's representative in the 133 Committee (Steel), as guest, in the pre-accession period, and then as a full member, after January 1st, 2007. • Before working in public administration, he was development manager for a firm trading textile and other industrial products.

Source: Electrica

On November 17th, 2015, following his nomination as Government member, Minister of Energy, Mr. Victor Grigorescu resigned from the position as member of the Board of Directors of Electrica S.A.
Given that on November 10th, 2015 the General Meeting of Shareholders decided to amend the Articles of Association and increase the number of members of the Board of Directors from five to seven, and in order to ensure the fulfillment of statutory requirements for adopting decisions, on November 19th, 2015 the Board of Directors appointed Ms. Ioana Dragan as interim member of the Board of Directors, until the next General Meeting of Shareholders of the Company (i.e. December 14th, 2015).
Also, in November, Mr. Cristian Bușu was appointed Secretary of State in the Ministry of Energy, thus changing his status as independent candidate.
Thus, during November 19th, 2015 – December 14th, 2015, the Board of Directors had the following members:

- Mr. Victor Cionga - non-executive director, Chairman of the Board of Directors
- Ms. Arielle Malard de Rothschild - non-executive director
- Mr. Michael Boersma – non-executive director
- Mr. Cristian Bușu – non-executive director
- Ms. Ioana Dragan - interim non-executive director.

On December 14th, 2015, the General Meeting of Shareholders elected, by the cumulative voting method, a Board of Directors consisting of seven non-executive members. Their term of office, registered based on the decision of the General Meeting of Shareholders, is four years. Four of the seven directors fulfill the independence criteria provided by the Articles of Association, according to statements presented on the occasion of nomination.
At the date of this report, the members of the Board of Directors are as follows:

No.	Name	Term of office (starting with December 14th, 2015)	Status	Date of first election
1.	Cristian Bușu	4 years	non-executive director	September 22nd, 2014
2.	Arielle Malard de Rothschild	4 years	non-executive, independent director	September 22nd, 2014
3.	Ioana Dragan	4 years	non-executive director	December 14th, 2015
4.	Corina Popescu	4 years	non-executive director	December 14th, 2015
5.	Bogdan Iliescu	4 years	non-executive, independent director	December 14th, 2015
6.	Michael Boersma*	4 years	non-executive, independent director	September 22nd, 2014
7.	Pedro Mielgo Alvarez	4 years	non-executive, independent director	December 14th, 2015

Source: Electrica;
***Note: Mr. Michael Boersma announced that he would resign from the position of Board member as of May 1st, 2016.**

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

Mr. Cristian Bușu was elected Chairman of the Board of Directors during the new Board's first meeting, which took place on January 13th, 2016, for a term of one year.

- During 2015, until December 14th, the consultative committees had the following composition:

a) The Nomination and Remuneration Committee

- Ms. Arielle Malard de Rothschild - Chair of the committee
- Mr. Michael Boersma
- Mr. Cristian Bușu

b) The Audit Committee

- Mr. Cristian Bușu - Chair of the committee (until November 27th, 2015, when the chairmanship of the Committee was taken over by Ms. Arielle Malard de Rothschild)
- Mr. Victor Grigorescu (until November 17th, 2015; as of November 27th, 2015 he was replaced by Mr. Victor Cionga)
- Ms. Arielle Malard de Rothschild

c) The Strategy, Restructuring and Corporate Governance Committee

- Mr. Michael Boersma - Chair of the committee
- Mr. Victor Grigorescu; (until November 17th,2015; as of November 27th, 2015 he was replaced by Ms. Ioana Dragan)
- Mr. Victor Cionga.

- In the first meeting of the new Board of Directors on January 13th, 2016, it was decided to change the composition of committees, as follows:

a) The Nomination and Remuneration Committee

- Mr. Bogdan Iliescu - Chair of the committee
- Ms. Arielle Malard de Rothschild
- Ms. Corina Popescu

b) The Audit Committee

- Mr. Pedro Mielgo Alvarez- Chair of the committee
- Ms. Arielle Malard de Rothschild
- Mr. Bogdan Iliescu

c) The Strategy, Restructuring and Corporate Governance Committee

- Mr. Michael Boersma - Chair of the committee
- Ms. Ioana Dragan
- Mr. Cristian Bușu.

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.

The following table presents the number of Electrica S.A. shares held by all members of the Board of Directors in March 2016:

Name	Number of shares	Stake held (% of the share capital)
Victor Cionga	5,000	0.00144534%
Victor Grigorescu	-	-
Cristian Bușu	-	-
Arielle Malard de Rothschild	-	-
Ioana Dragan	-	-
Corina Popescu	-	-
Michael Boersma	-	-
Bogdan Iliescu	-	-
Pedro Mielgo Alvarez	-	-

Source: Electrica

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.

In 2015, the Company established a special structure, the General Secretariat, functionally reporting to the Board of Directors and which has as duties, among others, to provide the entire support necessary for the development of the Board meetings. The coordinator of the General Secretariat has the position of secretary of the meeting within the Board meetings. Starting with September 26th, 2015, Ms. Mirela Dimbean-Creta has fulfilled this position.

6.2 THE ACTIVITY OF THE BOARD OF DIRECTORS OF ELECTRICA S.A. AND OF ITS CONSULTATIVE COMMITTEES

In 2015, the Board of Directors met 35 times. Of the 35 meetings that took place in 2015, 12 were organized at Electrica's headquarters and 23 were held electronically, in accordance with the provisions of art. 17 paragraph 22 of the Articles of Association of the Company.

We present below the situation of Board members' presence (in person) in the meetings of the Board of Directors and its committees in 2015:

Name	The Board of Directors (no. of meetings - 35)	The Audit Committee (no. of meetings - 9)	The Nomination and Remuneration Committee (no. of meetings - 14)	The Strategy, Restructuring and Corporate Governance Committee (no. of meetings - 11)
Victor Cionga	34*	1	-	11
Victor Grigorescu	31	8	-	9
Cristian Bușu	35	9	14	-
Arielle Malard de Rothschild	35	9	14	-
Ioana Dragan	4	-	-	1
Michael Boersma	35	-	14	11

***Note: in a meeting of the Board of Directors, Mr. Victor Cionga as represented by Mr. Victor Grigorescu, on the basis of mandate.**
Source: Electrica

The main decisions adopted by the Board of Directors in 2015 refer to:

- Implementation of the charter of the Board of Directors and the charters of the committees set up by the board.
- Approval of the Corporate Governance Code.
- Approval of the Code of Ethics and Professional Conduct, of the procedure for reporting ethical misconduct, irregularities or any violations of the law by professional alert devices (integrity notice).
- Approval of the Internal Audit Charter and of the Code of Ethics for the internal auditor.
- Approval of the audit plan for 2015 and 2016.
- Approval of the internal audit operational procedure.
- Implementation in Electrica SA subsidiaries of a similar corporate governance model as used by the Company, namely replacing the executive directors with non-executive ones starting March 2015.
- Endorsement of Electrica SA's financial statements at individual and consolidated levels for the financial year of 2014.
- Endorsement of financial statements of Company's subsidiaries for the financial year of 2014.
- Endorsement of Electrica SA's income and expenses budgets at standalone and consolidated levels for the financial year of 2015; analysis of the budgetary projection for 2016.
- Endorsement of income and expenses budgets of company's subsidiaries for the financial year of 2015; analysis of the budgetary projection for 2016.
- Endorsement of the consolidated investment plan for the financial year of 2015.
- Approval of the transition organizational structure and the Regulation of organization and functioning of the Company.
- Approval of a profile for the competences of the members of the Board of Directors of the Company.

Also, the Board of Directors discussed during several meetings and analysed the materials and proposals regarding Electrica's Strategy and Business Plan, the Management Plan of the Board of Directors, the Policy of remuneration and the framework - management agreement for the Board of Directors, and initiated projects regarding the restructuring of subsidiaries and review of the Articles of Association of the Company and of its subsidiaries.

Another area characterizing the activity of the Board of Directors in this period is represented by the concern for setting up a new team at the level of executive management and of key-positions. In this context, an extensive process of evaluation of internal competences was carried out, in order to confirm and, respectively, select and recruit executive managers for the positions of director of strategy, sales, human resources and CFO.

In the first two months of 2016, the Board of Direc-

tors met five times (of which two meetings were held electronically) and adopted important decisions for both its organization and the development and operational orientation of the Company.
The main decisions adopted by the Board of Directors during meetings held in the period of December 14th, 2015 - February 29th, 2016 refer to:
- Election of the Chairman of the Board of Directors.
- Establishment of the consultative committees and election of their chairpersons.
- Analysis and endorsement of individual budgets of Electrica S.A., of budgets of its subsidiaries and of the consolidated budget at group level for 2016.
- Endorsement of the consolidated investment plan at group level for 2016.

Board of Directors evaluation

The Board of Directors whose term ended on December 14, 2015 has initiated and carried out an evaluation of its activity. For this purpose, it has contracted the services of a well-established international company, with comprehensive experience in corporate governance. The evaluation covered the period November-December 2015 and the main objectives established considered the following aspects:
- Strengthening the effectiveness of the Board by identifying the possible improvements in its structure, functioning, ability to work as a team, and its capacity to constructively challenge management.
- Development of shared views among Board members on how the Board could better contribute to Electrica's performance.
- Strengthen confidence in Electrica's approach to governance among key shareholders and other stakeholders.
- Encourage Electrica to be a leader in Romanian corporate governance by meeting best practice requirements and expectations of the BSE Code of Corporate Governance;;
- Enhance comfort among Board members regarding the fulfilment of collective responsibilities.

The conclusions drawn from the evaluation process were discussed by the Board of Directors – both by the structure valid until December 14th, 2015 and by the new structure. Analysis of recommendations formulated revealed that the action plan should focus on the following main elements:

1. The Board of Directors should focus more on viewing the activity from a group level and should receive more information on the activity of subsidiaries, in order to define and apply appropriate governance policies at group level;
2. Improvement of the nomination process regarding the candidates for a position within the Board of Directors, in order to ensure the necessary resources and competencies of the Board, while also strengthening the role of the Nomination and Remuneration Committee in managing this process;
3. The Board of Directors will have an approach from a strategic point of view rather than operational, one of the areas requiring more focus being the creation and development of a proper framework for risk management and internal control;
4. Improving communication with the executive management and creating a relevant tool for the periodic reporting of Electrica and group activity; setting the annual calendar of meetings and key documents and reports to be presented by the executive management.

A first step in implementing the measures presented is the initiation of a project to review and align the Articles of Association of Electrica and its subsidiaries, considering more clearly the scope of activity and the responsibilities by level of management, controlled delegation of abilities and implementation of a new corporate governance at group level.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive Board of Directors members, the majority of them being independent members, while the chairman of the committee is an independent director.
The role of the Committee is to propose candidates for the Board of Directors, to develop and propose to the Board the selection procedure of candidates for the positions of managers and other management positions, to recommend to the Board candidates for the positions listed, to formulate proposals on the remuneration of directors and other management positions. Additional to the provisions of the Articles of Association the Committee has the following duties in the field of remuneration:
- Elaborates and proposes to the Board policy for selection and evaluation of candidates and evaluates the balance of skills, experience, independence, knowledge and diversity of candidates.
- Proposes to the Board procedures for the periodical evaluation of performance of the Board and its members.
- Periodically evaluates the size and structure of the Board and of the advisory committees and, if necessary, recommends any changes to the Board.
- Makes recommendations to the Board regarding the Company's policies on remuneration, incentives and severance payments.
- Makes recommendations to the Board regarding the Company's policies on staff recruitment and retention and termination of employment.

- Makes recommendations to the Board regarding the remuneration of the CEO and other executive managers, including the main components of remuneration, performance objectives and evaluation methodology.
- Makes recommendations to the Board regarding the structure of the remuneration of non-executive directors.

The Nomination and Remuneration Committee met 17 times during January 1st, 2015 - February 29th, 2016. During these meetings, the following topics were discussed and referred to the Board of Directors for approval:

- Recommendations on the remuneration of Board members and their framework – management agreement.
- Recommendations on the structure and remuneration of the subsidiaries Board members.
- Recommendations on the appointment of executive directors and performance criteria.
- Recommendations on the organizational structure of the Company.
- The profile of the Board of Directors and its evaluation policy - developed according to principles undertaken by Electrica SA under the Corporate Governance Code and taking into account the principles and provisions of the new Corporate Governance Code adopted by the Bucharest Stock Exchange, applicable as of 4 January 2016. The criteria envisaged for Board members covers the following areas: general management, technology and regulation, financial and economic, social and economic, international experience and information technology, areas that reflect the Company's activity and its anticipated challenges in the coming years.

Furthermore, the Nomination and Remuneration Committee was involved in preparing the General Meeting of Shareholders held on December 14, 2015, which had on its agenda the election of members of the Board of Directors via the cumulative voting procedure, at the request of the Romanian state as a shareholder. For this purpose, according to the provisions of the Articles of Association in force at the time of convening the General Meeting of Shareholders, The Nomination and Remuneration Committee decided to hire an independent recruitment agency, with international experience, for identifying and providing a shortlist of potential independent candidates, from which the shareholders could choose one or several candidates. Also, in terms of nominations of independent candidates, The Nomination and Remuneration Committee verified the existence of supporting documents proving that they fulfilled the conditions mentioned in the Articles of Association of Electrica S.A.

The Audit Committee

The Committee is made up of three members, most of them independent directors, the chairman is a non-executive independent director. This structure provided the necessary expertise in finance and risk management, according to legal requirements. The main role of the Committee is to support the Board in fulfilling its duties of verifying the efficiency of Company's financial reporting, internal control and risk management. While fulfilling this role, the Committee advises the Board regarding the assessment of the Annual Report and Annual Financial Statements, whether the documents are accurate, balanced and comprehensive and provide all the necessary information for the shareholders' evaluation of the financial performance. At the same time, the Committee has the following duties:

- Reviews and monitors the independence of the external auditor, the objectiveness and effectiveness of the audit process.
- Monitors the auditor compliance with the relevant professional and ethical guidelines regarding the audit partner rotation, the level of fees paid by the Company compared to the overall income fees of the company, audit office and partner, and other related requirements.
- Ensures the compliance of the activities with the internal audit role.
- Monitors and reviews the adequacy and effectiveness of the internal audit role and internal financial controls in the context of the entire risk management system of the Company.
- Reviews the policies and systems of the Company for detecting fraud and preventing taking/giving of bribes.
- Assesses the financing requirements of the Company and the financing plans proposed and makes recommendations to the Board regarding the permits, notifications and applications necessary and appropriate to enable the Company's management to execute such plans.

The Audit Committee met 12 times during January 1, 2015 - February 29, 2016. During these meetings, the following were discussed and referred to the Board of Directors for debate and, when applicable, approval/endorsement:

- The Regulation of organization and operation of the Audit Committee.
- The audit plan for 2016.
- The operational internal audit procedure.
- The financial statements of Electrica S.A. at standalone and consolidated levels for the financial year of 2014 and the financial statements of Company's subsidiaries for the financial year of 2014.
- The income and expenses of Electrica S.A. at standalone and consolidated levels for the financial years of 2015 and 2016 and the revenue and ex-

penditure budgets of Company's subsidiaries for the financial years of 2015 and 2016.
- Various reports submitted by the internal auditor on missions carried out within Electrica SA and its subsidiaries.

The internal audit activity is carried out by a separate division from a structural point of view (the Internal Audit Service), within the Company. In order to ensure the fulfilment of its main functions, it reports to the Board of Directors through the Audit Committee and administratively - to the CEO.

Given the recommendation resulting from the process of evaluation of the activity of the Board of Directors in its whole, regarding the creation and development of an adequate risk management framework, the Audit Committee decided to pay more attention and provide more support to the Company, from this perspective. A first step was the implementation of the decision, to rename it as the **Audit and Risk Committee** in the meeting of December 8th, 2015, and during the first meetings of the new Committee was also planned the presentation of a report on risk management process in the year 2015 and based on its analysis the establishment of a calendar for the presentation of specific and periodical reports.

The Strategy, Restructuring and Corporate Governance Committee

The Committee was made up of three non-executive directors, the chairman being a non-executive independent director.

The Committee has the following duties in terms of strategy:
- Supervises and monitors the strategy of the Company and makes recommendations to the Board in relation to this.
- Makes sure that an effective strategic planning process is being set by the Board, including the development of a medium-term strategic plan with measurable targets and deadlines.
- Evaluates the performance of the Company and makes sure that the Company is aware of trends in the industry and the local market, with the evolution of competition and technological developments.
- Assesses whether acquisitions, disposals, joint ventures, cooperation projects fit into the strategy of the Company.

Regarding the tasks of the Committee on restructuring, they mainly relate to:
- Making recommendations to the Board on the most appropriate ways for the Company to restructure and/or develop its activities and supervises the implementation by Company management of the decisions adopted by the Board on restructuring and/or development of the Company.
- Reviewing the structure, objectives and policies of the Company and making recommendations to the Board.
- Reviewing and making recommendations to the Board on the development and implementation of all restructuring plans and objectives of the Company, including any matters relating to the establishment and streamlining of core businesses.

At the same time, the Committee has duties in terms of corporate governance:
- Supervises and monitors compliance by the Company with its legal and contractual obligations and with the principles of corporate governance applicable and makes recommendations to the Board in connection to this.
- Develops and recommends to the Board corporate governance guidelines and proposes any amendments on corporate governance policy and documentation of the Company.
- Reviews potential conflicts of interest that involve the directors and discusses with the Board if such director or directors may vote on any matter in relation to which there could be a conflict.

The Strategy, Restructuring and Corporate Governance Committee met 13 times during January 1, 2015 - February 29, 2016. During these meetings, the following were discussed and referred to the Board of Directors for approval/endorsement:
- The Regulation of organization and operation of the Board of Directors and of the Strategy, Restructuring and Corporate Governance Committee.
- Recommendations on acquisitions/investments opportunities, respectively the strategy of smart-metering implementation at the level of Electrica Group, unification of the Dispatcher, GIS etc.
- The Corporate Governance Code.
- The consolidated investment plan for 2015 and 2016.
- The strategy for the development of Electrica S.A. Group's activity.
- Health and safety at Group level.
- The procedure for reporting ethical misconduct, irregularities or any violations of the law by professional alert devices (integrity notice).
- Proposals to amend the Articles of Association of Electrica S.A. and its subsidiaries, in its capacity as promoter of the project for review and alignment thereof.

For 2016, the Committee has proposed as main objectives the completion and implementation of new Articles of Association of Electrica S.A. and its subsidiaries and greater involvement and coordination of the process of defining and implementing the policy of corporate governance at Group level and the restructuring strategy thereof.

6.3 BOARDS OF DIRECTORS OF ELECTRICA SUBSIDIARIES

The Boards of Directors of Electrica subsidiaries are composed of non-executive members. Starting on March 2015, the general managers, members of the Board of Directors up to that point, were replaced by non-executive directors.

Structure of the Board of Directors of Electrica's Subsidiaries as of December 31st, 2015	
EDTS	Marian Geanta -Chairman
	Alexandra Borislavschi, since February 2015, replacing Mr. Coman Claudiu, who resigned
	Mihai Lazar, since March 2015
	Simona Fatu
	Carmen Mihaela Pirnea
EDTN	Ioan Dumbrava - Chairman
	Ciprian Gheorghe Diaconu
	Vlad Costica
	Oana Valentina Truta
	Ioan Roșca
EDMN	Ioan Roșca - chairman
	Oana Valentina Truta
	Costin - Mihai Paun
	Aurel Gubandru
	Alexandra Borislavschi, since February 2015
EF	Ioan Roșca - Chairman
	Oana Valentina Truta
	Valentin Ionescu
	Victoria Lupu
	Ramiro Robert Eduard Angelescu, since March 2015
ES	Marin Adrian Gheorghe - Chairman
	Gabriel Razvan Badan
	Catalin Leonte
	Gabriela Sandu
	Gabriela Marin, appointed for a temporary mandate in December 2015, replacing Mr. Cristian Bușu; Mr. Cristian Bușu's mandate was from March to December 2015.

6.4 EXECUTIVE MANAGEMENT OF ELECTRICA S.A.

According to art. 18, let. A, para. (c) and (k) from the Company's Articles of Association, the Board of Directors has the authority to appoint and revokes the General Manager, as well as the other managers with mandate. The General Manager conducts its activity according to the mandate contract signed with the Company.

Throughout Decision no. 24 from July 5th, 2013 the Board of Directors appointed Mr. Ioan Roșca as General Manager with a four-year mandate and delegated to him responsibilities concerning the internal administration as well as the company representation. On February 26th, 2016 the Board of Directors and Mr. Ioan Roșca announced they have reached a mutual agreement to terminate his mandate as CEO of Electrica S.A. no later than June 2016.

According to the best practices in place for listed companies on international markets regarding the implementation of a succession plan for key positions, the Nomination and Remuneration Committee is leading the selection process of several appropriate candidates for the positions of CEO of Electrica. The Nomination and Remuneration Committee is supported in this approach by an international consulting firm specialised in recruiting top management, in order to complete the selection process in the next two months.

During the July 29th, 2015 meeting, the Board of Directors appointed the following executive managers of the Company having a four-year mandate, starting on August 4th, 2015:

- Ms. Alexandra Romana Augusta Popescu Borislavschi –Manager of the Strategy and Corporate Governance Department
- Mr. Ramiro-Robert-Eduard Angelescu – Sales Coordination Manager
- Ms. Gabriela Marin - Human Resources Manager

During the October 26th, 2015 meeting the Board of Directors appointed Ms. Iuliana Andronache as Chief Financial Officer for a four-year mandate, starting on October 27th, 2015.

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.

6.5 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
Darius Dumitru Mesca	General Manager	EDMN
Ion Dobre	General Manager	EDTS
Emil Merdan	General Manager	EDTN
Mircea Patrascoiu	General Manager	Electrica Furnizare
Eugen Davidoiu	General Manager	Electrica Serv

Source: Electrica

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

Name	Position	Division
EDMN		
Gabriela Blagoi	Manager	Finance
Constantin Coman	Manager	Distribution
Valentin Branescu	Manager	Technical 110 kV
Gabriel Gheorghe	Manager	Development
Ion Preda	Manager	Control, Regulation and Communication
EDTS		
Monica Radulescu	Manager	Finance
Radu Holom	Manager	Distribution
Ioan Toma	Deputy Manager	Distribution
Nicu Constandache	Manager	Technical 110 kV
Catalin Grama	Manager	Development
Ioan Dumbrava	Deputy Manager	Development
EDTN		
Dora Fataceanu	Manager	Finance
Vasile Filip	Manager	Distribution
Constantin Buda	Manager	Technical 110 kV
Ladislau Reider	Manager	Development
Electrica Furnizare		
Cristina Pana	Manager	Finance
Mihai Beu	Manager	Commercial
Oana Pirvulete	Manager	Legal
Petre Marin	Manager	Development
Roxana Gheorghe	Manager	Commercial Operations
Electrica Serv		
Ana Iuliana Dinu	Manager	Finance
Cristian Andruhovici	Manager	Human Resources
Alexandru Ivan	Manager	Procurement and International Relations
Monica Felicia Dumitrascu	Manager	Procurement and International Relations
Viorel Vasiu	Manager	Production
Gheorghe Batir	Deputy Manager	Production
Viorel Beleuzu	Manager	Legal and Assets

Source: Electrica

6.6 NUMBER OF SHARES OWNED BY THE MANAGERS OF THE ELECTRICA GROUP

The table below shows the number of shares held by the Company's managers as of March 3rd, 2016:

Item no.	Name	Number of shares	Share in the share capital (%)
1.	Ioan Roșca	25,000	0.0072%
2.	Ramiro Robert Eduard Angelescu	1,000	0.0003%
3.	Alexandra Borislavschi	-	-
4.	Gabriela Marin	-	-
5.	Iuliana Andronache	-	-
6.	Marian Geanta	1,000	0.0003%
7.	Ion Dobre	1,660	0.0005%
8.	Emil Merdan	7,277	0.0021%
9.	Mircea Patrascoiu	-	-
10.	Eugen Davidoiu	2,478	0.0007%
11.	Monica Radulescu	-	-
12.	Radu Holom	1,000	0.0003%
13.	Dora Fataceanu	1,000	0.0003%
14.	Vasile Filip	8,745	0.0025%
15.	Oana Pirvulete	1,208	0.0003%

Source: Electrica

According to information at hand the persons mentioned in section 6.3 - 6.5 have not been involved in any litigations or administrative proceedings related to their activity within the Company in the last five years and their capacity to fulfil their work-related.

7 CORPORATE GOVERNANCE

7.1 GENERAL MEETING OF SHAREHOLDERS

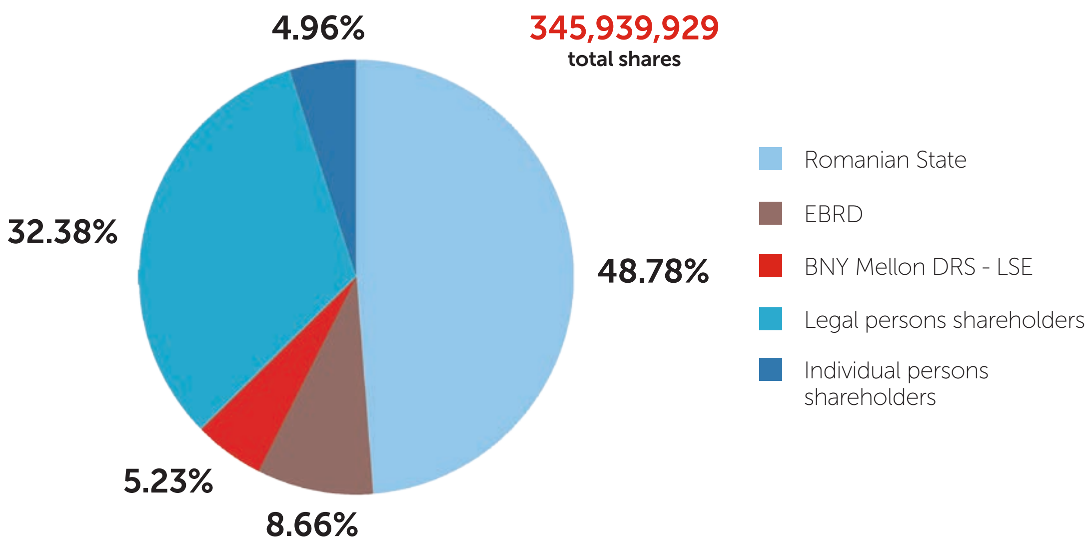
The General Meeting of Shareholders ("GMS") is the main corporate governance body of Electrica, deciding on the items as outlined in the Articles of Association. The convening, functioning, voting as well as other provisions regarding the GMS are detailed in Electrica's Articles of Association.

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. Starting July 4th, 2014 the Company's shares are listed on Bucharest Stock Exchange, and the GDRs are listed on London Stock Exchange. The latest available information regarding the shareholder structure has been provided by Central Depository on March 3rd, 2016 and is presented in the table below:

Shareholder	Shares	Percent of share capital
Ministry of Energy, Bucharest, Romania	168,751,185	48.78%
European Bank for Reconstruction And Development, London, UK	29,944,090	8.66%
BNY MELLON DRS, New York, USA	18,086,928	5.23%
Legal persons	112,002,040	32.38%
Individual persons	17,155,686	4.96%
TOTAL	**345,939,929**	**100%**

Source: Central Depository, Electrica

FIGURE 33 Shareholders' structure at 3 March 3rd, 2016



Source: Central Depository, Electrica

Following the stabilization process after the June 2014 IPO, Electrica S.A. owns 6,890,593 of its treasury shares, representing 1.99% of the total share capital. These shares entitle Electrica neither to voting rights nor to dividends.

7.2 CORPORATE GOVERNANCE CODE

Electrica adhered to and has been willfully applying the provisions of the Corporate Governance Code issued by the BSE since the fiscal year 2014. Electrica had officially adopted the Corporate Governance Code ("CGC ELSA") in February 2015 and made it available on the Company's website for all interested parties' benefit.

This Corporate Governance Code embeds Electrica's general principles and conduct rules which set forth and regulate the corporate values, the responsibilities, obligations and business conduct of the company.

The ELSA CGC comprises also ELSA's Articles of Association, the charters of the Board of Directors and those of its committees, and all these documents together contain the terms of reference and responsibilities of the administrative and executive management of the company.

Electrica S.A. has continuously developed and updated its corporate governance practices in order to meet requirements as well as to develop opportunities and increase competitiveness.

In September 2015 the BSE issued a new Corporate Governance Code ("the BSE Code"), which entered into force as of January 4th, 2016. The provisions of the new Code are being carefully examined and Company's compliance therewith is being thoroughly assessed.

The "Comply or Explain" Statement presents the compliance level of the Company with the new provisions of BSE's CGC code at December 31st, 2015. Electrica S.A. has been in full compliance with most of these requirements. The main reason why Electrica is noncompliant with some of the Code's provisions arises from the current situation of the Company. Further consideration will be applied with regards to these provisions and any subsequent progress made by the Company in achieving compliance will be reported to the capital market.

The CGC is also a guide for the management and the employees of Electrica S.A. and other stakeholders on the business conduct and governance matters and provides information about aspects of the Company's principles and policies. It also incorporates the Code of Ethics and Professional Conduct (Schedule 7 of the CGC).

In compliance with Company's policies and with the Code of Ethics and professional conduct, the Audit Committee ensures that the Company`s activity is carried on with honesty and integrity, including the approval of the whistleblower policy. The main purpose of the whistleblower policy is to protect the Company from ethical deviations, frauds and any other aspects of non-compliance that would otherwise harm Electrica's image or even involve legal sanctions, thus damaging the prestige and profitability of the Company. This procedure can be found on Electrica's website.

7.3 IMPLEMENTING ACTION PLANS UNDERTAKEN BY SIGNING THE FRAMEWORK AGREEMENT WITH EBRD

Electrica's privatization process based on (the) Initial Primary Public Offer of Electrica implied signing a Framework Agreement with the European Bank for Reconstruction and Development. The agreement provides extensive action plans for adopting new values, essential for the good governance. According to this bilateral agreement, there are three main directions of action for implementing the organizational change required considering the context and the company's new status: developing a corporate culture of integrity at Group level, adopting the best practices with regards to corporate governance and implementing social and environmental responsibility policies.

Measures in preventing fraud and corruption

The first measure taken in this regard was to integrate the codes of ethics of all subsidiaries and the EBRD guidelines into a unique Code of Ethics applicable for Electrica as a Group. This important strategic measure was taken in consideration of the signed agreement, but mainly to ensure the integrity standards required to increase investors' and stakeholders' confidence capital the company is benefiting from. The measures taken led to the adoption of a new Code of Ethics and Professional Conduct by the Boards of Directors of all Electrica subsidiaries during the period February- April in 2015.

After the adoption of the new Code of Ethics and Professional Conduct, Electrica initiated its implementation program, structured on three main areas:

- definition of structures, mechanisms and instruments necessary for ethics and compliance

management, following the analysis of the institutional framework,
- dissemination of information on the Code values and principles,
- awareness and commitment regarding the Code values and principles on a Group level.

The actual implementation of the new Code of Ethics and Professional Conduct started with a stakeholder's dedicated launching event. The event, organized on April 23rd 2015, gathered over 160 representatives of the partners (regulators and public authorities, analysts and investors, competitors, non-governmental organizations, important suppliers/contractors, mass-media), enjoying attention from the national press and having as speakers decision-makers within the company (General Manager, members of the Board of Directors), representatives of its main shareholders (the Romanian State and EBRD) and of the consultant Transparency International Romania.

During March-June 2015, an analysis on the institutional framework and the best practices was conducted for identifying the options regarding ethics, sustainability and compliance management and for integrating the recommendations made by the consultant Transparency International on forming, structuring and positioning the organizational entity required into the "Improvement of business processes in Electrica S.A." project.

The next step within the code implementation program was to organise a sequence of five workshops at Electrica's subsidiaries level, for increasing the strategic and operational management's awareness on ethics and integrity aspects, the adopted values and principles. Organized during June-September 2015, these workshops gathered the non-executive administrators and the executive management of each subsidiary and its branches.

Simultaneously, a set of policies regarding corruption, fraud and money laundering prevention; avoidance and control of conflicts of interests; gifts and protocol expenses; transparency and stakeholders' engagement was developed, aligned to the provisions of the Code of Ethics and Professional Conduct.

For the fine-tuning with the specific aspects and features of the Group subsidiaries and of the departments within Electrica S.A., the elaborated policies were submitted to the management's analysis between October 20th and November 5th 2015. The observations and recommendation made by subsidiaries management and Electrica's departments were integrated to a great extent in the final version of the policies.

Once the necessary instruments for ethics management and compliance monitoring (policies, methodologies, forms) were developed, all companies within the Group set up dedicated organizational structures or delegated the specific assignments to an ethics adviser. Immediately the training program for personnel with assignments in ethics, sustainability and compliance fields was started.

The dedicated departments or ethics advisers launched both awareness programs to disseminate information about the code values and principles and increase company's personnel commitment, as well as compliance monitoring programs starting from November 2015, subsequent to the appointment of the respective positions.

7.4 THE CORPORATE GOVERNANCE ACTION PLAN

1. Independent directors' selection

EBRD guidelines were included in Electrica's Articles of Association, enforced from July 4th, 2014 until the Extraordinary General Meeting of Shareholders on November 10th, 2015, subsequent to which the number of members of the company's Board of Directors changed from five to seven directors, of which four independent.

To elect the members of the Board of Directors, Electrica convened the Ordinary General Meeting of Shareholders on December 14th, 2015.

To identify the potential candidates for the position of independent non-executive director, according to the requirements of the Articles of Association, in force at the calling moment of the Ordinary General Meeting of Shareholders, Electrica contracted the services of an internationally renowned agency, specialized in recruitment for strategic management positions. The agency provided on November 18th, 2015 an initial list of potential candidates, which was revised by the Nomination and Remuneration Committee and published on the company's website. The company's shareholders proposed several independent candidates, both from and outside of the previously mentioned list. After the analysis of these proposals and of the candidates' declarations of independence, the final list of candidates was drawn up and submitted to the vote of the General Meeting of Shareholders. In case of the rightfully listed candidates, respectively the acting members of the Board of Directors, there was no need to renew the declaration of independence, as their declaration from their first election on September 22nd, 2014 was still valid. On December 14th, 2015, the Ordinary General Meeting of Shareholders elected seven new non-executive directors of the Company by a cumulative vote, of which four independent ones.

2. Nomination and remuneration policy

Electrica developed the Remuneration Policy for the Board of Directors and the executive management with assistance from a HR consultant of international reputation. The Policy received the endorsement of the Board of Directors and on July 9th, 2015 the General Meeting of Shareholders approved the general remuneration limits for the managers with a mandate agreement, the remuneration policy for directors remaining the subject of further analysis and discussion. For 2016, the current Board of Directors intends to redesign the remuneration principles, to submit them again to the shareholders' approval and then to develop an integrated approach at Group level.

3. Consultative committees of the Board of Directors

Three consultative committees were formed within Electrica's Board of Directors: the Audit Committee, the Nomination and Remuneration Committee and the Strategy, Restructuring and Corporate Governance Committee. Their organizational and operational charts were adopted by the decision of the Board of Directors of February 2nd, 2015, and are part of the Corporate Governance Code. The new Board of Directors elected on December 14th, 2015 decided to reinstate these consultative committees with a new composition.

4. Audit and internal control

The internal audit procedure, as well as its associated documents were approved in their revised version by the Board of Directors at the beginning of 2015. The internal audit plan for 2015, drafted by the specialized department, was approved by the Board of Directors on February 2nd, 2015, changed in September 2015 and implemented in its updated version. In December 2015, the Board of Directors approved the Internal Audit Plan for 2016.

According to the conclusions drawn during the assessment process of the activity of the Board of Directors, one of the actions considered for 2016 is establishing and developing an adequate management framework of risk and internal control and a unitary approach at Group level, the revision of the company's Articles of Association and of its subsidiaries representing the first step of this program.

5. The company's Articles of Association

EBRD guidelines were included in Electrica's Articles of Association which came into force on July 4th, 2014 and was amended by the Resolution of the Extraordinary General Meeting of Shareholders of November 10th, 2015.

The main changes were related to the increase in the number of the Board of Directors members from five to seven, of the number of independent members and to the revision of the decision approval mechanism and of the nomination procedures for independent candidates.

For a better correlation with the provisions of the Framework Agreement signed with EBRD, the project of amendment to the Articles of Association includes changes to the minimal statutory conditions for the meetings of the Board of Directors, more specifically an increase in the number of independent members present at meetings.

6. Responsibility and accountability guidelines

In order to design a new organizational structure and establish responsibilities, competences and clearly define the reporting system within the company, Electrica contracted the services of an international consultant specialized in human resources. The new organizational structure and the associated processes were approved by the Board of Directors in April 2015. Their implementation takes place in several phases, starting with a transition phase, during which the structures and processes are refined and consolidated. The project is envisioned to be finalized and launched in Electrica's subsidiaries during 2016.

7. Code of Conduct

EBRD requirements are covered in the Corporate Governance Code which includes the Code of Ethics and Professional Conduct.

The department in charge of managing investors' relations, in collaboration with the company's external legal consultant, developed the Corporate Governance Code and the whistleblowing policy incorporated, while the Code of Ethics and Professional Conduct was drafted simultaneously with the support of Transparency International. The two codes were aligned during January 2015, approved on February 2nd, 2015 and published on Electrica's website.

8. Compliance with the BSE Corporate Governance Code

The new Corporate Governance Code of the Bucharest Stock Exchange came into force on January 4th, 2016 and Electrica published the first "Apply or explain" report, revealing the main compliance areas, but also the actions needed for a better implementation of the new code.

According to the first evaluation conducted in the beginning of 2016 and published on the company's website, as well as in line with a second evaluation conducted for the present report (Appendix 4), Electrica is in compliance with a majority of the code's provisions. With regards to the company's subsidiaries, the Board of Directors of Electrica S.A. planned the revision of their Articles of Association, as well as the governance principles on a Group level.

7.5 THE ENVIRONMENTAL AND SOCIAL RESPONSIBILITY PLAN

At the end of 2014, the company initiated the project "Improvement of business processes in Electrica S.A.", developed in partnership with A.T. Kearney, while envisaging a unitary approach of IMS ("Integrated Management System") at Group level. By implementing the policies elaborated by Electrica together with the specialized consultant as part of this project, a unitary approach is pursued for the quality-environment-occupational health and safety IMS existing in subsidiaries. Moreover, through this project, the company pursues the development of a joint procedural framework for certain activity fields, by drafting the framework operational procedures, preserving SRAC (IQNet) certifications according to ISO 9001, ISO 14001 and OHSAS 18001. At the same time, the Company took important steps in changing the statutory documents of its subsidiaries.

The operational framework procedure regarding the assessment of the impact on the environment of the group's investment projects was elaborated at the beginning of 2015, so as to ensure the availability on the group's companies websites of the nontechnical summaries for the projects with a significant impact on the environment, in view of public consultation. At the same time, the operational framework procedure for the endorsement of investment projects was updated. The operational framework procedure regarding the requirements imposed on contracts and related to environmental aspects is finalized and will be implemented in subsidiaries.

During 2015, the "Study on the identification of the impact areas of the aerial electricity networks upon birds and solutions for their protection" was drawn-up by an independent company, with national and international expertise in ornithology, study in which the following are presented: a map of Romania's protected areas (avifaunal and Natura 2000 sites); maps that highlight the priority areas for reducing bird electrocution events; measures and technical solutions that must be taken in order to protect birds from the impact with aerial electricity networks. The study was released to distribution operators within the Group.

As for Corporate Social Responsibility, Electrica established organizational structures with responsibilities in the field, as well as a policy regarding stakeholders' engagement. In 2015, Electrica was mainly involved in cultural and educational projects. At the same time, social responsibility initiatives involving the Group's employees were initiated. Overall, the company's approached was to select sustainable projects, which make a long term impact. Worth mentioning are:

- The "George Enescu International Festival" – the most important cultural event hosted by Romania, which became in recent years a genuine brand for the country.
- Initiatives in education:
  - EUREL Energy Field Trip – an event conducted by the youth organization of the Society of Power Engineers of Romania for students from energy profile universities from Romania and from abroad;
  - The school dropout reduction program, mainly for underprivileged children, supported in partnership with the organization "Salvati Copiii Romania".

At the same time, Electrica has managed to take important steps in the development of an organizational culture based on ethics and integrity, but also on an increased involvement of the Group's employees in activities dedicated to supporting colleagues or the community. As such, the Company made donations of EUR 15,000 each to support the victims of the fire in the club "Colectiv" and their families, and, respectively, to support the medical treatment for an employee of Electrica S.A. At the same time, by means of Crucea Rosie Romania, the employees of Electrica Group made donations in their own name and participated in blood donation programs and other initiatives.

During the 4th quarter of 2015, meetings and consultations were initiated to contract an independent third party for the identification and assessment of risks at the Company's level. The identification and assessment of environment and social risks is an integrated part of this project.

As for the development of a policy regarding the reorganization/restructuring activities conducted at Group level, the Collective Labour Agreement signed with the social partner provides for the elaboration and negotiation of such a policy. At the same time, Electrica also undertook the elaboration and implementation of a National Training Program at Group level. This program proposes the use professional reconversion to avoid, as much as possible, personnel dismissals. A procedure regarding the management of restructuring efforts at Group level was drafted, including reporting deadlines and stakeholders' information.

In November 2015, Electrica drafted a framework procedure for waste management, in view of implementing a unitary system at Group level. The companies within the Group are selectively collecting and temporarily storing the waste prior to their sale or disposal, according to legal requirements, and fulfilling reporting requirements to authorities.

In 2015, the accidental leaks of electrical insulating oil from the transformers in substations of distribution subsidiaries within the Electrica Group were monitored and registered in malfunction registers. All were retreated by rapid intervention measures. As they had no significant environmental impact, no decontamination measures were required for the soil and underground waters. For a series of locations (repair workshops, warehouses) in Electrica Serv agencies, soil and water analyses were performed according to the requirements imposed by environment authorizations.

Provisions regarding the mitigation of sound pollution in residential areas and the associated health risks are frequently included in works or services contracts. Electrica also initiated the elaboration of a framework procedure, applicable to all companies within the Group, regarding the need to impose contractual clauses dedicated to environmental protection and occupational health, which will also explicitly address sound pollution.

8 FINANCIAL OVERVIEW

The financial overview of the company is based on the consolidated financial statements that have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("IFRS-EU"). These Consolidated financial statements are presented in RON, which is the functional currency of all companies within the Group.

8.1 CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

The following table presents the consolidated statement of the financial position:

RON mil.	December 31st, 2015	December 31st, 2014 Restated*	January 1st, 2014 Restated*	Variation 2015/2014
ASSETS				
Non-current assets				
Intangible assets related to concession agreements	3,700	3,501	3,340	5.68%
Other intangible assets	14	9	5	62.22%
Tangible assets	779	805	876	-3.18%
Deferred tax assets	51	60	85	-15.14%
Other non-current assets	4	8	1	-52.30%
Total non-current assets	**4,548**	**4,382**	**4,307**	**3.78%**
Current assets				
Trade receivables	838	781	1,088	7.30%
Other receivables	37	25	57	49.54%
Cash and cash equivalents	893	1,630	651	-45.17%
Deposits, treasury bills and gov. bonds	1,988	1,221	-	62.87%
Inventories	23	24	34	-4.31%
Prepayments	9	9	6	9.44%
Green Certificates	31	54	-	-41.71%
Income tax receivables	23	23	37	0.00%
Assets held for redistribution	-	-	2,243	-
Total current assets	**3,843**	**3,765**	**4,116**	**2.07%**
Total assets	**8,391**	**8,148**	**8,423**	**2.99%**

Sursa: Electrica

RON mil.	December 31st, 2015	December 31st, 2014 Restated*	January 1st, 2014 Restated*	Variation 2015/2014
EQUITY AND LIABILITIES				
Equity				
Share capital	3,814	3,814	2,509	0.00%
Share premium	103	103	-	0.00%
Treasury share reserves	(75)	(75)	-	0.00%
Pre-paid capital contributions in kind from shareholders	3	3	48	-12.56%
Revaluation reserve	140	156	573	-10.04%
Other reserves	274	237	615	15.77%
Retained earnings	1,355	1,247	1,905	8.66%
Total equity attributable to shareholders of the Company	**5,614**	**5,484**	**5,650**	**2.36%**
Non-controlling interests	829	804	755	3.07%
Total equity	**6,443**	**6,289**	**6,406**	**2.45%**
Liabilities				
Non-current liabilities				
Financing for network construction related to concession agreements	122	151	130	-19.42%
Finance lease	-	-	290	-
Deferred tax liabilities	181	184	194	-1.36%
Employee benefits	194	220	213	-12.01%
Other payables	43	53	66	-19.02%
Total non-current liabilities	**540**	**609**	**603**	**-11.25%**
Current liabilities				
Financing for network construction related to concession agreements	100	99	143	0.52%
Short-term bank borrowings	60	-	-	-
Bank overdrafts	66	48	80	37.05%
Finance lease	-	294	498	-100.00%
Trade payables	656	555	582	18.22%
Other payables	249	311	355	-19.79%
Deferred revenue	4	3	3	41.78%
Employee benefits	135	147	152	-8.24%
Provisions	128	73	85	75.69%
Current income tax liability	11	14	15	-24.00%
Total current liabilities	**1,408**	**1,250**	**1,414**	**12.66%**
Total liabilities	**1,949**	**1,859**	**2,017**	**4.83%**
Total equity and liabilities	**8,391**	**8,148**	**8,423**	**2.99%**

Source: Electrica

Non-current assets

The application model of IFRIC 12, being to a large extent correlated to the recognition and depreciation of the asset components of RAB, reflects the principle of generating revenues.

Non-currents assets increased by 3.8% in 2015 compared to 2014, from RON 4,382 mil. to RON 4,548 mil., primarily as a result of an increase in the assets related to concession agreements (investments made in the network, for the most important ones please refer to Appendix 2).

Current assets

Current assets went up by 2% in 2015 as compared to 2014, from RON 3,765 mil. to RON 3,843 mil., mainly driven by an increase in the value of receivables as well as by an increase in cash and cash equivalents, due to accumulated net interest gained on the IPO proceeds.

Trade receivables

Trade receivables increased by 7% (i.e RON 57 mil), from RON 781 mil. in 2014 to RON 838 mil. in 2015. This variation was mainly caused by the increase in amounts receivable by Electrica Furnizare in line with revenue growth.

Cash and cash equivalents

Cash and cash equivalents decreased by 45% in 2015 compared to 2014, from RON 1,630 mil.to RON 893 mil., as a result of placing funds resulting from IPO proceeds in treasury bills and government bonds with maturity greater than three months, which are presented as investments held until maturity.

Deposits, treasury bills and government bonds

Deposits, treasury bills and government bonds increased by RON 767 mil. compared to 2014, as a result of placing funds from IPO proceeds mainly in this type of investments with maturities greater than three months.

Share capital and share premium

The subscribed share capital in nominal terms consists of 345,939,929 ordinary shares on December 31st, 2015 (345,939,929 ordinary shares on December 31st, 2014) with a face value of RON 10 per share. All shares rank equally with regard to the Company's residual assets. Holders of ordinary shares are entitled to dividends and have the right to one vote per share in the general meetings of shareholders of the Company.

	Number of ordinary shares	
	2015	2014
Number of shares at January 1st	345,939,929	207,839,904
Shares issued during the year	-	181,223,805
Decrease of the number of shares by spin-off	-	(43,123,780)
Number of shares at December 31st	**345,939,929**	**345,939,929**

Source: Electrica

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

In 2014 there were several changes to the share capital: a share capital increase of 188,264 ordinary shares in February and an increase of 3,846,797 ordinary shares in May, the shares being issued in respect of land contributed by the shareholder in the previous periods; the partial division of Electrica S.A. by separation of a part of the patrimony (investments held by Electrica S.A. in other entities) and its transfer to the newly established company - Societatea de Administrare a Participatiilor in Energie S.A.) which lead to a share capital decrease of 43,123,780 ordinary shares; the share capital increase on July 2nd, 2014 of 177,188,744 ordinary shares, as a result of organizing an IPO, which referred to an offering of 142,007,744 shares and 8,795,250 GDRs, each GDR representing the equivalent of four shares. The underwritings amounted to RON 1,556,095 thousand and USD 120,143,115. Consequently, the Group recognized an increase of share capital amounting to RON 1,771,887 thousand and a share premium of RON 171,128 thousand. The transaction costs of RON 68,079 thousand were deducted from the share premium.

In 2015 there were no changes to the share capital.

Until December 31st, 2003, the statutory share capital in nominal terms was restated according to IAS 29 "Financial Reporting in Hyperinflationary Economies", with the corresponding adjustments being reflected in the retained earnings.

Treasury shares

In July 2014 the Company bought-back 5,206,593 shares and 421,000 GDRs, representing the equivalent of 1,684,000 shares. The total amount paid for these shares and GDRs was RON 75,372 thousand.

Dividends

Dividends for 2014, worth RON 245 mil., were declared on the basis of individual annual statutory financial statements prepared in accordance with the Romanian accounting regulations. Dividends for 2014 were approved by the Ordinary General Meeting of Shareholders no. 1 of April 27th, 2015 and were paid first on July 15th, 2015.

Revaluation reserves

The reconciliation between opening and closing revaluation reserve is as follows:

RON mil.	2015	2014 Restated
Balance at January 1st	**156**	**573**
Revaluation of tangible assets attributable to shareholders of the Company	-	-1
Release of revaluation reserve to retained earnings due to depreciation and disposals of tangible assets	-14	-15
Spin-off effect	-	-388
Loss of control over subsidiaries	-2	-13
Balance at December 31st	**140**	**156**

Source: Electrica

Other reserves

Other reserves include:

- Legal reserves – established as 5% of the profit before tax according to the individual statutory financial statements of companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to legal provisions. These reserves are deductible for income tax purposes and are not distributable.
- Other reserves established in compliance with the legislation in force.

RON mil.	Legal reserves	Other reserves	Total other reserves
Balance on January 1st 2014	**246**	**369**	**615**
Set-up of legal reserves	30	-	30
Effect of division	-39	-369	-408
Balance on December 31st, 2014	**237**	**-**	**237**
Set-up of legal reserves	37	-	37
Balance on December 31st, 2015	**274**	**-**	**274**

Source: Electrica

Non-controlling interests ("NCI")

The following tables summarise the information related to each of the Group's subsidiaries that has material non-controlling interest, before any intra-group elimination.

December 31st, 2015 (RON mil.)	EDMN	EDTN	EDTS	EF	Intra-group adjustments	Total
NCI percentage	**22%**	**22%**	**22%**	**22%**		
Non-current assets	1,288	1,217	1,195	134		
Current assets	400	161	263	1,005		
Non-current liabilities	-164	-80	-136	-67		
Current liabilities	-191	-247	-291	-726		
Net assets	**1,333**	**1,052**	**1,031**	**346**		
Carrying amount of NCI	**293**	**231**	**227**	**76**	**2**	**829**
Revenues	872	858	840	4,160		
Profit	140	143	137	123		
Other comprehensive income	3	3	2	3		
Total comprehensive income	**143**	**146**	**140**	**126**		
Profit allocated to NCI	31	31	30	27		119
Other comprehensive income allocated to NCI	0.6	0.7	0.5	0.6		2
Cash flows from operating activities	180	242	270	125		
Cash flows from investment activities	-15	-160	-78	-16		
Cash flows from financing activities**	-135	-55	-138	-174		
Net increase/(decrease) in cash and cash equivalents*	**29**	**27**	**54**	**-66**		
Dividends paid to NCI during the year	**25**	**17**	**18**	**38**		**97**

***The amounts presented represent the cash flows of subsidiaries**
****Cash flows from financing activities include dividends paid to NCI.**
Source: Electrica S.A.

Non-current liabilities

Non-current liabilities decreased by 11.25% in 2015 compared to 2014, from RON 609 mil. to RON 540 mil.

Current liabilities

Current liabilities increased by 12.7% in 2015 compared to 2014, from RON 1,250 mil. to RON 1,408 mil., as a result of changes in the following categories (representing 83% of total current liabilities):

Trade payables

Trade payables increased by 18.2% in 2015 compared to 2014, from RON 555 mil. to RON 656 mil. The main categories included in trade payables are: payables to electricity suppliers, CAPEX suppliers and other suppliers (suppliers of services, materials and consumables etc.).

Provisions

RON mil.	Provisions
Balance on January 1st 2015	**73**
Provisions recognized	87
Provisions used	(4)
Provisions reversed	(28)
Balance on December 31st, 2015	**128**

Source: Electrica

As of December 31st, 2015, provisions refer mainly to:
- RON 80 mil. representing potential fiscal obligations of the Group (including interests and penalties).
- RON 29 mil. representing restructuring provision in respect of Electrica Serv.
- RON 2.4 mil. representing claims of individuals in respect of land of the Group.

Provisions recognized in 2015 mainly represent potential fiscal risks of the Group and obligations resulted from the restructuring plan approved by the Board of Directors of Electrica Serv in December 2015 to be implemented during 2016-2018, representing the layoff of 500 employees.

Short-term employee benefits
Short-term employee benefits have decreased by 8.2% in 2015 as compared to 2014.

RON mil.	December 31st, 2015	December 31st,2014
Personnel payables	32	39
Current portion of defined benefit liability and other long-term employee benefits	12	13
Social security charges	52	64
Tax on salaries	15	16
Termination benefits	22	16
Total	**135**	**147**

Source: Electrica

In Romania, all employers and employees, as well as other persons, are contributors to the state social security system. The social insurance system covers pensions, allocations for children, temporary inability to work, risks of works and occupational diseases and other social assistance services, unemployment benefits and incentives for employers creating new jobs.
The Group has overdue social security and other salary taxes amounting to RON 42.9 mil. At December 31st, 2015 (2014: RON 39.5 mil.), which relate to the three subsidiaries under financial distress (SE Moldova, SE Muntenia and SE Oltenia).

Other current liabilities
Other payables decreased by 19.8% in 2015 compared to 2014.

RON mil.	December 31st, 2015	December 31st, 2014
VAT payable	119	137
Late payment penalties to the State budget	1	18
Other liabilities to the State	90	86
Liabilities related to radio and TV tax	13	12
Liabilities related to Green Certificates	-	42
Other liabilities	25	15
Total	**249**	**311**

Source: Electrica

Penalties for late payment to the State are rescheduled for payment based on a plan issued by NAFA for Electrica Serv for a period of 48 months starting with August 2012. Based on the plan, in 2015, Electrica Serv made payments amounting to RON 28.8 mil. In relation to this, NAFA instituted a pledge on certain tangible assets of Electrica Serv.

Part of Other liabilities to the State refers to service subsidiaries, including those in financial distress previously presented.

In accordance with Law 533/2003, which amended Law no. 41/1994 on the organization and functioning of the Romanian Radio Broadcasting Company and of the Romanian Television Company, radio and TV taxes are collected by Electrica Furnizare on behalf of these companies. The payable of the Group to the above mentioned institutions is represented by the radio and TV tax collected and not paid by year end.

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

8.2 CONSOLIDATED STATEMENT OF PROFIT AND LOSS

The following table presents the Consolidated Income Statement of Electrica Group, for years 2015 and 2014.

RON mil.	2015	2014 Restated*	Variation 2015/2014
Revenues	5,503	5,044	9.10%
Other operating income	211	177	19.63%
Electricity purchased	(2,719)	(2,349)	15.73%
Green Certificates	(347)	(272)	27.36%
Construction costs related to concession agreements	(490)	(440)	11.28%
Employee benefits	(663)	(739)	-10.24%
Repair, maintenance and equipment	(59)	(85)	-30.46%
Depreciation and amortisation	(351)	(326)	7.71%
Impairment of property, plant and equipment, net	(2)	(33)	-92.78%
Impairment of trade and other receivables, net	(4)	(5)	-5.01%
Other operating expenses	(455)	(461)	-1.18%
Change in provisions, net	(55)	(0)	-
Operating profit	**569**	**511**	**11.36%**
Financial income	38	36	3.97%
Financial costs	(17)	(23)	-24.97%
Net finance (income)/cost	**20**	**13**	**54.53%**
Profit before tax	**589**	**524**	**12.45%**
Income tax expense	(107)	(111)	-3.62%
Profit for the year	**482**	**413**	**16.77%**

Source: Electrica

THE CONSOLIDATED FINANCIAL STATEMENT

Electrica's revenues in 2015 and 2014 amounted to RON 5,503 mil. and RON 5,044 mil, respectively. The increase in revenues by RON 459 mil., or 9 % as compared to 2014, resulted from the increase in both supply and distribution revenues.

Electricity purchased

The expense for electricity purchased by the Group increased by 15.7%, or RON 370 mil., reaching RON 2,719 mil. in 2015, from RON 2,349 mil. in 2014. This is mainly a consequence of an increase in quantities supplied.

As percentage of the revenue, the cost of electricity purchased was the main cost element of the Group, accounting for 49.4% in 2015 and 46.6% in 2014.

Green certificates

Electricity suppliers have a legal obligation to purchase/supply a certain share of the electricity produced from renewable sources, through the acquisition of green certificates, based on annual targets or quotas set by law, regarding the share of gross production from renewable sources.

The cost with the acquisition of Green Certificates is a pass through cost.

As a percentage of revenues, the cost with the acquisition of Green Certificates represented, at Group level, 6.3% in 2015 compared to 5.4% in 2014.

Construction costs

In 2015, the costs related to the construction of power grids increased by RON 50 mil. or 11.3%, from RON 440 mil. in 2014 to RON 490 mil in 2015. This increase is mainly due to RAB increase in 2015, resulting from undertaken investments.

Employee benefits

Expenses for salaries and employee benefits decreased by RON 76 mil. or 10.2%, from RON 739 mil. in 2014 to RON 663 mil. in 2015. This decrease was attributable to lower benefits for employees of companies in the service segment associated to external distribution networks. As percentage in revenues, the expense for salaries and employee benefits accounted for 12% in 2015 compared to 14.6% in 2014.

Repair, maintenance and equipment

Repair, maintenance and equipment expenses decreased by RON 26 mil. or 30.5%, from RON 85 mil. in 2014 to RON 59 mil. in 2015. This was mainly attributable to a decrease in the activity of the energy services companies within the Group, as well as to a decrease in expenses with network maintenance and repair of the distribution companies. Expenses with repairs, maintenance and equipment accounted for 1.1% of revenues recorded in 2015, respectively 1.7% of revenues recorded in 2014.

Other operating expenses

Following the application of IFRIC 21 as of January 1st, 2015, the Group has reassessed the timing of when to accrue tax on special constructions imposed by legislation.

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

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

The summary of the estimated effects following the application of IFRIC 21 at the level of consolidated financial statements is presented below:

December 31st, 2014	Impact of changing the accounting policy			
RON mil.	Previously reported	Adjustment IFRIC 21	Change in presentation	Restated
Other operating expenses	(475)	14	0.4	(461)
Change in provisions, net	-	-	(0.4)	(0.4)
Income tax expense	(109)	(2)	-	(111)
Other	985	-	-	985
Net profit	**401**	**12**	**-**	**413**
Total comprehensive income	**398**	**12**	**-**	**410**

Source: Electrica

Other operating expenses remained relatively constant in 2015, as compared to 2014, decreasing by 1.2%, from RON 461 mil. in 2014 to RON 455 mil. in 2015. Other operating expenses accounted for 8.3% of revenues in 2015, respectively 9.1% of revenues in 2014.

Change in provisions, net

In 2015, this category registered a variation of RON 55 mil. as compared to 2014, caused by the restructuring provision of Electrica Serv and litigations of Electrica S.A with NAFA related to late payment penalties for fiscal obligations to NAFA.

Operating profit

As a result of the cumulative impact of the above mentioned factors, the operating profit increased by RON 58 mil, or 11.4%, from RON 511 mil. in 2014 to RON 569 mil. in 2015, driven by improved profitability of the distribution segment and reduced losses in the energy services segment.

Net finance income/cost

The Group recorded a positive financial result in 2015, increasing by RON 7 mil. or 54.5%, as compared to 2014, from RON 13 mil. in 2014 to RON 20 mil. in 2015, due to received interest related to IPO proceeds.

Profit before tax

The profit before tax increased by RON 65 mil, or 12.5%, from RON 524 mil. in 2014 to RON 589 mil. in 2015.

Income tax expense

The income tax decreased by RON 4 mil, or 3.6%, from RON 111 mil. in 2014 to RON 107 mil. in 2015.

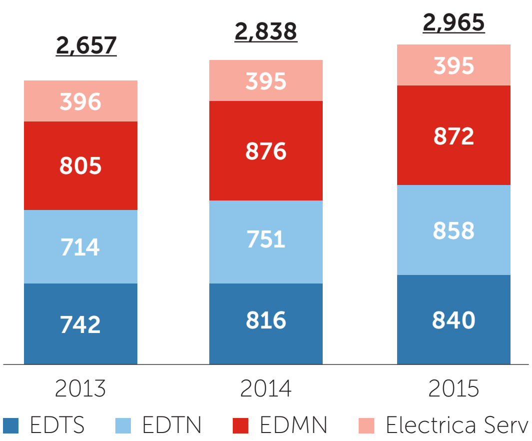
Net profit for the period

Overall, the net profit for 2015 increased by RON 69 mil, or 16.8%, from RON 413 mil. in 2014 to RON 482 mil. in 2015.

SEGMENT REPORTING - DISTRIBUTION

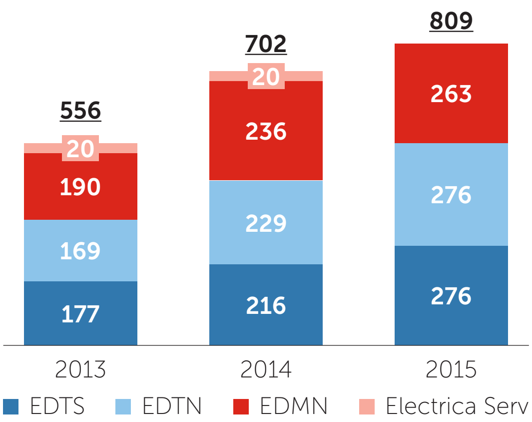
Key indicators - The distribution segment

FIGURE 34 Distribution segment revenues (RON mil.)



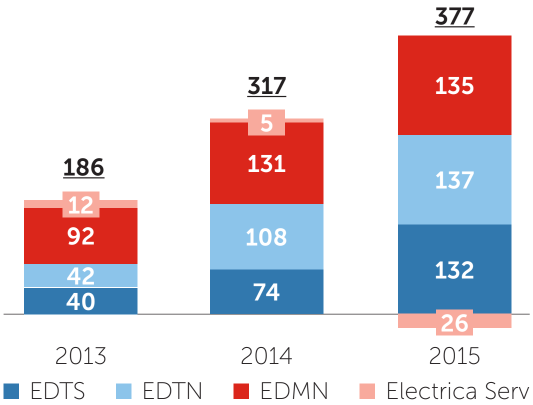
Source: Electrica

FIGURE 35 Distribution segment EBITDA (RON mil.)



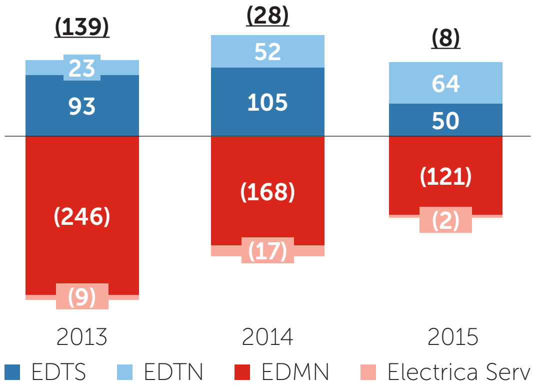
Source: Electrica

FIGURE 36 Distribution segment net income (RON mil.)



Source: Electrica

FIGURE 37 Distribution segment net debt/(cash) (RON mil.)



Source: Electrica

The following table presents the Income Statement of the Group's distribution segment, for the period 2014 –2015.

RON mil.	December 31st, 2015	December 31st, 2014
External revenues	1,103	955
Inter-segment revenue	1,509	1,519
Segment revenue	**2,613**	**2,475**
Segment profit (loss) before tax	**464**	**383**
Net finance (cost)/ income	(10)	(7)
Depreciation, amortization and impairment, net	(335)	(311)
EBITDA	**809**	**702**
Net profit / (loss) of the segment	**377**	**317**

Source: Electrica

Revenues

Revenues from the distribution segment increased by RON 138 mil., or 5.6%, to RON 2,613 mil. in 2015, compared to RON 2,475 mil. in 2014. This was mainly attributable to an increase in the amount of distributed electricity. Electrica Serv presented a slight improvement in terms of external revenues (services provided to companies outside the Group), from RON 22 mil. in 2014 to RON 33 mil. in 2015.

Electricity purchased

The cost of electricity purchased to cover the network losses decreased by RON 4 mil., or 0.8%, from RON 495 mil. in 2014 to RON 491 mil. in 2015. The decrease was mainly caused by the downward trend in the volumes of electricity needed to cover network losses, following the implementation of the CAPEX plan.

Employee benefits

Employee benefits decreased by RON 10 mil, or 1.8%, from RON 545 mil. in 2014 to RON 535 mil. in 2015, driven mainly by the undertaken reorganization and efficiency improvement measures, with Electrica Serv recording the most significant decrease in employee benefits.

Repair, maintenance and equipment

Repairs, maintenance and equipment expenses decreased by RON 41 mil., or 11.2%, from RON 344 mil. in 2014 to RON 303 mil. in 2015. This decrease was caused especially by the diminished level of expenses with network maintenance, part of which were capitalized as of 2014.

EBITDA

The increase in revenues together with the decrease in costs concerning the purchased electric-

ity to cover network losses, as well as the improvement in employee costs and other operational expenses led to an increase of RON 107 mil., or 15.3%, in EBITDA of the distribution segment.
The EBITDA margin increased by 261 bps in 2015, from 28.36% in 2014 to 30.97% in 2015, mainly owing to the performance of EDTS (637 bps improvement compared to the previous year).

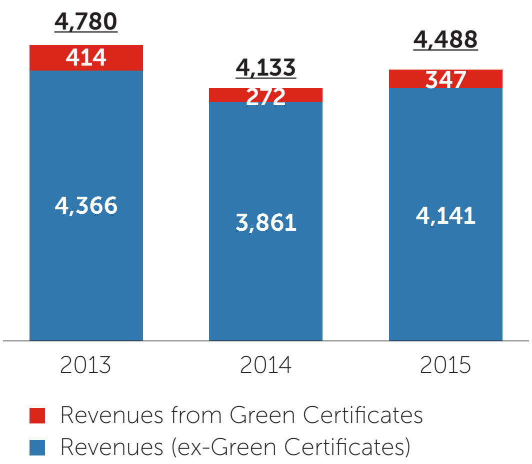
Net profit of the segment

The net profit followed a similar trend with EBITDA, increasing by RON 60 mil., or 18.9%, supported by improved margins amid growing volumes. The net profit margin improved, reaching 14.43% in 2015 from 12.82% in 2014.

SEGMENT REPORTING – SUPPLY

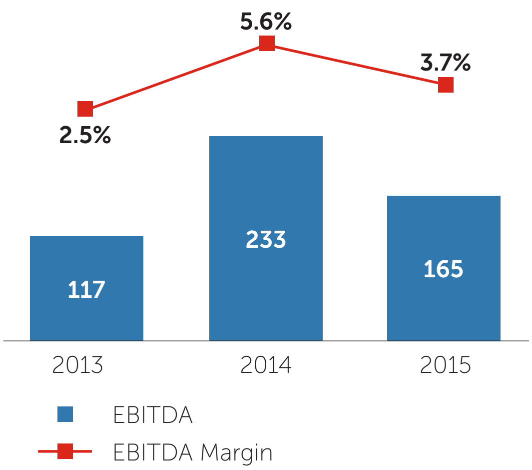
Key indicators - the supply segment

FIGURE 38 Revenues for the supply segment (RON mil.)



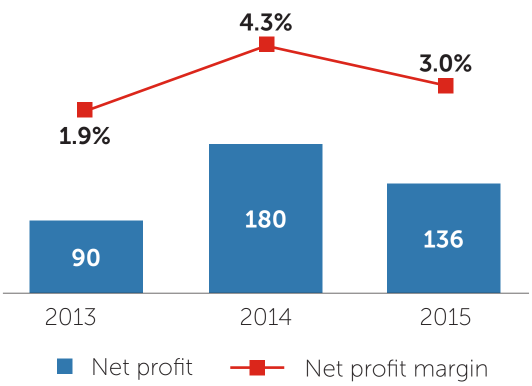
Source: Electrica

FIGURE 39 EBITDA for the supply segment (RON mil.)



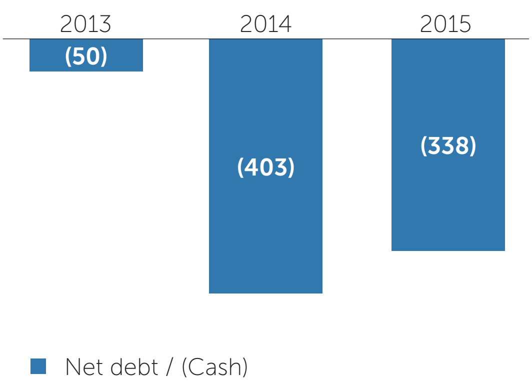
Source: Electrica

FIGURE 40 Net profit of the supply segment (RON mil.)



Source: Electrica

FIGURE 41 Net debt / (Cash) for the supply segment (RON mil.)



Source: Electrica

The following table presents the Income Statement of the Group's supply segment for 2014 and 2015.

RON mil.	December 31st, 2015	December 31st, 2014
External revenues	4,375	4,030
Inter-segment revenues	114	103
Segment revenue	**4,488**	**4,133**
Segment profit (loss) before tax	**160**	**230**
Net finance (cost)/income	3	4
Depreciation, amortization and impairment, net	(7)	(7)
EBITDA	**165**	**233**
Net Profit (loss) of the segment	**136**	**180**

Source: Electrica

Revenues

Net revenues (excluding revenues from Green Certificates) from the supply segment increased by RON 281 mil. or 7.3%, from RON 3,861 mil. in 2014 to RON 4,142 mil. in 2015. This increase can be explained by an increase of 7.6% in the amount supplied which cancels the effect of a 4.7% decrease in the average supply price.

Electricity purchased

The expense with electricity purchased increased by RON 376 mil., or 10.9%, from RON 3,464 mil. in 2014 to RON 3,840 mil. in 2015.
This increase was mainly attributable to the increase of 7.6% of the purchased electricity volumes and of 2% of average electricity acquisition price.

Green certificates

The 23.58% increase in the value of Green Certificates included in the invoice to final consumers from RON 29.47/MWh in 2014 to RON 36.42/MWh in 2015, in accordance with ANRE regulations, generated an increase in revenues from green certificates, without affecting the profitability, taking into account that Green Certificates are re-invoiced to consumers at their cost.

The cost with acquisition of Green Certificates increased by RON 75 mil., or 27%, from RON 272 mil. in 2014 to RON 347 mil. in 2015. This was mainly due to an increase in the regulated quota of Green Certificates imposed to electricity suppliers by ANRE, from 0.218 Green Certificates for 1 MWh supplied in 2014 to 0.278 Green Certificates for 1 MWh supplied in 2015.

Salaries and employee benefits

In 2015, salaries and employee benefits remained constant as compared to 2014, amounting to RON 83 mil.

EBITDA

Increased expense with energy acquisition by RON 376 mil. in 2015 as compared to 2014 resulted in a decrease in EBITDA by RON 68 mil., or 29%, which, correlated with an increase in revenues, led to a decrease of 196 bps in EBITDA margin, from 5.63% 2014 to 3.67% in 2015.

Segment net profit

The net profit decreased by RON 44 mil., or 24.4%, as a result of an increase in expenses with electricity purchases at a higher rate than the revenue growth.

8.3 CONSOLIDATED CASH FLOW STATEMENT

RON mil.	2015	2014 Restated*	Variation 2015/2014
Cash flows from the operating activities			
Profit	**482**	**413**	**16.77%**
Adjustments for:			
Depreciation	44	33	32.45%
Amortisation	307	292	4.90%
Impairment of tangible assets, net	2	33	-92.78%
Loss on disposal of tangible assets	5	5	2.95%
Impairment loss on trade and other receivables, net	4	5	-5.01%
Change in provisions, net	55	-	-
Net finance cost	(20.5)	(13.3)	54.53%
Gain on loss of control over subsidiaries in financial distress	(38.5)	(32.3)	19.02%
Income tax expense	107	111	-3.62%
	947	**846**	**11.93%**
Changes in:			
Trade receivables	(126.4)	228.9	-
Other receivables	(5.9)	26.6	-
Deposits, treasury bills and government bonds	(2.6)	(2.8)	-5.75%
Prepayments	(0.8)	(2.3)	-63.99%
Green Certificates	22.4	(53.7)	-
Inventories	1.0	9.5	-88.98%
Trade payables	81.8	49.1	66.58%
Other payables	(45.2)	(53.6)	-15.67%
Employee benefits	(2.3)	20.2	-
Cash generated from operating activities	**869**	**1,068**	**-18.61%**
Interest paid	(8.0)	(11.3)	-28.88%
Income tax paid	(118.2)	(75.7)	56.07%
Net cash from operating activities	**743**	**981**	**-24.26%**

RON mil.	2015	2014 Restated*	Variation 2015/2014
Cash flows from the investment activity			
Payments for purchases of tangible assets	(31.8)	(39.2)	-18.88%
Payments for network construction related to concession agreements	(353.3)	(318.2)	11.02%
Payments for purchases of other intangible assets	(8.8)	(7.7)	14.4%
Proceeds from the sale of tangible assets	14.8	-	-
Proceeds from sale of investments in other entities	-	140.9	-100.00%
Payments for purchases of treasury bills and government bonds	(4,094.0)	(1,194.3)	242.81%
Proceeds from maturity of treasury bills and government bonds	3,240.5	295.6	996.25%
Increase in deposits with maturity of 3 months or longer	(350.2)	(319.1)	9.75%
Proceeds from deposits with maturity of 3 months or longer	439.0	-	-
Interest received	41.3	35.5	16.29%
Effect on loss on control over subsidiaries on cash	(2.9)	(0.3)	817.63%
Net cash used in investing activities	**(1,105.4)**	**(1,406.5)**	**-21.41%**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	-	1,874.9	-100.00%
Re-purchase of treasury shares	-	(75.4)	-100.00%
Proceeds from long term bank loans	18.0	-	-
Proceeds from short term bank loans	51.8	-	-
Repayment of long term bank loans	(8.1)	-	-
Repayment of short-term bank loans	(1.9)	-	-
Dividends paid	(341.3)	(89.7)	280.38%
Repayment of financing for network construction related to concession agreements	(109.9)	(142.7)	-22.99%
Payment of finance lease liabilities	(0.3)	(1.9)	-84.44%
Cash transferred through spin-off	-	(129.9)	-100.00%
Net cash from/(used in) financing activities	**(391.7)**	**1,435.4**	**-**
Net (decrease)/increase in cash and cash equivalents	**(753.8)**	**1,010.2**	**-**
Cash and cash equivalents at January 1st	1.581,4	571,2	176.88%
Cash and cash equivalents at December 31st	**827,5**	**1.581,4**	**-47.67%**

Source: Electrica

Cash flow

In 2015, net cash from operating activities amounted to RON 743 mil.

The profit before tax for the period was RON 568 mil. The main adjustments were: (i) adding the depreciation and amortization amounting to RON 351 mil., a change in impairment and loss on disposal of tangible assets worth RON 7 mil., a net change in trade and other receivables of RON 4.4 million (mainly as a result of a decrease in trade receivables collected in 2015 compared to 2014), deducting a net finance cost of RON 20 mil., a loss from losing control over subsidiaries of RON 38.5 mil., adjusting employee benefits and provisions worth RON 52 mil., (ii) a variation of trade receivables and other receivables worth RON 132 mil., of trade payables and other accounts payable worth RON 36 mil., of inventories worth RON 1 mil. and a variation regarding Green Certificates of RON 22 mil.

The income tax and interest paid totaled RON 126 mil. in 2015.

In 2014, net cash from operating activities amounted to RON 981 million. The profit before tax for the period was RON 524 mil. The main adjustments were: (i) adding the depreciation and amortization amounting to RON 326 mil., a change in impairment and loss on disposal of tangible assets worth RON 37 mil., a net change in trade receivables and other receivables of RON 4.6 million (mainly due to a decrease in the trade receivables collected in 2014 compared to 2013), deducting a net finance cost of RON 13 mil., a loss of losing control over subsidiaries of RON 32 mil., adjusting employee benefits and provisions worth RON 21 mil., (ii) deducting a net change in trade receivables and other receivables worth RON 255 mil., of trade payables and other accounts payable worth RON 4.4 mil., a cost with Green Certificates of RON 54 mil. and a change in inventories worth RON 10 mil.

The income tax and interest paid totaled RON 87 mil.

9 POST BALANCE SHEET EVENT

During the period between the 2015 financial year closing and the date of the present report, the following relevant events took place:

- On January 13th, 2016, the newly elected Board of Directors appointed the chairman of the Board, the consultative committees in their new composition and their chairmen. Detailed information is provided under chapter 6.1 of the present report.
- On January 19th, 2016, the Company informed that Electrica S.A., as a plaintiff, introduced writs of summons for annulment and suspension of the orders issued by the ANRE President (details are presented in Chapter 1.2 Key events).
- The Board of Directors of Electrica acknowledged, in its meeting held on February 10, 2016, that Mr. Michael Boersma has decided to renounce, starting with May 1st, 2016, to his position of member of the Board of Directors of the Company. Mr. Cristian Bușu, chairman of the Board of Directors of Electrica S.A., has requested the Nomination and Remuneration Committee to start the proceedings in order to identify candidates who could take over the responsibilities of member of the Board of Directors of Electrica S.A.
- On February 26th, 2016, the Company informed on the fact that the Board of Directors and Mr. Ioan Roșca have reached a mutual agreement to terminate his mandate as CEO of Electrica S.A. no later than June 2016.

The Company has sent current reports to the market, to inform the investors and all the other stakeholders on the events presented above.

Electrica S.A. and its subsidiaries are part of a series of litigations, out of which we present additional details pertaining to the most material ones:

1. Fiscal litigations

No.	Parties/Case No.	Object	Court	Case status
1	Plaintiff: Electrica S.A. Defendant: ANAF **No. 24402/302/2013**	Appeal against enforcement regarding the writ of execution no. 335/04.11.2013	Court of District 5, Bucharest	Electrica's appeal was accepted. The decision is final.
2	Plaintiff: Electrica S.A. Defendant: ANAF **No. 7614/2/2013**	Contestation of Decision no. 147/22.05.2013 For the value of RON 2,387,992 (action for annulment against Decision no. 147/22.05.2013, issued by ANAF within the procedure for solving administrative contestations against the debentures which established ancillary payment obligations for the delayed payment of the current state budget obligations, by Decision no. 214/2012 for the amount of RON 2,387,992).	Bucharest Court of Appeal	On 06.03.2015 the court partly admitted the contestation and partly cancelled the Decisions no. 147/22.05.2013 and no. 214/30.10.2012, issued by the defendant for the amount of RON 2,383,070, which represent ancillary tax payment obligations. The court maintained the challenged administrative-fiscal deeds for the amount of RON 4,922. The court summoned ANAF to pay to Electrica the amount of RON 30,961.35 as court fees. ANAF filed an appeal. Until the date of 02.03.2016, the court did not set up the hearing term.
3	Plaintiff: Electrica S.A. Defendant: ANAF **No. 55166/299/2010**	Appeal against enforcement and stay of execution regarding the writ of execution no. 3166/09.11.2010 - adjournment of the forced execution initiated in the fiscal case no. 13267221; - annulment of the writ of execution No. 3166/09.11.2010 for the amount of RON 31,250,651 tax on profit; - annulment of the dunning letter no. 61/90/1/2010/13875 for the amount of RON 31,250,651 tax on profit.	Bucharest Tribunal	The court rejected the appeal against enforcement. The decision is irrevocable.
4	Plaintiff: Electrica S.A. Defendant: ANAF **103614/299/2015**	Contestation of the writ of execution no. 28/25.06.2015 for the amount of RON 16,915,950 written in Decision no. 3/2008 Execution file no. 13267221/61/90/2015/17959.	Court of District 1 Bucharest	The court of first instance rejected the contestation. Electrica SA will file an appeal.
5	Plaintiff: Electrica S.A. Defendant: ANAF **12629/302/2015/a1**	Suspension of the forced execution decided by District 5 Court regarding the writ of execution no. 28/25.06.2015 for the amount of RON 16,915,950 written in Decision no. 3/2008.	Bucharest Tribunal	In course of solving the appeal filed by ANAF against suspension conclusion.
6	Plaintiff: Electrica S.A. Defendant: ANAF **5433/2/2013**	Contestation of fiscal administrative document, annulment of Decision no. 24/31.01.2013, ancillary payment obligations Value of RON 9,805,319	High Court of Cassation and Justice	The court of first instance partly admitted the action filed by plaintiff Electrica SA: - annulled the Decision no. 24/2013, issued by ANAF-DGSC; - partly annulled the decisions on ancillary payment obligations issued by ANAF no. 1270/2012 (for the amount of RON 5,705,115) and no. 1271/2012 (for the amount of RON 3,747,331), as well as the taxation decisions issued by ANAF no. 2143501.5/2012, 2143501.6/2012, 2143501.7/2012, 2143501.11/2012 (for the amount of RON 352,873). Rejected the rest of the action. Obliged ANAF to pay RON 20,500 to Electrica SA as court expenses. ANAF filed an appeal against the decision. Until 02.03.2016, the court did not set up the trial date.

No.	Parties/Case No.	Object	Court	Case status
7	Plaintiff: FDEE Electrica Distributie Muntenia Nord Defendant: Public Office of Local Finance Ploiesti **309/42/2015**	The amount in litigation is worth RON 11,963,955 and was decided as a payment obligation of SDEE Ploiesti, by taxation Decision no. 124814/28.11.2014 and stands for additional differences resulted from the report on fiscal inspection, of which RON 8,528,896 additional tax on buildings for the period January 2009 – September 2014 and RON 3,439,085 ancillary expenses calculated up to 10.11.2014	Ploiesti Court of Appeal	By Decision no. 32/10.02.2016 Ploiesti Court of Appeal rejected the action as not founded. After the decision editing and transmission, FDEE Electrica Distributie Muntenia Nord will file an appeal.
8	Plaintiff: Electrica Serv Defendant: PUBLIC OFFICE OF LOCAL FINANCE PLOIESTI **6358/2/2014**	Annulment administrative document (RON 2,351,034)	Court of Appeal Bucuresti	The court of first instance partly admitted the action. PUBLIC OFFICE OF LOCAL FINANCE PLOIESTI filed an appeal, which is in course of solving.

2. Litigations against the Court of Accounts

No.	Parties/Case No.	Object	Court	Case status
1	Appellant -Plaintiff: Electrica S.A. Societatea de Administrare a Participatiilor in Energie Respondent-Defendant: Court of Accounts of Romania **No. 8335/2/2012**	Suspension and annulment administrative and fiscal document. Litigations Court of Accounts Law no. 94/1992.	High Court of Cassation and Justice	Management Company of Participations in Energy established by Electrica S.A. split up, was introduced in the case and Electrica SA requested removal from the case.
2	Plaintiff: Electrica Serv Defendant: Court of Accounts of Romania. **No. 368/2/2014**	Litigations Court of Accounts Law no. 94/1992.	High Court of Cassation and Justice	In course of solving. Next trial date on 08.03.2016.
3	Plaintiff: Electrica Serv Defendant: Court of Accounts of Romania **No. 5755/2/2013**	Litigations Court of Accounts (Law no. 94/1992) conclusion no. 82/01.08.2013	High Court of Cassation and Justice	Electrica Furnizare filed an appeal. Until 02.03.2016, the Court did not set up the trial date.

3. Other significant litigations (whose value is over thousands EUR 500)

No.	Parties/Case No.	Object	Court	Case status
1	Appellant-Plaintiff: SC Termoelectrica SA Respondent-Defendant: Electrica SA **5651/2/2014 (in the first instance the file number was 15350/3/2010)**	Claims: the amount of RON 25,047,353.3 standing for delay penalties on energy bills during the period 01.04.2007-31.03.2008.	Court of Appeal Bucharest	The Court suspended the appeal filed by Termoelectrica SA.
2	Plaintiff: SC Orange Media SRL Defendant: S.C.Electrica S.A. **47304/3/2012***	Declaratory action and action in claims worth RON 17,008,850.15. The amount is made of: -RON 971,042.22 registered expenses; - RON 16,037,807.93 stands for unachieved profit consequent to the termination of the subsequent Services Contract no. 138/2011 and of the services frame agreement no. 132/2011).	Court of Appeal Bucharest	Action irrevocably rejected.
3	Appellant-Plaintiff: Toma Sevasta si altii Respondent-Defendant: Electrica Muntenia Nord S.A. and others **31617/281/2011**	Real estate claim	Court of Appeal Ploiesti	Action irrevocably rejected.
4	Plaintiff: Doru Lese Brasoan Defendant: FDEE Electrica Distributie Transilvania Nord **287/100/2015**	Labour litigation (annulment of the Decision of the Board of Directors, annulment of addendum to individual labour agreement, termination individual labour agreement and salary rights, granting EUR 1 million moral damages)	Maramures Tribunal	Solved in the first instance, decision not transmitted, according to the solution on the portal, rejected the request for EUR 1 million moral damages.
5	Plaintiff: Electrica Serv Defendant: NATIONAL LEASING IFN **39542/3/2009**	Claims: EUR 1,177,221.50	Bucharest Tribunal	Suspended based on Art. 36 of Insolvency Law no. 85/2006
6	Plaintiff: Electrica Serv Defendant: BEST RECUPERARE CREANTE SRL **2253/3/2011**	Insolvency procedure RON 3,938,810.56	Bucharest Tribunal	In course of solving
7	Plaintiff: Electrica Serv Defendant: NATIONAL LEASING IFN **18711/3/2010**	Insolvency procedure RON 53,023,201.08	Bucharest Tribunal	In course of solving

No.	Parties/Case No.	Object	Court	Case status
8	Plaintiff: Electrica Serv Defendant: SERVICII ENERGETICE BANAT **8776/30/2013**	Insolvency procedure RON 73,453,299.30	Timis Tribunal	In course of solving
9	Plaintiff: Electrica Serv Defendant: SERVICII ENERGETICE OLTENIA **2570/63/2014**	Insolvency procedure RON 26,448,133.90	Dolj Tribunal	In course of solving
10	Plaintiff: Electrica Serv Defendant: SERVICII ENERGETICE MUNTENIA **40081/3/2014**	Insolvency procedure RON 15,343,942.68	Bucharest Tribunal	In course of solving
11	Plaintiff: Electrica Serv Defendant: BEST RECUPERARE CREANTE SRL **54060/3/2011**	Payment ordinance RON 3,938,810.56	Bucharest Tribunal	Suspended based on Art. 36 of Insolvency Law no. 85/2006
12	Plaintiff: Electrica Serv Defendant: SERVICII ENERGETICE DOBROGEA **8785/118/2014**	Insolvency procedure 18.168.842,73 RON	Constanta Tribunal	In course of solving
13	Plaintiff: Electrica Serv Defendant: CASA DE ASIGURARI DE SANATATE A MUNICIPIULUI BUCURESTI **43602/3/2015**	Claims: RON 1,384,652 plus interests	Bucharest Tribunal	In course of solving

No.	Parties/Case No.	Object	Court	Case status
14	Appellant-Plaintiff: S.C. Electrica S.A. Respondent –Plaintiff: S.C. Cez Distributie S.A. Respondent –Defendants: S.C.Termoelectrica S.A.; Ministry of Public Finance; Romanian State **35866/3/2014**	Declaratory action (rightful extinguish of obligations Cez Distributie SA to Electrica in amount of RON 4,425,068.55, of Electrica to Termoelectrica in the same amount and of Termoelectrica to the Risk fund for state secured internal and external borrowings in the same amount RON 4,425,068.55)	High Court of Cassation and Justice	Fully changes the decision in the sense of admitting the request and notices as rightfully extinguished the obligations of Cez Distributie to Electrica worth RON 4,425,068.55, of Electrica to Termoelectrica in the same amount and of Termoelectrica to the Risk fund for state secured internal and external borrowings in the same amount RON 4,425,068.55. Obliges the defendants to jointly pay the amount of RON 48,361 stamp tax in the first trial cycle and in the first instance as well as the amount of RON 33,459 lawyer's fee in the above mentioned phases. Obliges the respondents to jointly pay the amount of RON 24,281 stamp tax in appeal and of RON 9,605 lawyer's fee in appeal. Electrica SA filed an appeal. The Court did not set up the first trial date.
15	Plaintiff: S.C. Cez Distributie S.A. Defendant: S.C. Electrica S.A. **11601/63/2009**	Action in claims worth RON 4,425,068.55	Craiova Court of Appeal	Case suspended until solving the declaratory action **(35866/3/2014)**
16	Creditor: Electrica S.A. Debtor: Petprod S.A. **47478/3/2012*/a1**	Law no. 85/2006 regarding insolvency Listing up on the statement of affairs for the amount of RON 2,591,163.01	Bucharest Tribunal	In course of solving.
17	Creditor: S.C. Electrica S.A. Debtor: CET Braila S.A. **2712/113/2013**	Law no. 85/2006 regarding insolvency Listing up on the statement of affairs for the amount of RON 3,826,034.78. Judicial liquidator is ContInvest Insolventa S.P.R.L.	Braila Tribunal	In course of solving.
18	Plaintiff: S.C.Electrica S.A. Respondent-Defendant: Autoritatea pentru Administrarea Activelor Statului (AAAS former AVAS) **8260/3/2013**	Action in claims for the amount of RON 11,173,143.	High Court of Cassation and Justice	The first instance admitted the summon to court. Obliged the defendant to pay the plaintiff the amount of RON 11,173,143. Obliged the defendant to pay the plaintiff the amount of RON 105,847.43, as court expenses. AAAS filed an appeal. The court did not set up the trial date.

No.	Parties/Case No.	Object	Court	Case status
19	Electrica SA: Challenger AAAS: Respondent **38859/299/2015**	Electrica S.A. filed a contestation to execution against the forced execution of administrative Decision no. P/14/27055/16.12.2014 and of all subsequent writs of execution (administrative decision issued by the respondent AAAS against the undersigned for the amount of RON 7,505,637.00 as recovery of illegal state aid granted to Electrica SA, in the context of the privatization of S Electrica Banat SA and of S CSR Resita SA)-request to annul this document. -annulment of the dunning letter issued by BEJ-Oprescu Mihai in the file of execution no. 8/2015 (providing that "interest is added which will be calculated starting the date the amounts were made available to the beneficiary until the effective debit date, plus RON 99,687.50 value of execution expenses and of all subsequent execution documents"); -annulment of all execution documents issued in file no. 8/2015; -suspension of forced execution started by the respondent until the irrevocable solving of the present litigation; -temporary suspension until solving the suspension request made through the present summon to trial.	District 1 Court Bucharest	Admits the request to suspend the forced execution. Suspends the forced execution in the execution case no. 8/2015 of BEJ Oprescu Mihai until solving the declaratory action. Based on Art. 413, para. 1 pct. 1 C. civ. proc. suspends the case trial until the final solving of the case no. 2155/2/2015 of Bucharest Court of Appeal.
20	AAAS: Challenger Electrica SA: Respondent SC IOR SA-Garnishee **96099/299/2015**	Contestation to execution. AAAS filed a contestation to execution against the execution documents of BEJA Dorina Gont, Lucian Gont, Marian Panait, consisting in: - notification letter of garnishment instates as of 25.08.2015, made according to Art. 783 NCPC until reaching the amount of RON 10,342,891.72 (debit left and court expenses) - conclusion of 15.06.2015 regarding the admission of forced execution; - conclusion of 16.06.2015 regarding setting up execution expenses. (The writ of execution is the Civil Decision no. 6440/2013 in file no. 8260/3/2013)	District 1 Court Bucharest	In course of solving
21	Creditors: Electrica SA; AAAS; BCR SA and others Debtor: Oltchim SA RM Valcea Liquidator: Rominsolv SPRL Consortium; BDO Business Restructuring SPRL	Law no. 85/2006 regarding insolvency Listing up on the statement of affairs for the amount of RON 658,535,805.38.	Valcea Tribunal	In course of solving

4. Litigations with „Fondul Proprietatea"

Nr. crt	Parti/Nr. Dosar	Obiect	Instanta	Stadiu dosar
1	Plaintiff: Fondul Proprietatea Defendant: ELECTRICA DISTRIBUTIE MUNTENIA NORD **3537/105/2014**	Annulment GMS resolution which approved the corporate governance strategy	Prahova Tribunal	The court admitted the action. The decision is final.
2	Plaintiff: Fondul Proprietatea Defendant: Electrica Distributie Transilvania Sud **2362/62/2014**	Annulment GMS resolution which approved the corporate governance strategy	Brasov Court of Appeal	The court admitted the action. The decision is final.
3	Plaintiff: Fondul Proprietatea Defendant: Electrica Distributie Transilvania Nord **532/1285/2014**	Annulment GMS resolution which approved the corporate governance strategy	Commercial Tribunal Cluj	The court admitted the action. The decision is final
4	Plaintiff: Fondul Proprietatea Defendant: Electrica Furnizare **14173/3/2014**	Annulment GMS resolution which approved the corporate governance strategy	Bucharest Tribunal	The court admitted the action. The decision is final

5. Litigations with ANRE

Nr. crt	Parti/Nr. Dosar	Obiect	Instanta	Stadiu dosar
1	Plaintiff: Electrica S.A. Defendant: ANRE **192/2/2015**	Annulment of the Order of the President of the National Regulatory Authority for Energy (ANRE) no. 146/2014	Bucharest Court of Appeal	In course of solving
2	Plaintiff: Electricity distribution subsidiary Electrica Distributie Muntenia Nord (EDMN) Defendant: ANRE **184/2/2015**	Annulment of the Order of the President of the National Regulatory Authority for Energy (ANRE) no. 146/2014	Bucharest Court of Appeal	In course of solving
3	Plaintiff: Electricity distribution subsidiary Electrica Distributie Transilvania Nord (EDTN) Defendant: ANRE **213/2/2015**	Annulment of the Order of the President of the National Regulatory Authority for Energy (ANRE) no. 146/2014	Bucharest Court of Appeal	In course of solving

Nr. crt	Parti/Nr. Dosar	Obiect	Instanta	Stadiu dosar
4	Plaintiff: Electricity distribution subsidiary Electrica Distributie Transilvania Sud (EDTS) Defendant: ANRE **208/2/2015**	Annulment of the Order of the President of the National Regulatory Authority for Energy (ANRE) no. 146/2014	Bucharest Court of Appeal	In course of solving
5	Plaintiff: Electrica S.A. Defendant: ANRE **317/2/2015**	Annulment of the Order of the President of the National Regulatory Authority for Energy (ANRE) no. 154/2014	Bucharest Court of Appeal	In course of solving
6	Plaintiff: Electricity distribution subsidiary Electrice Electrica Distributie Muntenia Nord (EDMN) Defendant: ANRE **318/2/2015**	Annulment of ANRE President's Order no. 154/2014	Bucharest Court of Appeal	In course of solving
7	Plaintiff: Electrica S.A. Plaintiff: ANRE **361/2/2015**	Annulment of ANRE President's Order no. 155/2014	Bucharest Court of Appeal	In course of solving
8	Plaintiff: Electricity distribution subsidiary Electrice Electrica Distributie Transilvania Nord (EDTN) Defendant: ANRE **353/2/2015**	Annulment of ANRE President's Order no. 155/2014	Bucharest Court of Appeal	The first instance partly admitted the action, in the sense of annulment of ANRE order regarding the setting up of distribution tariff for operator Electrica Distributie Transilvania Nord. The decision was not attacked by appeal.
9	Plaintiff: Electrica S.A. Defendant: ANRE **360/2/2015**	Annulment of ANRE President's Order no. 156/2014	Bucharest Court of Appeal	In course of solving
10	Plaintiff: Electricity distribution subsidiary Electrica Distributie Transilvania Sud (EDTS) Defendant: ANRE **371/2/2015**	Annulment of ANRE President's Order no. 156/2014	Bucharest Court of Appeal	In course of solving
11	Plaintiff: FDEE Distributie Transilvania Sud Defendant: ANRE **18/64/2016**	Action for the annulment of administrative document – Order no. 165/2015 of ANRE	Brasov Court of Appeal	In course of solving

Nr. crt	Parti/Nr. Dosar	Obiect	Instanta	Stadiu dosar
12	Plaintiff: FDEE Distributie Transilvania Sud Defendant: ANRE **17/64/2016**	Action for the suspension of administrative document – Order no. 165/2015 of ANRE	Brasov Court of Appeal	In course of solving
13	Plaintiff: FDEE Distributie Transilvania Sud Defendant: ANRE **41/64/2016**	Action for partly annulment (regarding specific tariffs) of administrative document – Order no. 171/2015 of ANRE	Brasov Court of Appeal	In course of solving
14	Plaintiff: FDEE Distributie Transilvania Sud Defendant: ANRE **40/64/2016**	Action for partly suspension (regarding specific tariffs) of administrative document – Order no. 171/2015 of ANRE	Brasov Court of Appeal	In course of solving
15	Plaintiff: FDEE Distributie Transilvania Nord Defendant: ANRE **18/33/2016**	Action for the annulment of administrative document – Order no. 165/2015 of ANRE	Cluj Court of Appeal	In course of solving
16	Plaintiff: FDEE Distributie Transilvania Nord Defendant: ANRE **17/33/2016**	Action for the suspension of administrative document – Order no. 165/2015 of ANRE	Cluj Court of Appeal	In course of solving
17	Plaintiff: Electrica Distributie Muntenia Nord (EDMN) Defendant: ANRE **164/2/2016**	Action for the annulment of administrative document – Order no. 165/2015 of ANRE	Bucharest Court of Appeal	In course of solving
18	Plaintiff: Electrica Distributie Muntenia Nord (EDMN) Defendant: ANRE **165/2/2016**	Action for the suspension of administrative document – Order no. 165/2015 of ANRE	Cluj Court of Appeal	In course of solving
19	Plaintiff: Electrica Distributie Muntenia Nord (EDMN) Defendant: ANRE **41/42/2016**	Action for partly annulment (regarding specific tariffs) of administrative document – Order no. 172/2015 of ANRE	Ploiesti Court of Appeal	In course of solving

Nr. crt	Parti/Nr. Dosar	Obiect	Instanta	Stadiu dosar
20	Plaintiff: Electrica Distributie Muntenia Nord (EDMN) Defendant: ANRE **42/42/2016**	Action for partly suspension (regarding specific tariffs) of administrative document – Order no. 172/2015 of ANRE	Ploiesti Court of Appeal	In course of solving
21	Plaintiff: Electrica S.A. Defendant: ANRE **130/2/2016**	Action for the annulment of administrative document – Order no. 165/2015 of ANRE	Bucharest Court of Appeal	In course of solving
22	Plaintiff: Electrica S.A. Defendant: ANRE **134/2/2016**	Action for the suspension of administrative document – Order no. 165/2015 of ANRE	Bucharest Court of Appeal	In course of solving
23	Plaintiff: Electrica S.A. Defendant: ANRE **340/2/2016**	Action for partly annulment (regarding specific tariffs) of administrative document – Order no. 171/2015 of ANRE	Bucharest Court of Appeal	In course of solving
24	Plaintiff: Electrica S.A. Defendant: ANRE **343/2/2016**	Action for partly suspension (regarding specific tariffs) of administrative document – Order no. 171/2015 of ANRE	Bucharest Court of Appeal	In course of solving
25	Plaintiff: Electrica S.A. Defendant: ANRE **342/2/2016**	Action for partly annulment (regarding specific tariffs) of administrative document – Order no. 172/2015 of ANRE	Bucharest Court of Appeal	In course of solving
26	Plaintiff: Electrica S.A. Defendant: ANRE **345/2/2016**	Action for partly suspension (regarding specific tariffs) of administrative document – Order no. 172/2015 of ANRE	Bucharest Court of Appeal	In course of solving

APPENDIX 2 – DETAILS OF MAIN INVESTMENTS IN 2015 BY THE ELECTRICA GROUP

During 2015, the most important investment made by the Group were as follows:

Description	Value (RON mil.)
Transformation station 110/20 kV Sebes - Industrial Zone, Alba County	21.2
Integration of transformation stations of CEM 110 kV Brasov into SCADA DMS EDTS's system	17.0
Meters acquisition and mounting EDMN	16.8
Modernisation measuring points	15.9
SAD - all SD EDTS	10.2
Implementation of SAD-R rural system throughout the EDMN's branches, Step IV vol. 2	9.9
Modernisation meters basis at EDTS level	9.9
Station 110/20 kV- 2X 25 MVA -Sanpaul, Mures County	9.2
Implementation of Automatic Urban Distribution System Buzau	7.2
Modernisation AMR with GPRS Ploiesti Nord zone	5.7
Upgrade and extension AMR telemetering system in Sf. Gheorghe town, Covasna County	5.7
Modernisation of branching and extension telemetering system Unirii Blv. Tgv. Micro VI	5.5
SCADA stage III – preparation works for integration in SCADA of 15 stations	4.9
Modernisation station 110/6 KV Satu Mare 1	4.8
Modernisation transformation station 110/20kV Tatarani	4.7
Modernisation and amplification groups of neutral treatment with BSRC in Station 110/MT Doftana, Campina, Busteni, Sinaia, Ploiesti Sud, Urlati, Ploiesti Nord, Prahova County	4.6
Modernisation station Baia Mare 5	4.5
Increase of electricity supply signal Valea lui Mihai zone	4.3
Modernisations LEA 04 kV in localities: Camarzana, Barsaul de Sus, Dobra	4.2
SCADA stage IV - preparation works for integration in SCADA of 14 stations	4.2
SAD – Distribution automation system for SD Oradea	4.0
Modernisation of substation 20/6 kv Sinaia, Prahova	4.0
Solutions to increase energy efficiency by cutting down losses in RED (installation of low losses transformers) EDTS	3.7
Modernisation transformation station 110/20 kV Marasesti	3.7
Automatic telemetering system e.e. with consumers LEA 20 kV Scurtesti Stage II	3.6
Modernisation transformation station 110/20/6 KV Crisu	3.3
Modernisation station 35/20 kV Feldioara, Brasov County	3.3
Modernisation station Negresti	2.9
MCD and modernisation RED Rupea, Brasov County	2.8
Regulation LEA 110 kV d.c. Ghimbav - Cristian and Bartolomeu - FS Rasnov, Brasov County	2.8
Improvement tension level LEA j.t. Ghidfalau, PTa 1, PTa 2, zone Covasna County	2.8
Modernisation FDCP-AMR with GSM Stage V Cartier Micro III Buzau	2.7
Switch to 20 kV Iosia zone Oradea	2.6
Total	**212.4**

During 2015, the largest transfers of fix assets in progress to fix assets were mainly represented by the commissioning of investment objectives, such as:

Description	Value (RON mil.)
Upgrade and extension AMR telemetering system in Sf.Gheorghe Municipality, Covasna County	21.9
Transformation station 110 / 20 kV Sebes- Industrial Zone, Alba County	21.6
Integration of transformation stations in the SCADA DMS system of the EDTS	20.8
Modernisation measuring points 2015 EDTN	20.1
Meters acquisition and mounting EDTN	16.8
Modernisation meters basis at EDTS level	9.9
Implementation of Automatic Rural Distribution System SAD-R stage IV, vol 2 in EDMN's branches	9.9
Modernisation Station 110/20kV Liesti, Galati County (structural funds)	7.7
Implementation of Automatic Urban Distribution System Buzău	7.3
Modernisation Station 110 kV Beius	6.9
Regulation LEA 110 kV d.c. Ghimbav-Cristian and Bartolomeu-FS Rasnov, Brasov County	6.8
Station 110/20 kV- 2X 25 MVA-Sanpaul, Mures County	6.2
Modernisation AMR with GPRS Ploiesti Nord zone	5.9
Modernisation of branching and extension telemetering system Unirii Blv. Tgv. Micro VI	5.6
SAD - Distribution automation system for SD Oradea	5.5
SMART METERING pilot project SD Zalau	4.5
Modernisation station 35 / 20 kV Feldioara, Brasov County	4.3
Improvement tension level LEA j.t. Ghidfalău, PTa 1, PTa 2 zone, Covasna County	4.3
Modernisation substation 20/6 kv Sinaia, Prahova	4.2
SMART METERING pilot project in SDEE Cluj	4.1
Modernisation transformation station 110/20kV Tătărani	4.1
Modernisation 110 kV separators in transformation stations - stage II vol.III (Stations 110kV: Vascău (20 pcs separators), Năsăud (14 pcs separators), Ferneziu (8 pcs separators), Nistru (4 pcs separators), Carpati (8 pcs separators), Jibou (5 pcs separators)	3.7
Solutions to increase energy efficiency by cutting down losses in RED (installation of low losses transformers) EDTS	3.7
Automatic telemetering system e.e. with consumers LEA 20 kV Scurtesti Stage II	3.5
MCD and modernisation RED Rupea	3.4
SMART METERING in SDEE Oradea	2.9
Modernisation FDCP-AMR with GSM stage V Micro III District Buzău	2.7
ICTAEE of consumers in localities Vădeni and Pietroiu, Brăila County	2.7
Extension AMR monitoring system with GPRS Galati Municipality	2.6
Extension SAD- Distribution automation system of SD Baia Mare, SD Satu Mare 11 positions-stage II, SD Cluj - stage II 2013	2.6
Total	**226.5**

APPENDIX 3 – INTERNAL AUDIT REPORT FOR 2015

The Annual Audit Plan for 2015, registered under no. 9900/25268/28.11.2014, endorsed by the Audit Committee and approved by the Board of Directors by the Decision no. 3/17.02.2015, provided for seven missions planned for 2015 in the following auditable areas: human resources, technical, international cooperation, legal and litigations, public relations, major project and patrimony. This plan was drawn up in view of identifying the efficiency of internal controls within ELSA. On the date of audit missions planning, the Audit & Compliance Office team was made of two internal auditors.

In 2015, upon the request of the Board of Directors, several ad-hoc missions were conducted, which resulted in the amendment of the Annual Internal Audit Plan for 2015. By Decision no. 26 of 16.09.2015, the Board of Directors approved the amendment of the Audit Plan for the period January-June 2015.

During the first half year 2015, 5 audit missions were conducted in the company, one Annual Internal Audit Plan and 4 ad-hoc missions in ELSA subsidiaries. The missions conducted in the first half year are:

- Management of employees and salary policies based on the mission Order no. 9900/488/12.01.2015, mission planned in the Annual Audit Plan,
- Achievement verification of services procurement procedure for: Rehabilitation of IT infrastructure of Electrica Serv – working and multifunctional stations and "Integrated IT system to streamline operational activity", conducted based on the mission Order no. 9900/487/12.01.2015,
- Assessment and check-up of the procedures achievement and of the procurement contracts for goods, services and works in the three electricity distribution subsidiaries: EDTN, EDTS, EDMN conducted based on the mission Order no. 9900/4636/03.03.2015,
- Assessment of employees, salary policies management in EDTN, EDTS, EDMN, Electrica Furnizare and Electrica Serv conducted based on the mission Order no. 9900/9479/04.05.2015,
- Analysis of contracts signed by Electrica S.A. and "Bostina & Asociatii" Limited Liability Professional Company during 2010–2014 period, according to the mission Order no. 9900/11707/29.05.2015.
- In the second half of 2015 the following audit missions were conducted:
- Assessment of legal and litigations activity in EDTN, EDTS, Electrica Serv during the period 01.01.2014 - 30.10.2015, conducted based on the mission Order no. 9900/20472/29.09.2015.
- Verification of procurement procedures and of the project "Chirnogeni Wind Mills Park" in Electrica SA, conducted based on the mission Order no. 9900/19389/31.08.2015.

These missions were performed by teams made of two internal auditors.

The internal audit report concluded as a result of the missions were acknowledged by the management of audited entities, endorsed by the Audit Committee and the implementation of their recommendations is consistently monitored by their follow up sheets. As a result of the audit missions and the acceptance of their recommendations by the audited entities and persons, the audited structures make up their own plans of measure to meet the recommendations.

The internal audit engagements have confirmed the positive impact of an internal audit on the activities carried out within the Company and its subsidiaries.

Since its dual listing on the Bucharest Stock Exchange and the London Stock Exchange and until the year end, the Operational Procedure of Internal Audit, Handbook of Internal Audit and Code of Ethics of the internal auditor were updated, in compliance with the national legislation and the International Standards for Internal Auditors' Professional Practice. All of these procedures have been endorsed by the Audit Committee and approved by the Board of Director.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended
December 31st 2015

CONTENTS

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

	Note	December 31st 2015	December 31st 2014 restated*	January 1st 2014 restated*
ASSETS				
Non-current assets				
Intangible assets related to concession arrangements	23	3,700,211	3,501,184	3,340,103
Other intangible assets	23	14,295	8,812	4,912
Property, plant and equipment	22	779,264	804,823	875,715
Deferred tax assets	17	50,597	59,625	85,361
Other non-current assets		3,802	7,970	1,118
Total non-current assets		**4,548,169**	**4,382,414**	**4,307,209**
Current assets				
Trade receivables	18	837,782	780,821	1,087,545
Other receivables	20	36,804	24,611	57,210
Cash and cash equivalents	21	893,492	1,629,508	650,835
Deposits, treasury bills and government bonds	19	1,987,881	1,220,521	-
Inventories		23,258	24,305	33,809
Prepayments		9,460	8,644	6,378
Green certificates		31,304	53,708	-
Income tax receivable	17	23,135	23,135	36,510
Assets held for distribution		-	-	2,243,494
Total current assets		**3,843,116**	**3,765,253**	**4,115,781**
Total assets		**8,391,285**	**8,147,667**	**8,422,990**
EQUITY AND LIABILITIES				
Equity				
Share capital	25	3,814,242	3,814,242	2,509,413
Share premium		103,049	103,049	-
Treasury shares reserve	25	(75,372)	(75,372)	-
Pre-paid capital contributions in kind from shareholders		2,862	3,273	47,657
Revaluation reserve	25	140,358	156,018	572,825
Other reserves	25	273,899	236,597	614,906
Retained earnings		1,354,595	1,246,635	1,905,402
Total equity attributable to the owners of the Company		**5,613,633**	**5,484,442**	**5,650,203**
Non-controlling interests	26	828,957	804,266	755,485
Total equity		**6,442,590**	**6,288,708**	**6,405,688**

(continued on page 102)
***See Note 7**

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

	Note	December 31st 2015	December 31st 2014 restated*	January 1st 2014 restated*
Liabilities				
Non-current liabilities				
Financing for network construction related to concession agreements	27	122,065	151,486	129,827
Finance lease		-	-	290
Deferred tax liabilities	17	181,253	183,753	193,603
Employee benefits	15	193,915	220,382	213,187
Other payables	29	43,068	53,181	66,376
Total non-current liabilities		**540,301**	**608,802**	**603,283**
Current liabilities				
Financing for network construction related to concession agreements	27	99,576	99,064	142,584
Short term bank borrowings	31	59,821	-	-
Bank overdrafts	21	65,963	48,132	79,684
Finance lease		-	294	498
Trade payables	28	656,410	555,256	581,522
Other payables	29	249,306	310,806	355,022
Deferred revenue		4,235	2,987	2,600
Employee benefits	14,15	134,625	146,714	152,191
Provisions	30	127,613	72,634	84,735
Current income tax liability		10,845	14,270	15,183
Total current liabilities		**1,408,394**	**1,250,157**	**1,414,019**
Total liabilities		**1,948,695**	**1,858,959**	**2,017,302**
Total equity and liabilities		**8,391,285**	**8,147,667**	**8,422,990**

The accompanying notes are an integral part of these consolidated financial statements.
***See Note 7**

CEO
Ioan Roşca

CFO
Iuliana Andronache

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

	Note	2015	2014 restated*
Revenues	10	5,502,795	5,043,728
Other income	11	211,161	176,509
Electricity purchased		(2,718,682)	(2,349,200)
Green certificates		(346,754)	(272,265)
Construction costs related to concession agreements	23	(490,023)	(440,337)
Employee benefits	16	(662,963)	(738,606)
Repairs, maintenance and materials		(59,015)	(84,866)
Depreciation and amortization	22,23	(350,813)	(325,698)
Impairment of property, plant and equipment, net	22,23	(2,368)	(32,814)
Impairment of trade and other receivables, net	18, 20	(4,400)	(4,632)
Other operating expenses	11	(455,319)	(460,774)
Change in provisions, net		(54,979)	(413)
Operating profit		**568,640**	**510,632**
Finance income	12	37,851	36,404
Finance costs	12	(17,368)	(23,149)
Net finance income		**20,483**	**13,255**
Profit before tax		**589,123**	**523,887**
Income tax expense	17	(106,963)	(110,982)
Profit for the year		**482,160**	**412,905**
Profit for the year attributable to:			
- owners of the Company		362,675	296,806
- non-controlling interests	26	119,485	116,099
Profit for the year		**482,160**	**412,905**
Earnings per share			
Basic and diluted earnings per share (RON)	13	**1.07**	**1.07**

The accompanying notes are an integral part of these consolidated financial statements.
***See Note 7**

CEO
Ioan Roșca

CFO
Iuliana Andronache

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

	Note	2015	2014 restated*
Profit for the year		**482,160**	**412,905**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of the defined benefit liability	15	16,707	(3,922)
Tax related to remeasurements of the defined benefit liability	17	(2,674)	628
Revaluation of property, plant and equipment		-	59
Other comprehensive income, net of tax		**14,033**	**(3,235)**
Total comprehensive income		**496,193**	**409,670**
Total comprehensive income attributable to:			
- owners of the Company		374,294	293,639
- non-controlling interests		121,899	116,031
Total comprehensive income		**496,193**	**409,670**

The accompanying notes are an integral part of these consolidated financial statements.
***See Note 7**

CEO
Ioan Roșca

CFO
Iuliana Andronache

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

		Attributable to the owners of the Company									
	Note	Share capital	Share premium	Treasury shares	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1st 2015 as previously reported		**3,814,242**	**103,049**	**(75,372)**	**3,273**	**156,018**	**236,597**	**1,268,811**	**5,506,618**	**810,520**	**6,317,138**
Impact of change in accounting policy		-	-	-	-	-	-	(22,176)	(22,176)	(6,254)	(28,430)
Balance at January 1st 2015 (restated*)		**3,814,242**	**103,049**	**(75,372)**	**3,273**	**156,018**	**236,597**	**1,246,635**	**5,484,442**	**804,266**	**6,288,708**
Comprehensive income											
Profit for the year		-	-	-	-	-	-	362,675	**362,675**	119,485	**482,160**
Other comprehensive income		-	-	-	-	-	-	11,619	**11,619**	2,414	**14,033**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**374,294**	**374,294**	**121,899**	**496,193**
Transactions with owners of the Company											
Contributions and distributions											
Land for which ownership rights were obtained		-	-	-	(411)	-	-	-	(411)	-	(411)
Dividends to the owners of the Company	25	-	-	-	-	-	-	(244,692)	(244,692)	-	(244,692)
Total transactions with owners of the Company		**-**	**-**	**-**	**(411)**	**-**	**-**	**(244,692)**	**(245,103)**	**-**	**(245,103)**
Other changes in equity											
Dividends to non-controlling interests	25	-	-	-	-	-	-	-	-	(97,208)	(97,208)
Set up of legal reserves		-	-	-	-	-	37,302	(37,302)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(14,217)	-	14,217	-	-	-
Loss of control over subsidiaries in financial distress	33	-	-	-	-	(1,443)	-	1,443	-	-	-
Balance at December 31st 2015		**3,814,242**	**103,049**	**(75,372)**	**2,862**	**140,358**	**273,899**	**1,354,595**	**5,613,633**	**828,957**	**6,442,590**

(continued on page 106)

(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	Pre-paid capital contributions in kind from shareholders	Revaluation reserve	Other reserves	Retained earnings	Total		
Balance at January 1st 2014, as previously reported	7	2,509,413	-	-	47,657	572,825	614,906	1,936,547	5,681,348	764,270	6,445,618
Impact of change in accounting policy	7	-	-	-	-	-	-	(31,145)	(31,145)	(8,785)	(39,930)
Balance at January 1st 2014 (restated*)		**2,509,413**	**-**	**-**	**47,657**	**572,825**	**614,906**	**1,905,402**	**5,650,203**	**755,485**	**6,405,688**
Comprehensive income											
Profit (restated*)		-	-	-	-	-	-	296,806	296,806	116,099	412,905
Other comprehensive income		-		-	-	(835)	-	(2,332)	(3,167)	(68)	(3,235)
Total comprehensive income (restated*)		**-**	**-**	**-**	**-**	**(835)**	**-**	**294,474**	**293,639**	**116,031**	**409,670**
Transactions with owners of the Company											
Contributions and distributions											
Underwritings from IPO	25	1,771,887	103,049	-	-	-	-	-	1,874,936	-	1,874,936
Treasury shares acquired		-	-	(75,372)	-	-	-	-	(75,372)	-	(75,372)
Issue of ordinary shares in respect of land contributed by the shareholders		40,371	-	-	(44,384)	-	-	-	(4,013)	-	(4,013)
Dividends to the owners of the Company	25	-	-	-	-	-		(22,475)	(22,475)	-	(22,475)
Spin-off effect	24	(507,429)	-	-	-	(388,018)	(408,195)	(928,834)	(2,232,476)	-	(2,232,476)
Total transactions with owners of the Company		**1,304,829**	**103,049**	**(75,372)**	**(44,384)**	**(388,018)**	**(408,195)**	**(951,309)**	**(459,400)**	**-**	**(459,400)**
Other changes in equity											
Dividends to non-controlling interests	25	-	-	-	-	-	-	-	-	(67,250)	(67,250)
Set up of legal reserves		-	-	-	-	-	29,886	(29,886)	-	-	-
Transfer of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	(15,202)	-	15,202	-	-	-
Impact of control loss over subsidiaries		-	-	-	-	(12,752)	-	12,752	-	-	-
Balance at December 31st 2014 (restated*)		**3,814,242**	**103,049**	**(75,372)**	**3,273**	**156,018**	**236,597**	**1,246,635**	**5,484,442**	**804,266**	**6,288,708**

The accompanying notes are an integral part of these consolidated financial statements.
***See Note 7**

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

	Note	2015	2014 restated*
Cash flows from operating activities			
Profit for the year		482,160	412,905
Adjustments for:			
Depreciation	22	44,084	33,284
Amortisation	23	306,729	292,414
Impairment loss of property, plant and equipment, net	22	2,368	32,814
Loss on disposal of property, plant and equipment		4,676	4,542
Impairment of trade and other receivables, net	18,20	4,400	4,632
Change in provisions, net		54,979	413
Net finance income	12	(20,483)	(13,255)
Gain on loss of control over subsidiaries in financial distress	11,33	(38,501)	(32,349)
Income tax expense	17	106,963	110,982
		947,375	**846,382**
Changes in :			
Trade receivables		(126,401)	228,893
Other receivables		(5,855)	26,592
Deposits, treasury bills and government bonds		(2,605)	(2,764)
Prepayments		(816)	(2,266)
Green certificates		22,404	(53,708)
Inventories		1,047	9,504
Trade payables		81,784	49,095
Other payables		(45,171)	(53,562)
Employee benefits		(2,309)	20,154
Cash generated from operating activities		**869,453**	**1,068,320**
Interest paid		(8,030)	(11,290)
Income tax paid		(118,177)	(75,721)
Net cash from operating activities		**743,246**	**981,309**

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See Note 7

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

	Note	2015	2014 restated*
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(31,759)	(39,152)
Payments for network construction related to concession agreements		(353,302)	(318,237)
Payments for purchase of other intangible assets		(8,755)	(7,653)
Proceeds from sale of property, plant and equipment		14,771	237
Proceeds from sale of other investments	24	-	140,920
Payments for purchase of treasury bills and government bonds	19	(4,093,998)	(1,194,251)
Proceeds from maturity of treasury bills and government bonds	19	3,240,481	295,598
Increase in deposits with maturity of 3 months or longer		(350,228)	(319,104)
Proceeds from deposits with maturity of 3 months or longer		438,990	-
Interest received		41,286	35,502
Effect on loss on control over subsidiaries on cash		(2,863)	(312)
Net cash used in investing activities		**(1,105,377)**	**(1,406,452)**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	25	-	1,874,936
Re-purchase of treasury shares	25	-	(75,372)
Proceeds from long term bank loans		18,000	-
Proceeds from short term bank loans		51,753	
Repayment of long term bank loans		(8,100)	-
Repayment of short term bank loans		(1,907)	
Dividends paid	25	(341,293)	(89,725)
Repayment of financing for network construction related to concession agreements	27	(109,875)	(142,680)
Payment of finance lease liabilities		(294)	(1,889)
Cash transferred through spin-off	24	-	(129,902)
Net cash from/(used in) financing activities		**(391,716)**	**1,435,368**
Net (decrease)/increase in cash and cash equivalents		**(753,847)**	**1,010,225**
Cash and cash equivalents at January 1st	21	1,581,376	571,151
Cash and cash equivalents at December 31st	**21**	**827,529**	**1,581,376**

The accompanying notes are an integral part of these consolidated financial statements.
***See Note 7**

CEO
Ioan Roşca

CFO
Iuliana Andronache

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

1 Reporting entity and general information

(a) General information about the Group

These financial statements are the consolidated financial statements of Societatea de Distributie si Furnizare a Energiei Electrice Electrica S.A. ("the Company" or "Electrica SA") and its subsidiaries (together "the Group"). The registered office of the Company is 9 Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has unique registration number 13267221 and Trade Register registration number J40/7425/2000.

As at December 31st 2015 the major shareholder of Electrica SA is the Romanian State, represented by the Ministry of Energy (48.78%), after the ownership dilution following an initial public offer. 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 Dec 2015	% shareholding as at 31 Dec 2014
Electrica Distributie Muntenia Nord SA	Electricity distribution in geographical area of Muntenia Nord	14506181	Ploiesti	78.0000021%	78.0000021%
Electrica Distributie Transilvania Nord SA	Electricity distribution in geographical area of Transilvania Nord	14476722	Cluj-Napoca	77.99999%	77.99999%
Electrica Distributie Transilvania Sud SA	Electricity distribution in geographical area of Transilvania Sud	14493260	Brasov	78.0000019%	78.0000019%
Electrica Furnizare SA	Electricity supply	28909028	Bucuresti	77.99997%	77.99997%
Electrica Serv SA	Services in the energy sector (maintenance, repairs, construction)	17329505	Bucuresti	100%	100%
Servicii Energetice Muntenia SA	Services in the energy sector (maintenance, repairs, construction)	29384120	Bucuresti	100%	100%
Servicii Energetice Oltenia SA	Services in the energy sector (maintenance, repairs, construction)	29389861	Craiova	100%	100%
Servicii Energetice Moldova SA	Services in the energy sector (maintenance, repairs, construction)	29386768	Bacau	100%	100%
Servicii Energetice Dobrogea SA*	Services in the energy sector (maintenance, repairs, construction)	29388378	Constanta	100%	100%
Servicii Energetice Banat SA*	Services in the energy sector (maintenance, repairs, construction)	29388211	Timisoara	100%	100%

***** Electrica SA lost the control of Servicii Energetice Banat starting with November 2014 and of Servicii Energetice Dobrogea starting with January 2015 when the bankruptcy proceedings of the subsidiaries began (see Note 33).***

Group's main activities

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 to 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 electricity supply to final customers which have not exercised their eligibility right – this is the right to choose their electricity supplier (hereinafter named captive consumers).

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

The electricity supply to captive consumers is made based on regulated contracts, with prices that are regulated by ANRE.

In 2013 the Company approved the liquidation of 3 subsidiaries: Servicii Energetice Banat, Servicii Energetice Dobrogea and Servicii Energetice Moldova. In January 2014 the Board of Directors of Servicii Energetice Oltenia and in October 2014 the Board of Directors of Servicii Energetice Muntenia decided the commencement of the insolvency process with a view to reorganization. For further information on the financial position of these subsidiaries refer to Note 33.

Initial public offering

The Government Decision no. 85/2013, amended and completed by Government Decision no. 477/2014 approved the privatization strategy of Electrica SA by initial public offer ("IPO"). The privatization strategy included the offer for sale of a 51% stake by issuance of new shares representing 105% of the existing share capital as at the date of the IPO. The shares were offered to both individual and institutional investors on the Romanian market, as well as to qualified investors on the US market and outside USA, and Global Depository Receipts ("GDRs") on the UK market.

The IPO was organised between 11 and 27 June 2014 and entailed to an offering by the Company of 177,188,744 ordinary shares in the form of shares and in the form of GDRs, each GDR representing four shares. Following the IPO, the Company sold 142,007,744 shares and 8,795,250 GDRs, at the offer prices of RON 11 per share and 13.66 USD per GDR. The allocation of shares and GDRs and the offering prices were concluded on 27 June 2014. The transfer of ownership rights to new shares and the collection of cash by the Company took place on 2 July 2014. At the same date the increase in share capital was recorded in the Trade Register.

Starting 4 July 2014 the Company's shares are listed on the Bucharest Stock Exchange, and the GDRs are listed on the London Stock Exchange.

(b) Regulations regarding the energy sector

Regulatory environment

The activity in the energy sector is regulated by National Authority for Energy Regulation ("ANRE"). Some of the main responsibilities of ANRE are to approve prices and tariffs and to prepare computation methodologies used to establish regulated prices and tariffs.

Electricity distribution

Electricity distribution is a monopoly activity. Distribution tariffs are established by a „tariff basket-price cap" mechanism. The tariff setting methodology is approved by ANRE Orders no. 72/2013, no. 112/2014, no. 146/2014 and no. 165/2015. The specific distribution tariffs applicable for the years 2015 and 2014 for the three voltage levels (high, medium and low) by regions were approved by ANRE orders as follows (RON/MWh, presented cumulatively for medium and low voltage):

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

The following items are considered by ANRE when setting the target revenue for one year of one regulatory period: controllable and non-controllable operating and maintenance costs; costs of electricity purchased for own technological consumption (distribution network losses); regulated depreciation charge; the return on the regulated assets base ("RAB"); working capital requirements and revenues from reactive energy.

The controllable operating and maintenance costs include, without limitation, the following: raw materials and consumables; utilities; maintenance and repairs; rental; insurance; studies and research; other services; employee benefits (salaries, per diem, bonuses); damages paid by the main distribution operator to third parties for maintenance works agreed between parties.

The uncontrollable operating and maintenance costs include: costs resulting from payment of taxes, royalties, duties and similar payments;

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

regulated costs related to special expenditure; contributions to the health fund, special funds and other similar funds related to the salary fund; regulated distribution costs generated by the use of distribution networks of other operators; extraordinary costs produced by force majeure; costs generated by the impossibility of shutting down the electricity supply for certain consumers, according to the legislation; damages paid by the main distribution operator to third parties for maintenance works established in court.

The regulated rate of return on the RAB was 8.52% for the years 2013 and 2014. Starting with 2015, the regulated rate of return on the RAB decreased to 7.7%, in accordance with the ANRE Order no. 146/2014.

The distribution tariffs applicable for 2016 for the three voltage levels (high, medium and low) by regions were approved by ANRE orders as follows (RON/MWh), presented cumulatively for medium and low voltage:

	Order 171, 172, 173/14.12.2015		
	January 1st-December 31st 2016		
	High voltage	Medium voltage	Low voltage
Transilvania Nord	19.93	64.2	167.74
Transilvania Sud	21.22	63.58	172.02
Muntenia Nord	15.93	52.6	171.38

Regulatory asset base (RAB)

In accordance with ANRE Orders no. 72/2013, 112/2014, 146/2014 and 165/2015, the determination of the distribution tariffs is based on, inter alia, the regulated asset base ("RAB"). The RAB calculation is based on capital expenditure.

The regulatory asset base at the beginning of the first regulatory period (January 1st 2005) (initial RAB) includes the net book value of the property, plant and equipment and intangible assets as approved by ANRE and used only for regulated electricity distribution. The RAB subsequently calculated includes the net value of the initial RAB and the net value of property, plant and equipment and intangible assets subsequently acquired through investments approved by ANRE. RAB does not include the property, plant and equipment financed through donations, or other irredeemable funds, including the connection fee from the new users of the electricity distribution network (property and equipment obtained through contributions of cash by customers to establish a connection to the network).

According to the tariff setting legislation, the distribution operator may request the regulator to recognise in the tariff the revaluation of property, plant and equipment commissioned after January 1st 2005, based on the revaluations performed according to the legislation in force. However, the maximum amount of the revaluation that would be accepted by the regulator may not exceed the cumulative inflation applied to the value of the assets commissioned after January 1st 2005.

Tariff adjustments

Annually, ANRE makes revenue adjustments due to: change in the quantities of electricity distributed compared to the forecast; change in quantities and acquisition price for the regulated own technological consumption (electricity network losses) compared to the forecast; annual change in uncontrollable operating and maintenance costs compared to the forecast; changes in revenues from reactive energy compared to the forecast; under-/overruns of the approved investments programme; and revenues generated from other operations made by the distribution operator.

In 2015 the revenue adjustments made by ANRE were negative as a result of change in the regulated rate of return on the RAB to 7.7%; increase in the quantities of electricity distributed in 2014 and 2015 compared to the forecast and decrease of acquisition price for the regulated own technological consumption (electricity network losses) compared to the forecast.

The differences in revenue arising in relation to the above mentioned stipulations are used to modify the regulated tariffs for the subsequent years.

The annual corrections are adjusted by the interest rate on one year treasury bills, in real terms. The annual regulated revenue in nominal terms is obtained by applying the adjusted inflation rate for the year of revenue adjustments.

In regulated activities, the regulator establishes through the tariff adjustment mechanism (as presented above), the criteria to recognise over or under recoveries of one period in future periods. The Group does not recognise regulatory assets and liabilities in respect of these under or over recoveries, as these differences are recovered or returned through the tariffs charged in subsequent periods. As at December 31st 2015 the Group is in an over-recovery position of approximately RON 115 million (2014: RON 164 million), which will be deducted from the tariffs for the next regulatory period (2016-2018).

Tariffs increase limitations
Starting with the third regulatory period (2014-2018) the distribution tariffs shall not increase year on year by more than 7% for the weighted average tariff and 10% for each specific distribution tariff.
According to ANRE Order no. 165/2015, starting 2015 the tariff variation limitation applies only to tariff increases, and not to tariff decreases.
Where the increase in tariffs is limited and does not allow distribution operators to obtain the approved regulated revenues in full, the difference shall be recovered in the following year(s) limited to the cap set for tariff increases. Such difference is adjusted with the interest rate on one year treasury bills, in nominal terms.

Electricity supply

Regulated market
According to Electricity Law and the European Directive 54/2003 the electricity market is fully open starting from July 1st 2007 and all consumers were declared eligible. The eligible consumers are free to choose their electricity supplier from which they purchase electricity at negotiated prices. For the other consumers (including those that did not use their eligibility right), the tariffs are regulated by ANRE orders.
Starting from September 1st 2012, the methodology for setting tariffs to consumers that do not use the eligibility right is established by ANRE Order no. 30/2012 and amended by Order no. 92/2015 that includes a proposed timetable for gradual elimination of the regulated tariffs between 2012 and 2017 ("the timetable") that sets the share of electricity purchased on the competitive market, in three-month period stages, for sale to consumers that do not use the eligibility right (household and non-household consumers).
The categories of justified costs of the last resort supplier, recognized by ANRE in the tariffs applied to the consumers that did not use the eligibility right, according to the methodology, are: electricity acquisition costs, transmission and system services costs, costs related to technical and operational services, services provided by the centralized electricity market operator to the participants in the centralized electricity markets, electricity distribution cost, electricity supply costs related to consumers that did not use the eligibility right (including cost for concluding contracts, invoicing, call-centre, mass-media, salaries and other personnel related costs, rental, taxes, borrowing costs, interest, loss on receivables, debt recovery, financing of cash flow deficits and investments, legal expenses, costs related to the implementation of legislative changes).
Starting from 1 September 2012, in correlation with the proposed timetable for eliminating the regulated tariffs, the last resort suppliers apply a new electricity tariff called „the competitive market component" ("CPC") in the invoice to customers that did not use the eligibility right. The CPC is based on costs for the electricity acquisition on the competitive market estimated by the last resort suppliers, plus costs for transmission and system services, services rendered by the centralized market operator, distribution and supply costs, profit margin, and adjustments for the difference between estimated and actual costs for the previous stage of the timetable. The last resort suppliers submit the CPC pricing proposals to ANRE for approval and the related calculations for the 3 distinct voltage levels.
Until 2018 when the market for the household consumers will be competitive, the tariffs applicable to the households consumers shall be annual approved by ANRE based on the reported costs and regulated profit margin. The tariffs are established in order to cover the costs of electricity (including transports costs, network services, distribution costs and the regulated profit margin). The previous ANRE methodology (ANRE Order no. 82/2013) provides a maximum profit per unit of electricity sold to consumers tariff setting and CPC tariffs of 4 RON/MWh and operating cost supply of 4.5 RON/client/month, following that, until the application of competitive criteria for selecting suppliers of last resort, the value of profit per unit of electricity sold to consumers to be established by ANRE. Furthermore, Electrica records supply costs including closing costs of contracts, billing, bill collection, database management and costs of IT and telecommunications infrastructure.
The current methodology (ANRE Order 92/2015) establish the regulated profit as a percentage of 1.5% of the total supply costs (that includes energy acquisition, transport and distribution costs, costs related to the system services and costs related market operations and supply) and the operating supply costs of 4.5 RON/client/month in 2015 and 4.7 RON/client/month in 2016.

The tariffs for electricity supplied under regulated regime in 2015 and 2014 are those established by ANRE Orders no. 157/2014, no. 57/2014 and no. 40/2013.
The acquisition prices paid to producers for electricity purchased based on regulated contracts for delivery under the regulated regime to captive consumers / consumers that did not use the eligibility right, and the quantities acquired are established by ANRE.

Competitive market
Transactions on the competitive en-gross market are transparent, public, centralised and non-discriminatory. Participants on the en-gross market can trade electricity based on the bilateral contracts concluded on the related centralised market.

Green certificates
Electricity suppliers have a legal obligation to purchase green certificates from producers of electricity from renewable sources, based on annual targets or quotas set by law, which are applied to the quantity of electricity purchased and supplied to end consumers.
Cost of green certificates is billed to end consumers separately from the tariffs for electricity. Starting March 2014 the electricity suppliers have the obligation to purchase green certificates before they bill the related costs to end consumers.

2 Basis of accounting

These consolidated financial statements have been prepared in accordance with International Reporting Standards ("IFRS") as endorsed by the European Union ("IFRS-EU"). They were authorized for issue by the Board of Directors on March 11th 2016. The financial statements will be submitted for shareholders' approval in the meeting scheduled on April 27th 2016.
The Company also issues an original version of consolidated financial statements prepared in accordance with IFRS-EU in Romanian language that will be used for filing with Romanian authorities.
Details of the Group's accounting policies are included in Note 6. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements, except for the changes described in Note 7.

3 Functional and presentation currency

These consolidated financial statements are presented in Lei (RON), which is the functional currency of all group companies. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements
Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below.

Service Concession Arrangements
IFRIC 12 deals with public-to-private service concession arrangements. Until July 4th 2014, the Group was controlled by the Romanian State, therefore the concession arrangements (see Note 23) were considered a form of public-to-public service arrangements and therefore not directly within the scope of IFRIC 12. The management determined that IAS 16 model of accounting for the assets that are subject to the service concessions was more appropriate in those circumstances.
Following the IPO (see Note 1), the act of incorporation of Electrica changed. Significant decisions in the General Shareholders Meeting are taken with a super majority of 55% of the total voting rights as a protective right of the minority shareholders. The Board of Directors has 3 out of 5 members who are independent and non-executive, appointed by private shareholders. The Board of Directors also has increased powers.
Given these major changes in the circumstances, the management reassessed the applicability of IFRIC 12.
Since de facto control by the State, with its 48.78% shareholding, cannot be proved and given that it is expected that the Group will be operated as a "private" entity, the Group changed its accounting policy with respect to the accounting for the service concession arrangements.

Commissions
Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for collection of radio and TV taxes. If the Group acts in the capacity of an

agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Group.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve month period is included in the following notes:

- Note 6 k), l) – assumptions regarding the useful life of the intangible assets related to concession arrangements and other intangible assets;
- Notes 18 and 31 – assumptions and estimates about the recoverability of trade receivables;
- Note 6 j) – estimates regarding the useful lives of property, plant and equipment;
- Note 22 – assumptions regarding the revalued amount of property, plant and equipment;
- Note 33 – assumptions and estimates regarding the measurement of assets of the subsidiaries under financial distress;
- Note 17 – recognition of deferred tax assets: availability of future taxable profit against which tax losscarried forward can be used;
- Notes 30 and 34 – recognition and measurement of provisions and contingencies;
- Note 15 – measurement of defined benefit obligations and other long-term employee benefits: key actuarial assumptions.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 31 – financial instruments;
- Note 22 – property, plant and equipment.

5 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the land and buildings which are measured based on revaluation model. The assets and liabilities of the subsidiaries in financial distress are not recognised on a going concern basis but on an alternate basis, as disclosed in Note 33.

6 Significant accounting policies

Except as disclosed in Note 7, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

(ii) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Non-controlling interests

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Investments in equity-accounted investees
Equity-accounted investees (or associates) are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity.
Investments in associates are accounted for under the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.
The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, from the date that significant influence commences until the date that significant influence ceases.

(v) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.
Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Revenue
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of the revenue can be measured reliably. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Supply and distribution of electricity
The revenue from supply and distribution of electricity to consumers is recognized when electricity is delivered to consumers, based on meter readings and based on estimates for electricity delivered and for which no reading was performed yet. The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on meter readings or on estimated consumptions based on the historical data of each consumer. Electricity supplied to consumers which is not yet billed as at the reporting date is accrued on the basis of recent average consumption or based on subsequent meter readings. Differences between estimated and actual amounts are recorded in subsequent periods.
The revenues from supply and distribution of electricity also includes the cost of green certificates recharged by the Group to final consumers (see paragraph (h)).

Rendering of services
Revenues related to services rendered are recognised in the period in which the services were rendered based on statements of work performed, regardless of when paid or received, in accordance with the accrual basis.

Sales of goods
Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

Service concession arrangement
Revenue related to construction or upgrade services under service concession arrangement is recognised based on the stage of completion of the work performed, consistent with the accounting policy on recognising revenue on construction contracts, as follows:
Contract revenue includes the initial amount agreed plus any variation in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.
If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.
Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

(c) Commissions
Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements except for collection of radio

and TV taxes. If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Group.

(d) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(f) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(g) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

(h) Green certificates

The cost of green certificates is accrued in the profit or loss based on the quantitative quota determined by the regulator representing the amount of the green certificates that the Group has to purchase for the year and based on the price of green certificates acquired on the centralized market. Staring 2014, the Group implemented a procedure in order to allocate the green certificates acquired either for future recharges to customers (see note 1 for the changes in the regulations regarding green certificates) or to cover the annual green certificates acquisition obligation. The green certificates acquired for future recharges to customers are recognised in the statement of financial position until the moment their cost is recharged to final consumer. The obligation for covering the annual acquisition quota is accrued in profit or loss and other non-financial liabilities.

(i) Inventories

Inventories consist mainly of consumables, goods for resale and other inventories.

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition.

Consumables used for the repairs and maintenance of the electricity network are included in profit and loss when consumed and presented in "Repairs, maintenance and materials".

(j) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use.

After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation. The other items of property, plant and equipment are measures at cost less any accumulated depreciation and any accumulated impairment losses.

Until December 31st 2003 the Group has restated the cost of property, plant and equipment according to IAS 29 "Financial Reporting in Hyperinflationary Economies", with its effect being recognized in retained earnings.

Revaluations of land and buildings are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant

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

and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.
Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation
Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.
The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives
Buildings	60-70 (average 67 years)
Equipment	4-12 (average 7 years)
Motor vehicles	4-10 (average 7 years)
Office equipment	5-10 (average 7 years)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Intangible asset in a service concession arrangement

(i) Recognition and measurement
The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, less accumulated amortisation and accumulated impairment losses.

(ii) Amortisation
The amortization method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits embodied in the asset, and is applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits. The Group determined that the amortisation method that reflects appropriately the expected pattern of consumption of the expected future economic benefits is correlated with the amortisation of the regulated asset base "RAB" (refer to Note 1). The remaining useful life of the intangible assets related to the concession arrangements is 11 years at December 31st 2015 (useful life 25 years).

(l) Other intangible assets

(i) Recognition and measurement
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of software and licenses are 3-5 years.
Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Assets held for distribution

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-distribution if it is highly probable that they will be recovered primarily through distribution rather than through continuing use.
Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs of distribution. Impairment losses on initial classification as held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.
Once classified as held-for-distribution, equity-accounted investee is no longer equity accounted.

(n) Financial instruments

The Group classifies non-derivative financial assets into the following categories: loans and receivables and held to maturity investments.
The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables on the date when they are originated. Financial liabilities are initially recognised on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument.
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.
Loans and receivables comprise trade receivables, cash and cash equivalents and deposits, treasury bills and government bond.

Trade receivables

Trade receivables include mainly unsettled invoices issued until reporting date for supply and distribution of electricity and services, late payment penalties and accrued revenue for electricity delivered and services rendered until the end of the year, but invoiced after the end of the year.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Held-to-maturity investments

Held-to-maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.
Other financial liabilities include bank borrowings, bank overdrafts, Financing for network construction related to concession agreements and trade payables.
Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(o) Impairment

(i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and are reflected in an allowance account. For household customers the receivables are written off when the Group considers that there are no realistic prospects of recovery of the asset. For customers other than households, the amounts are written off after the legal proceedings regarding the bankruptcy or liquidation of the customer are completed. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss, except for the property, plant and equipment measured at the revalued amount, in which case the impairment loss is recognised in other comprehensive income and decreases the revaluation reserve within equity to the extent that it reverses a previous revaluation surplus related to the same asset.

An impairment loss is reversed only to the ex-

tent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
A reversal of an impairment loss other than on revalued assets is recognised in profit or loss. A reversal of an impairment loss on a revalued asset is recognised in profit or loss to the extent that it reverses an impairment loss on the same asset that was previously recognised as an expense in profit or loss. Any additional increase in the carrying amount of the asset is treated as a revaluation increase.

(p) Revaluation reserve

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognised as revaluation reserve included in equity.
If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.
If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.
The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(q) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(r) Pre-paid capital contributions in kind from shareholders

These contributions from a shareholder (the Romanian State) represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(t) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.
At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes that, for a finance lease, it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets and finance lease liability are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.
Assets held under other leases are classified as operating leases and are not recognised in the Group's consolidated statement of financial position.

(iii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iv) Rental income

Rental income from property other than investment property is recognised as other income. Rental income is recognised on a straight-line basis over the term of the lease.

(u) Segment reporting

Segment results that are reported to the Company's Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly deferred taxes.

(v) Subsequent events

Events occurring after the reporting date December 31st 2015, which provide additional information about conditions prevailing at those reporting dates (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting dates (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 Changes in accounting policies and changes in classification and presentation

Except for the change below, the Group has consistently applied the accounting policies set out in Note 6 to all periods presented in these consolidated financial statements:

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

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

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

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

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

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

Consolidated statement of financial position

January 1st 2014	Impact of changes in accounting policy		
	As previously reported	Adjustment for IFRIC 21	As restated
Other payables (current)	(307,487)	(47,535)	(355,022)
Deferred tax liabilities	(201,208)	7,605	(193,603)
Others	(1,468,677)	-	(1,468,677)
Total liabilities	**(1,977,372)**	**(39,930)**	**(2,017,302)**
Retained earnings	(1,936,547)	31,145	(1,905,402)
Non-controlling interests	(764,270)	8,785	(755,485)
Others	(3,744,801)	-	(3,744,801)
Total equity	**(6,445,618)**	**39,930**	**(6,405,688)**

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

Consolidated statement of profit and loss and other comprehensive income

For the year ended December 31st 2014	Impact of changes in accounting policy			
	As previously reported	Adjustment for IFRIC 21	Change in presentation	As restated
Other operating expenses	(474,878)	13,691	413	(460,774)
Change in provisions, net	-	-	(413)	(413)
Income tax expense	(108,791)	(2,191)	-	(110,982)
Others	985,074	-	-	985,074
Profit for the year	**401,405**	**11,500**	**-**	**412,905**
Total comprehensive income	**398,170**	**11,500**	**-**	**409,670**

There is no material impact on the Group's basic or diluted earnings per share for the year ended December 31st 2014.

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

8 New standards and interpretations not yet adopted

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

- Amendments to IAS 1 (Disclosure Initiative);
- Amendments to IAS 16 and IAS 38 (Clarification of Acceptable Methods of Depreciation and Amortisation);
- Amendments to IAS 16 and IAS 41 (Bearer plants);
- Amendments to IAS 19 (Defined Benefit Plans, Employee Contributions);
- Amendments to IAS 27 (Equity Method in Separate Financial Statements);
- Amendments to IFRS 11 (Accounting for Acquisitions of Interests in Joint Operations);
- Annual improvements to IFRSs 2012 – 2014 Cycle;
- Annual improvements to IFRSs 2010 – 2012 Cycle.

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

9 Operating segments

(a) Basis for segmentation

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Electricity supply	Buying and supplying electricity to final consumers (includes Electrica Furnizare SA and the supply activity of Electrica SA)
Electricity distribution	Electricity distribution service (includes Electrica Distributie Muntenia Nord SA, Electrica Distributie Transilvania Nord SA, Electrica Distributie Transilvania Sud SA, Electrica Serv SA and the investments in distribution activity done by Electrica SA)
External electricity network maintenance	Repairs, maintenance and other services for electricity networks owned by other distributors (includes Servicii Energetice Moldova SA, Servicii Energetice Oltenia SA and Servicii Energetice Muntenia SA). For the year ended December 31st 2014 the segment included also the operations of Servicii Energetice Banat and Servicii Energetice Dobrogea, which were deconsolidated starting with November 2014 and January 2015, as a result of loss of control.
Headquarter	Includes corporate services at parent level

The Board of Directors of the Company reviews management reports of each segment. Segment earnings before interest, tax, depreciation and amortisation (EBITDA) is used to measure performance because management believes that such information is the most relevant in evaluating the results of the segments.

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

(b) Information about reportable segments

Year ended December 31st 2015	**Electricity supply**	**Electricity distribution**	**External electricity network maintenance**	**Headquarter**	**Total for reportable segments**	**Consolidation eliminations and adjustments**	**Consolidated total**
External revenues	4,374,524	1,103,356	24,915	-	5,502,795	-	**5,502,795**
Inter-segment revenue	113,939	1,509,144	14,590	-	1,637,673	(1,637,673)	**-**
Segment revenue	**4,488,463**	**2,612,500**	**39,505**	**-**	**7,140,468**	**(1,637,673)**	**5,502,795**
Segment profit (loss) before tax	**160,169**	**464,202**	**(26,495)**	**297,394**	**895,270**	**(306,147)**	**589,123**
Net finance (cost)/income	2,759	(10,381)	16	372,737	**365,131**	(344,648)	**20,483**
Depreciation, amortization and impairment, net	(7,437)	(334,574)	(6,695)	(4,475)	**(353,181)**	-	**(353,181)**
EBITDA**	**164,847**	**809,157**	**(19,816)**	**(70,868)**	**883,320**	**38,501**	**921,821**
Segment net profit (loss)	135,870	377,114	(22,071)	297,394	**788,307**	(306,147)	**482,160**
Employee benefits	(82,899)	(535,443)	(27,984)	(16,637)	**(662,963)**	-	**(662,963)**
Segment assets	**1,179,588**	**5,137,881**	**193,747**	**2,244,312**	**8,755,528**	**(364,243)**	**8,391,285**
Trade and other receivables	719,529	611,531	25,084	-	**1,356,144**	(481,558)	**874,586**
Cash and cash equivalents	337,912	268,262	4,253	283,065	**893,492**	-	**893,492**
Deposits, treasury bills and government bonds	-	87,486	-	1,900,395	**1,987,881**	-	**1,987,881**
Trade and other payables, and short term employee benefits	787,518	477,295	260,019	9,692	**1,534,524**	(463,312)	**1,071,212**
Bank overdrafts	-	65,963	-	-	**65,963**	-	**65,963**
Financing for network construction related to concession agreements and bank borrowings	-	281,462	-	-	**281,462**	-	**281,462**
Capital expenditure	19,187	535,984	-	-	**555,171**	-	**555,171**

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

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

Year ended December 31st 2015	**Distribution Muntenia Nord**	**Distribution Transilvania Nord**	**Distribution Transilvania Sud**	**Electricity network maintenance**	**Eliminations**	**Total Electricity distribution**
External revenues	338,764	381,813	349,941	32,838	-	**1,103,356**
Inter-segment revenue	532,897	475,776	490,301	362,661	(352,491)	**1,509,144**
Segment revenue	**871,661**	**857,589**	**840,242**	**395,499**	**(352,491)**	**2,612,500**
Segment profit /(loss) before tax	**168,886**	**160,089**	**158,407**	**(23,180)**	**-**	**464,202**
Net finance (cost)/income	(1,908)	(3,558)	(2,388)	(2,527)	-	**(10,381)**
Depreciation, amortization and impairment, net	(91,895)	(112,003)	(115,482)	(15,194)	-	**(334,574)**
EBITDA**	**262,689**	**275,650**	**276,277**	**(5,459)**	**-**	**809,157**
Net profit	134,646	136,621	132,189	(26,342)	-	**377,114**
Employee benefits	(131,147)	(122,030)	(117,700)	(164,566)	-	**(535,443)**
Segment assets	**1,746,442**	**1,440,592**	**1,526,887**	**537,146**	**(113,186)**	**5,137,881**
Trade and other receivables	183,566	140,218	153,593	247,340	(113,186)	**611,531**
Cash and cash equivalents	123,985	18,551	104,132	21,594	-	**268,262**
Deposits, treasury bills and government bonds	87,486	-	-	-	-	**87,486**
Trade and other payables, and short term employee benefits	134,883	165,742	174,050	115,806	(113,186)	**477,295**
Bank overdrafts	-	12,836	43,127	10,000	-	**65,963**
Financing for network construction related to concession agreements and bank borrowings	90,680	70,038	110,844	9,900	-	**281,462**
Capital expenditure	152,345	223,102	157,204	3,333	-	**535,984**

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

Year ended December 31st 2014	Electricity supply	Electricity distribution	External electricity network maintenance	Headquarter	Total for reportable segments	Consolidation eliminations and adjustments	Consolidated total
External revenues	4,029,654	955,470	58,604	-	**5,043,728**	-	**5,043,728**
Inter-segment revenue	103,438	1,519,452	-	-	**1,622,890**	(1,622,890)	**-**
Segment revenue	**4,133,092**	**2,474,922**	**58,604**	**-**	**6,666,618**	**(1,622,890)**	**5,043,728**
Segment profit (loss) before tax – restated*	**229,531**	**383,429**	**(134,185)**	**251,195**	**729,970**	**(206,083)**	**523,887**
Net finance (cost)/income	3,553	(7,001)	39	255,096	**251,687**	(238,432)	**13,255**
Depreciation, amortization and impairment, net	(6,706)	(311,401)	(36,113)	(4,292)	**(358,512)**	-	**(358,512)**
EBITDA - restated***	**232,684**	**701,831**	**(98,111)**	**391**	**836,795**	**32,349**	**869,144**
Net profit - restated*	179,782	317,222	(129,211)	251,195	**618,988**	(206,083)	**412,905**
Employee benefits	(83,183)	(545,172)	(92,472)	(17,779)	**(738,606)**	-	**(738,606)**
Segment assets	**1,286,522**	**4,980,388**	**222,100**	**2,202,593**	**8,691,603**	**(543,936)**	**8,147,667**
Trade and other receivables	724,938	661,105	23,841	-	**1,409,884**	(604,452)	**805,432**
Cash and cash equivalents	403,486	144,481	6,220	1,075,321	**1,629,508**	-	**1,629,508**
Deposits, treasury bills and government bonds	-	182,100	-	1,038,421	**1,220,521**	-	**1,220,521**
Trade and other payables, and short term employee benefits – restated*	826,140	404,996	309,771	7,274	**1,548,181**	(495,014)	**1,053,167**
Bank overdrafts	-	48,132	-	-	**48,132**	-	**48,132**
Financing for network construction related to concession agreements and finance lease	-	250,844	-	-	**250,844**	-	**250,844**
Capital expenditure	15,073	508,821	-	-	**523,894**	(4,013)	**519,881**

*(*See Note 7)*

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

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

Year ended December 31st 2014	**Distribution Muntenia Nord**	**Distribution Transilvania Nord**	**Distribution Transilvania Sud**	**Electricity network maintenance**	**Eliminations**	**Total Electricity distribution**
External revenues	327,560	281,189	324,733	21,988	-	**955,470**
Inter-segment revenue	548,922	469,480	491,090	372,929	(362,969)	**1,519,452**
Segment revenue	**876,482**	**750,669**	**815,823**	**394,917**	**(362,969)**	**2,474,922**
Segment profit (loss) before tax – restated*	**156,277**	**126,053**	**96,912**	**4,187**	**-**	**383,429**
Net finance (cost)/income	4,970	(4,010)	(5,899)	(2,062)	-	**(7,001)**
Depreciation, amortization and impairment, net	(85,001)	(99,319)	(113,433)	(13,648)	-	**(311,401)**
EBITDA - restated***	**236,308**	**229,382**	**216,244**	**19,897**	**-**	**701,831**
Net profit – restated*	130,694	107,817	74,152	4,559	-	**317,222**
Employee benefits	(133,790)	(120,984)	(116,511)	(173,887)	-	**(545,172)**
Segment assets	**1,739,503**	**1,326,879**	**1,422,739**	**583,871**	**(92,604)**	**4,980,388**
Trade and other receivables	171,169	137,526	159,785	285,229	(92,604)	**661,105**
Cash and cash equivalents	94,539	17,370	15,744	16,828	-	**144,481**
Deposits, treasury bills and government bonds	182,100	-	-	-	-	**182,100**
Trade and other payables, and short term employee benefits – restated*	122,081	130,563	130,851	114,235	(92,734)	**404,996**
Bank overdrafts	-	38,948	9,184	-	-	**48,132**
Financing for network construction related to concession agreements and finance lease	108,291	30,538	111,721	294	-	**250,844**
Capital expenditure	165,469	158,869	161,561	22,922	-	**508,821**

*(*See Note 7)*

** 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, ii) net finance (cost)/ income in the operating segment, iii) share of profit (loss) of equity-accounted investees in the operating segment (as disclosed in the income statements). 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.

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

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

	December 31st 2015	December 31st 2014 restated*
Total assets		
Total assets for reportable segments	8,755,528	8,691,603
Elimination of inter-segment assets	(413,016)	(601,805)
Unallocated amounts	48,773	57,869
Consolidated total assets	**8,391,285**	**8,147,667**
Trade and other receivables		
Trade and other receivables for reportable segments	1,356,144	1,409,884
Elimination of inter-segment trade and other receivables	(479,734)	(602,696)
Unallocated amounts	(1,824)	(1,756)
Consolidated trade and other receivables	**874,586**	**805,432**
Trade and other payables and short term employee benefits		
Trade and other payables and short term employee benefits for reportable segments	1,534,524	1,548,181
Elimination of inter-segment trade and other payables and short term employee benefits	(461,488)	(493,258)
Unallocated amounts	(1,824)	(1,756)
Consolidated trade and other payables and short term employee benefits	**1,071,212**	**1,053,167**
Profit before tax		
Total profit before tax for reportable segments	895,270	729,970
Elimination of inter-segment profit	(344,648)	(238,432)
Unallocated amounts (Gain on loss of control over subsidiaries)	38,501	32,349
Consolidated profit before tax	**589,123**	**523,887**
Net profit		
Total net profit for reportable segments	788,307	618,988
Elimination of inter-segment profit	(344,648)	(238,432)
Unallocated amounts (Gain on loss of control over subsidiaries)	38,501	32,349
Consolidated net profit	**482,160**	**412,905**

10 Revenue

	2015	2014
Supply and distribution of electricity	4,915,539	4,492,096
Construction revenue related to concession agreements (Note 23)	502,641	449,742
Repairs and maintenance and other services rendered	61,082	68,138
Re-connection fees	9,083	8,961
Sales of merchandise	14,450	24,791
Total	**5,502,795**	**5,043,728**

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

11 Income and expenses

(a) Other income

	2015	2014
Rent income	83,586	77,802
Late payment penalties from customers	54,900	38,681
Commissions for the collection of radio and TV taxes (Note 29)	13,956	13,889
Gain on loss of control over subsidiaries (Note 33)	38,501	32,349
Other	20,218	13,788
Total	**211,161**	**176,509**

(b) Other operating expenses

	2015	2014 restated*
Rent	60,866	59,429
Meter readings	37,172	38,123
Printing and distribution of invoices	31,407	32,777
Cash collection services	25,951	24,282
IT services	44,181	49,988
Postage and telecommunication	18,280	27,527
Utilities	28,541	29,242
Security	8,767	7,613
Call centre	7,512	7,405
Penalties to the State for late payment of taxes	3,177	8,162
Contractual penalties	-	368
Other taxes and duties	91,774	74,816
Legal and consultancy fees	8,093	5,161
Cost of merchandise sold	10,830	23,980
Bank commissions	3,309	9,979
Other	75,459	61,922
Total	**455,319**	**460,774**

*(*See Note 7)*

12 Net finance income

	2015	2014
Interest income	34,513	32,806
Other finance income	3,338	3,598
Total finance income	**37,851**	**36,404**
Interest expense	(8,166)	(11,250)
Interest cost for employee benefits (Note 15)	(8,050)	(9,576)
Foreign exchange losses	(857)	(1,797)
Other finance costs	(295)	(526)
Total finance costs	**(17,368)**	**(23,149)**
Net finance income	**20,483**	**13,255**

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

13 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

	2015	2014 restated*
Profit for the year attributable to the owners of the Company	362,675	296,806
Profit attributable to ordinary shareholders	**362,675**	**296,806**

*(*See Note 7)*

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

	2015	2014
Issued ordinary shares at January 1st (Note 25)*	**339,049,336**	**207,839,904**
Effect of shares issued in February	-	172,575
Effect of spin-off in April	-	(32,342,835)
Effect of shares issued in May	-	2,564,531
Effect of underwritings from the IPO in June	-	103,360,101
Effect of shares re-purchased in July	-	(3,445,297)
Weighted-average number of ordinary shares at December 31st	**339,049,336**	**278,148,979**

** The number of shares presented on the table above does not include the number of treasury shares.*

Earnings per share		
Basic and diluted earnings per share (RON)	**1.07**	**1.07**

14 Short-term employee benefits

	December 31st 2015	December 31st 2014
Personnel payables	32,465	38,632
Current portion of defined benefit liability and other long-term employee benefits	12,197	12,790
Social security charges	52,278	64,172
Tax on salaries	15,187	15,567
Termination benefits payable	22,498	15,553
Total	**134,625**	**146,714**

For details of the related employee benefit expenses, see Note 16.

In Romania, all employers and employees, as well as other persons, are contributors to the state social security system. The social security system covers pensions, allocations for children, temporary inability to work, risks of works and professional diseases and other social assistance services, unemployment benefits and incentives for employers creating new workplaces.

Termination benefits refer to:

- compensation indemnities for the employees of Electrica SA, Electrica Distributie Transilvania Nord, Electrica Distributie Transilvania Sud, Electrica Distributie Muntenia Nord, Electrica Furnizare, Electrica Serv, based on the voluntary redundancies made during 2015;
- lay-off indemnities of RON 15,533 thousand for the employess of Servicii Energetice Moldova.

The Group has overdue social security and other salary taxes of RON 42,855 thousand at December 31st 2015 (2014: RON 39,541 thousand) which relate mainly to the three subsidiaries with financial difficulties described in Note 33.

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

15 Post-employment and other long-term employee benefits

In accordance with Government Decisions no. 1041/2003 and no. 1461/2003, the Group provides benefits in kind in the form of free electricity to retired employees of the Group.
The Group also provides cash benefits to employees depending on seniority and years of service at retirement.
In 2015 and 2014, employee benefit obligations were computed by independent actuaries using the projected unit credit method with benefits calculated proportionally to period of service.

	December 31st 2015	December 31st 2014
Defined benefit liability	126,322	141,988
Other long-term employee benefits	79,790	91,184
Total	**206,112**	**233,172**
- Current portion*	12,197	12,790
- Non-current portion	193,915	220,382

**included in Personnel payables in Note 14*

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	**2015**	**2014**
Balance at January 1st	**141,988**	**143,911**
Included in profit or loss		
Current service cost	2,697	3,694
Interest (income) / cost	5,636	(1,946)
Included in other comprehensive income		
Remeasurements loss (gain)		
- Actuarial loss /(gain)	(16,707)	3,922
Other		
Benefits paid	(7,292)	(7,593)
Balance at December 31st	**126,322**	**141,988**

Other long-term employee benefits	**2015**	**2014**
Balance at January 1st	**91,184**	**80,708**
Included in profit or loss		
Current service cost	2,067	3,242
Actuarial gain	(12,037)	(565)
Interest cost	2,414	11,522
Benefits paid	(3,838)	(3,723)
Balance at December 31st	**79,790**	**91,184**

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

(ii) Actuarial assumptions

The following were the principal actuarial assumptions at the respective reporting date:

(a) *Macroeconomic assumptions:*

• inflation. The actuaries used the Consumer Price Index (CPI) published by the Economist Intelligence Unit:

Year	Valuation date December 31st 2015	Valuation date December 31st 2014
2015	-	2.1%
2016	1.8%	3.2%
2017	2.5%	2.7%
2018	2.3%	2.5%
2019+	2.2%	-

• the discount rate used was the yield for Romanian government bonds maturing in 10 years at the reporting date of 4.75% for the year 2015 (2014: 4.5%);

• the electricity price per KWh used is 0.4847 RON at December 31st 2015 (2014: 0.464 RON/ KWh);

• the mortality rate published by the National Institute of Statistics was adjusted to allow for an anticipated decrease in mortality rates;

• taxes and social charges are those in force as at the reporting date.

(b) *Group specific assumptions:*

• salaries increase in line with the estimated inflation rates in the future periods;

• employees' turnover: turnover rates are based on statistical information regarding employees' mobility during 2003–2015. Considering historical retirement data – it is assumed that the personnel turnover rate decreases with the employees' age;

• jubilee and retirement bonuses based on seniority according to the collective labour contract, as follows:

Jubilee bonus based on years of service

Seniority	No. of gross monthly base salaries	
	December 31st 2015	December 31st 2014
20 years	0.8	0.8
30 years	1.6	1.6
35 years	2.4	2.4
40 years	3.2	3.2
45 years	4	4

Retirement bonus based on years of service in the Group

Seniority	No. of gross monthly base salaries	
	December 31st 2015	December 31st 2014
Between 8 and 10 years	1	1
Between 10 and 25 years	2	2
More than 25 years	3	3

The Group also offers 1,200 kWh of free electricity per year to retired employees for certain years of seniority.

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

Termination benefits

a. Termination benefits for individual lay-off at the Group's initiative

In accordance with the Collective labour contract concluded between the Group and the Unions, when individual labour contract are terminated at the Group's initiative, the Group will pay termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries
1 - 5 years	4
5 - 10 years	6
10 - 20 years	7
More than 20 years	10

b. Termination benefits for collective lay-off at the Group's initiative

For collective lay-offs, according to the Collective labour contract, the Group will pay termination benefits to the employees depending on their period of service, as follows:

Period of service	No of gross monthly base salaries
1 - 3 years	4
3 - 5 years	6
5 - 10 years	7
10 - 20 years	15
More than 20 years	20

Collective lay-offs and termination benefits are only applicable subject to approval of a rectification of the budget, such that the approved salary fund for the year will not be affectedby such measures.
The above mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Group's reorganization and restructuring. Employees who are re-employed within the Group after lay-off are not entitled to the above mentioned benefits.

c. Termination benefits for voluntary redundancies

In accordance with the Agreementdated 13 August 2015 signed between the Group and the trade unions and the Addendums to Collective Labour Contract, in case the individual labour contracts are terminated as voluntary redundancy from the employee, the Group will pay termination benefits depending on their periodto reach the standard retirement age, their period of service in the Group and their seniority. The number of gross monthly base salaries paid as termination benefits vary between 4 and 18.

16 Employee benefit expenses

	2015	2014
Average number of employees	11,029	12,308
Number of employees at December 31st	10,539	11,740

	2015	2014
Wages and salaries	498,286	548,336
Social security contributions	115,711	150,505
Meal tickets	20,878	24,212
Termination benefits	28,088	15,553
Total	**662,963**	**738,606**

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

The overall decrease of wages and salaries is due mainly to:

- deconsolidation in November 2014 of Servicii Energetice Banat, and in January 2015 of Servicii Energetice Dobrogea;
- decrease of wages and salaries of Servicii Energetice Moldova, subsidiary under financial distress which had no operations during 2015;
- decrease in the number of employess.

In accordance with the changes in legislation, starting with October 2014 the social security contribution paid by the companies decreased by 5 percentage points from 20.8% to 15.8%. As a result the overall social charges paid by the Companies decreased from 27.8% to 22.8%.

Termination benefits for the year 2015 refer to compensations for voluntary redundancies for the employees of Electrica SA, Electrica Distributie Transilvania Nord, Electrica Distributie Transilvania Sud, Electrica Distributie Muntenia Nord, Electrica Furnizare, Electrica Serv (see Note 15 c). Termination benefits for the year 2014 represent lay-off indemnities for the employees of Servicii Energetice.

Management remuneration is disclosed in Note 32 b).

17 Income taxes

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Group considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(i) Amounts recognised in profit or loss

	2015	2014 restated*
Current tax expense	95,726	88,837
Adjustments for prior years' current tax	7,239	-
Deferred tax expense	3,998	22,145
Total income tax	**106,963**	**110,982**

*(*See Note 7)*

(ii) Amounts recognised in other comprehensive income

	2015			2014		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Remeasurement of defined benefit liability	16,707	(2,674)	14,033	(3,922)	628	(3,294)
Total	**16,707**	**(2,674)**	**14,033**	**(3,922)**	**628**	**(3,294)**

(iii) Reconciliation of effective tax rate

	2015		2014 restated*	
Profit before tax		**589,123**		**523,887**
Tax using Company's domestic tax rate	**16%**	**94,260**	**16%**	**83,822**
Non-deductible expenses	2%	12,044	7%	37,991
Non-taxable income	-1%	(6,475)	-2%	(8,961)
Deduction of legal reserves	-1%	(4,481)	-1%	(4,782)

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

	2015		2014 restated*	
Other tax effects	-1%	(8,337)	-1%	(3,413)
Adjustment for prior years	1%	7,239	-	-
Current-year tax losses for which no deferred tax asset is recognised	1%	8,230	3%	13,473
Change in recognised temporary differences	1%	4,483	-1%	(7,148)
Income tax	**18%**	**106,963**	**21%**	**110,982**

*(*See Note 7)*

(iv) Movement in deferred tax balances

2015	Net balance at January 1st 2015	Recognised in profit or loss	Recognised in other comprehensive income	Effect of loss of control over subsidiary	Balance at December 31st 2015: Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment and intangible assets	217,872	(2,682)	-	(144)	215,046	-	215,046
Employee benefits	(18,107)	517	2,674	-	(14,916)	(14,916)	-
Impairment of trade receivables	(55,906)	7,546	-	-	(48,360)	(48,360)	-
Tax loss carried forward	(18,765)	4,764	-	-	(14,001)	(14,001)	-
Other items	(966)	(6,147)	-	-	(7,113)	(7,113)	-
Tax liabilities (assets) before set-off	**124,128**	**3,998**	**2,674**	**(144)**	**130,656**	**(84,390)**	**215,046**
Set off of tax	-	-	-	-	-	33,793	(33,793)
Net tax liabilities (assets)	**124,128**	**3,998**	**2,674**	**(144)**	**130,656**	**(50,597)**	**181,253**

2014 restated*	Net balance at January 1st 2014	Recognised in profit or loss	Recognised in other comprehensive income	Effect of loss of control over subsidiary	Balance at December 31st 2014: Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment and intangible assets	229,625	(6,122)	-	(5,631)	217,872	-	217,872
Employee benefits	(17,490)	11	(628)	-	(18,107)	(18,107)	-
Impairment of trade receivables	(74,466)	18,560	-	-	(55,906)	(55,906)	-
Tax loss carried forward	(26,269)	7,504	-	-	(18,765)	(18,765)	-
Other items	(3,158)	2,192	-	-	(966)	(966)	-
Tax liabilities (assets) before set-off	**108,242**	**22,145**	**(628)**	**(5,631)**	**124,128**	**(93,744)**	**217,872**
Set off of tax	-	-	-	-	-	34,119	(34,119)
Net tax liabilities (assets)	**108,242**	**22,145**	**(628)**	**(5,631)**	**124,128**	**(59,625)**	**183,753**

*(*See Note 7)*

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

(v) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the certain tax losses generated by several Companies within the Group, because it is not probable that future taxable profit will be available against which the entity generating it can use the benefits therefrom.

	2015	2014
Tax losses	345,411	293,972

Tax losses for which no deferred tax assets were recognised expire as follows:

	Tax losses	
Year when the tax loss was generated:	**2015**	**2014**
2015 (expiring in 2022)	51,439	-
2014 (expiring in 2021)	84,206	84,206
2013 (expiring in 2020)	62,179	62,179
2012 (expiring in 2019)	70,175	70,175
2011 (expiring in 2018)	10,896	10,896
2010 (expiring in 2016-2017)	66,516	66,516
Total	**345,411**	**293,972**

(vi) Income tax receivable

As at December 31st 2015 and 2014, the income tax receivables include RON 16,916 thousand which are under litigation with Autoritatea Nationala de Adminitrare Fiscala ("ANAF"). The Group has not recorded any impairment allowance for this amount as it is expected a favourable outcome.

18 Trade receivables

	December 31st 2015	December 31st 2014
Trade receivables, gross	1,962,899	1,928,476
Bad debt allowance	(1,125,117)	(1,147,655)
Total trade receivables, net	**837,782**	**780,821**

Trade recevables from related parties are presented in Note 32.

Trade receivables gross comprise:

	December 31st 2015	December 31st 2014
Electricity distribution and supply	786,609	737,960
Late payment penalties receivable	142,681	120,026
Electricity receivables from clients in litigation, insolvency and bankruptcy	854,940	865,223
Late payment penalties from clients in litigation, insolvency and bankruptcy	90,542	113,794
Repairs, maintenance and other services	24,249	20,774
Other	63,878	70,699
Total trade receivables, gross	**1,962,899**	**1,928,476**

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

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

Bad debt allowance	**2015**	**2014**
Balance as at January 1st	1,147,655	1,165,524
Impairment recognized	16,880	8,460
Impairment reversed	(12,565)	(9,449)
Amounts written off	(22,320)	(16,880)
Effect of loss of control over subsidiaries	**(4,533)**	**-**
Balance as at December 31st	**1,125,117**	**1,147,655**

For the ageing of trade receivables refer to Note 31.

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.

19 Deposits, treasury bills and government bonds

	December 31st 2015	**December 31st 2014**
Treasury bills and government bonds denominated in RON with original maturity of more than three months	1,756,339	901,417
Deposits with maturity of more than three months	231,542	319,104
Total deposits, treasury bills and government bonds	**1,987,881**	**1,220,521**

Treasury bills and government bonds with original maturity of more than three months have an average interest rate (yield) of 0.93% at the following banks: Citibank Europe PLC Dublin, Raiffeisen Bank, BRD, Marfin Bank, ING Bank. Treasury bills and government bonds were classified as held to maturity investments.

20 Other receivables

	December 31st 2015	**December 31st 2014**
Good performance guarantees	7,454	8,553
VAT receivable	5,095	3,850
Interest receivable	443	4,212
Structural funds	1,509	7,234
Other receivables	58,165	37,889
Bad debt allowance	(35,862)	(37,127)
Total other receivables, net	**36,804**	**24,611**

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

Bad debt allowance	**2015**	**2014**
Balance as at January 1st	**37,127**	**35,177**
Impairment recognized	1,051	5,621
Amounts written off	-	(3,671)
Impairment reversed	(966)	-
Effect of loss of control over subsidiaries	(1,350)	-
Balance as at December 31st	**35,862**	**37,127**

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

21 Cash and cash equivalents

	December 31st 2015	December 31st 2014
Bank current accounts	123,713	77,225
Call deposits	678,612	1,352,487
Cash in hand	302	296
Treasury bills and government bonds with original maturities of less than 3 months	90,865	199,500
Total cash and cash equivalents in the consolidated statement of financial position	**893,492**	**1,629,508**
Overdrafts used for cash management purposes	(65,963)	(48,132)
Total cash and cash equivalents in the consolidated statement of cash flows	**827,529**	**1,581,376**

Cash and cash equivalents include treasury bills and government bonds denominated in RON of RON 90,865 thousands with original maturities of 3 months or less at the following banks Citibank Europe PLC Dublin, Raiffeisen Bank, BRD-CSG, Marfin Bank, ING Bank. These bear an average interest rate (yield) of 0.56% p.a. (2014: 1.7% p.a).

The Group has overdrafts from ING, BRD, BCR and OTP Bank, as follows:

Bank	Contract date	Facility type	Maturity	Annual interest	Overdraft limit (th RON)	Balance at December 31st 2015
ING Bank N.V. and BRD Groupe Societe Generale	8-Dec-14	working capital financing and issuance of potential commitments	until February 2016 for overdraft, 2 years for potential commitments	1M ROBOR + 0.49%	70,000	12,836
OTP Bank Romania	7-Sep-15	working capital financing	1 year	3M ROBOR + 2.15%	20,000	10,000
ING Bank N.V. and BRD Groupe Societe Generale	9-Dec-15	working capital financing and issuance of potential commitments	1 year for overdraft, 2 years for potential commitments	1M ROBOR - 1.3%	60,000	43,127
Total					**150,000**	**65,963**

Bank	Contract date	Facility type	Maturity	Annual interest	Overdraft limit (th RON)	Balance at December 31st 2014
ING Bank N.V. and BRD Groupe Societe Generale	9-Dec-14	working capital financing and issuance of potential commitments	1 year for overdraft, 2 years for potential commitments	1M ROBOR - 1.3%	40,000	9,171
ING Bank N.V. and BRD Groupe Societe Generale	8-Dec-14	working capital financing and issuance of potential commitments	1 year for overdraft, 2 years for potential commitments	1M ROBOR + 0.49%	70,000	38,961
Total					**110,000**	**48,132**

The security for these overdrafts is presented in Note 35d).

The following information is relevant in the context of the consolidated statement of cashflows:

Non-cash activity includes:

- purchases on suppliers' credit related to property, plant and equipment and concessionsof RON 161 million in 2015 (2014: RON 96 million);
- set-off between trade receivables and trade payables of RON 64 million in 2015 (2014: RON 73 million);
- effect of loss of control over subsidiaries under financial distress (see Note 33).

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

22 Property, plant and equipment

The movements in property, plant and equipment in 2015 and 2014 were as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at January 1st 2014	**397,973**	**286,304**	**153,933**	**116,636**	**119,091**	**1,073,937**
Additions	6,224	5,664	2,474	3,679	44,275	62,316
Transfer from construction in progress	-	2,681	1,077	1,235	(4,993)	-
Disposals	(7,167)	(2,889)	(3,481)	(10,391)	-	(23,928)
Revaluation recognized in other comprehensive income, net	(7,847)	7,906	-	-	-	59
Revaluation recognized in profit or loss, net	(36,655)	(5,296)	-	-	-	(41,951)
Gross book value netted off against the accumulated depreciation at revaluation	-	(11,299)	-	-	-	(11,299)
Valuation of land contribution from the shareholders, net	(10,315)	-	-	-	-	(10,315)
Effect of loss of control over subsidiaries	(27,669)	(19,939)	(1,575)	(8,419)	(635)	(58,237)
Balance at December 31st 2014	**314,544**	**263,132**	**152,428**	**102,740**	**157,738**	**990,582**
Additions	18	2,926	5,350	684	34,797	43,775
Transfer from construction in progress	-	6,508	114,060	73	(120,641)	-
Disposals	(14,498)	(5,701)	(1,074)	(1,098)	-	(22,371)
Effect of loss of control over subsidiaries (Note 33)	(394)	(5,170)	(1,445)	(4,076)	-	(11,085)
Balance at December 31st 2015	**299,670**	**261,695**	**269,319**	**98,323**	**71,894**	**1,000,901**
Accumulated depreciation and impairment losses						
Balance at January 1st 2014	**-**	**31,334**	**47,454**	**90,353**	**29,081**	**198,222**
Depreciation	-	11,557	14,958	6,769	-	33,284
Disposals	-	(1,572)	(2,338)	(8,072)	-	(11,982)
Impairment loss	-	-	-	20	169	189
Reversal of impairment loss	-	(1,550)	(4,930)	(2,846)	-	(9,326)
Accumulated depreciation netted off against gross book value at revaluation	-	(11,299)	-	-	-	(11,299)
Effect of loss of control over subsidiaries	-	(3,526)	(1,528)	(8,275)	-	(13,329)
Balance at December 31st 2014	**-**	**24,944**	**53,616**	**77,949**	**29,250**	**185,759**
Depreciation	-	13,845	23,558	6,681	-	44,084
Disposals	-	(1,424)	(674)	(826)	-	(2,924)
Impairment loss	2,500	-	-	-	-	2,500
Reversal of impairment loss	-	-	(132)	-	-	(132)
Effect of loss of control over subsidiaries (Note 33)	-	(2,857)	(717)	(4,076)	-	(7,650)
Balance at December 31st 2015	**2,500**	**34,508**	**75,651**	**79,728**	**29,250**	**221,637**
Net carrying amounts						
At January 1st 2014	**397,973**	**254,970**	**106,479**	**26,283**	**90,010**	**875,715**
At December 31st 2014	**314,544**	**238,188**	**98,812**	**24,791**	**128,488**	**804,823**
At December 31st 2015	**297,170**	**227,187**	**193,668**	**18,595**	**42,644**	**779,264**

*(*See Note 7)*

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

Property, plant and equipment includes mainly land and buildings and the automatic meter reading system ("AMR").

Electrica SA has concluded four contracts for the implementation and development of the AMR system related to the electricity measuring and dispatch activity of the entire Group. As at December 31st 2015 the net book value of the AMR is RON 197,239 thousands (December 31st 2014: RON 192,222 thousands), out of which RON 21,524 thousands in progress (December 31st 2014: RON 110,149 thousand).

The restrictions on property, plant and equipment are presented in Note 35 d).

Measurement of fair value

The following table shows the valuation techniques used in measuring fair values (Level 3) for the revaluation of land and buildings as of December 31st 2015, as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	*Market approach* The fair value is estimated based on selling price per square meter of land of similar characteristics (i.e. ownership, legal limitations, location, physical properties, and best use). The market price is mainly based on recent transactions.	• Adjustment for liquidity, location, size	The estimated fair value would increase (decrease) if: • Adjustment for liquidity, location, size was lower (higher)
Buildings	*Market approach and discounted cash-flows (DCF) method* The market approach is based on the selling price per square meter for buildings of similar characteristics, adjusted for liquidity, location, size etc. The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and costs not paid by tenants. The discount rate estimation considers, inter alia, the quality of a building and its location.	• Occupancy rates (70-90%) • Discount rates (10% on average) • Costs not paid by tenants (average 10%) • Annual rent per sqm • Rental growth • Adjustment for liquidity, location, size	The estimated fair value would increase (decrease) if: • Occupancy rates were higher (lower) • Discount rates were lower (higher) • Costs not paid were lower (higher) • Annual rent per sqm was higher (lower) • Rental growth was higher (lower) • Adjustment for liquidity, location, size was lower (higher)

23 Intangible assets

Intangible assets include mainly intangible assets related to distribution service concession agreements recorded in accordance with IFRIC 12 "Service Concession Arrangements", licenses and costs of implementation of SAP ERP, customer management and billing system, and automation software, as follows:

	Intangible assets related to concession agreements	Software and licenses	Intangible assets in progress	Total
Gross book value				
Balance at January 1st 2014	**5,034,284**	**157,938**	**659**	**5,192,881**
Additions	449,742	6,832	991	457,565
Transfers from intangibles in progress	-	833	(833)	-
Disposals	-	(2,489)	-	(2,489)
Balance at December 31st 2014	**5,484,026**	**163,114**	**817**	**5,647,957**
Additions	502,641	6,267	2,488	511,396
Transfers from intangibles in progress	-	1,701	(1,701)	-
Disposals	-	(1,305)	-	(1,305)

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

	Intangible assets related to concession agreements	Software and licenses	Intangible assets in progress	Total
Effect of loss of control on subsidiaries	-	(373)	-	(373)
Balance at December 31st 2015	**5,986,667**	**169,404**	**1,604**	**6,157,675**
Accumulated amortisation and impairment losses				
Balance at December 31st 2013 restated*	**1,694,181**	**153,685**	**-**	**1,847,866**
Amortisation	288,661	3,753	-	292,414
Disposals	-	(2,319)	-	(2,319)
Balance at December 31st 2014	**1,982,842**	**155,119**	**-**	**2,137,961**
Amortisation	303,614	3,115	-	306,729
Disposals	-	(1,148)	-	(1,148)
Effect of loss of control on subsidiaries	-	(373)	-	(373)
Balance at December 31st 2015	**2,286,456**	**156,713**	**-**	**2,443,169**
Carrying amounts				
At January 1st 2014	**3,340,103**	**4,253**	**659**	**3,345,015**
At December 31st 2014	**3,501,184**	**7,995**	**817**	**3,509,996**
At December 31st 2015	**3,700,211**	**12,691**	**1,604**	**3,714,506**

*(*See Note 7)*

The European Union adopted IFRIC 12 "Service Concession Arrangements" effective for financial years starting on or after 1 April 2009. The distribution subsidiaries (as operators) concluded concession contracts with the Ministry of Economy and Commerce (as grantor) in 2005, updated in 2009 by addenda. These contracts concern the operation of electricity distribution service in the established territory (Transilvania Nord, Transilvania Sud, Muntenia Nord), on the risk and responsibility of the operators and taking into account the technical regulations applicable to the operation, modernization, rehabilitation and development of energy distribution networks specified in the Electricity Law, the terms and conditions of the licenses for electricity distribution and the regulations issued by ANRE. Before entering into these service concessions, the distribution infrastructure was held by the operators and accounted as property, plant and equipment.

The concession contracts are concluded for a period of 49 years and may be extended for a period equal to no more than half of that period.

As a price for the concession, the companies pay an annual royalty fee recognized in the distribution tariff of 1/1000 of the revenues from electricity distribution. According to the concession contracts, the companies use the assets representing the distribution network owned by them located in the above-mentioned territory for electricity distribution. According to the concession contracts, the grantor will buy at the end of the term of concession contract the ownership right on the "relevant assets", that are mainly the electricity distribution networks, at a price equal to the value of the regulated assets base at the end of the concession.

For the year ended December 31st 2015, the Group has recognized construction revenue related to the concession agreements of RON 502,641 thousand (2014: RON 449,742 thousand) and construction costs of RON 490,023 thousand (2014: RON 440,337 thousand).

Intangible assets in progress as at December 31st 2015 and 2014 include the cost of implementation for IT applications that imply a certain implementation period.

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

24 Spin off

Based on the Extraordinary General Shareholders decision dated March 20th 2014 and the resolution of the Bucharest Court dated 10 April 2014, the Group recognised the spin-off of the Company's shareholdings to a new company - "Societatea de Administrare a Participatiilor in Energie SA" - wholly owned by the Ministry of Energy. The spin-off referred to the transfer of the shares held by the Company in 10 entities (Enel Distributie Muntenia, Enel Energie Muntenia, Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie, E.On Moldova Distributie, E.On Energie, Electrica Soluziona, Hidro Tarnita and BRM). The investments included equity accounted investees and other investments and were classified as assets held for distribution as at December 31st 2013, as follows:

Assets held for Distribution	Carrying amount at December 31st 2013	Percentage ownership interest
Enel Distributie Muntenia	823,183	23.57%
Enel Energie Muntenia	91,054	23.57%
Enel Distributie Banat	552,147	24.87%
Enel Distributie Dobrogea	394,297	24.90%
Enel Energie	158,667	36.99%
E.On Distributie	213,000	27.00%
E.On Energie	11,000	3.78%
Electrica Soluziona	49	49.00%
Hidro Tarnita	57	50%
BRM	40	
Total assets held for distribution	**2,243,494**	

The spin-off was recorded as follows:

	Carrying amount
Assets held for distribution	2,232,476
Share capital	507,429
Revaluation reserve related to equity accounted investees	388,018
Other reserves (legal reserves)	408,195
Retained earnings	928,834
Total	**2,232,476**

On 17 February 2014 the Company sold part of the shares held in E.On Moldova Distributie and E.On Energie Romania to E.On following the exercise of call options by E.On. E.On paid the exercise price of RON 140,920 thousand to the Company. Cash received from transaction with E.ON less the directly attributable costs were transferred to Societatea de Administrare a Participatiilor in Energie SA (RON 129,902 thousand).

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

25 Capital and reserves

(a) Share capital and share premium

The issued share capital in nominal terms consists of 345,939,929 ordinary shares at December 31st 2015 (2014: 345,939,929) with a nominal value of RON 10 per share. 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 meetings of the Company.

Changes in the number of shares were as follows:

	Ordinary shares	
	2015	**2014**
Number of shares at January 1st	345,939,929	207,839,904
Shared issued during the year	-	181,223,805
Decrease in the number of shares due spin-off	-	(43,123,780)
Number of shares at December 31st	**345,939,929**	**345,939,929**

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 shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders. Until December 31st 2003, the statutory share capital in nominal terms was restated according to IAS 29 "Financial Reporting in Hyperinflationary Economies" with a corresponding adjustment to retained earnings.

(b) Treasury shares

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

(c) Revaluation reserve

The reconciliation between opening and closing revaluation reserve is as follows:

	2015	**2014**
Balance at January 1st	**156,018**	**572,825**
Revaluation of property, plant and equipment attributable to the owners of the Company	-	(835)
Release of revaluation reserve to retained earnings corresponding to depreciation and disposals of property, plant and equipment	(14,217)	(15,202)
Spin-off effect (Note 24)	-	(388,018)
Loss of control over subsidiaries	(1,443)	(12,752)
Balance as at December 31st	**140,358**	**156,018**

(d) Other reserves

Other reserves include:

- legal reserves – set up as 5% of the gross profit for the year in the statutory individual financial statements of the companies within the Group, until the total legal reserves reach 20% of the paid-up nominal share capital of each company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable;
- other reserves set up in compliance with legislation in force.

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

	Legal reserves	Other reserves	Total other reserves
Balance at January 1st 2014	**245,870**	**369,036**	**614,906**
Set-up of legal reserves	29,886	-	29,886
Spin-off effect	(39,159)	(369,036)	(408,195)
Balance at December 31st 2014	**236,597**	**-**	**236,597**
Set-up of legal reserves	37,302	-	37,302
Balance at December 31st 2015	**273,899**	**-**	**273,899**

(e) Dividends

Romanian companies may distribute dividends from statutory earnings only, as per separate financial statements prepared in accordance with Romanian accounting regulations.

The dividends declared by the Company in 2015 and 2014 (from the statutory profits of preceding years) were as follows:

	Distribution of dividends	
	2015	**2014**
To the owners of the Company	244,692	22,475
To non-controlling interests	97,208	67,250
Total	**341,900**	**89,725**

The dividends per share were: 2015: RON 0.7217, 2014: RON 0.108, per share.
Out of the dividends declared by the Company of RON 244,692 thousands, the dividends paid were RON 244,084 thousands, the remaining differences represents dividends unclaimed by the shareholders from the Depository.

26 Non-controlling interests

The following tables summarise the information related to each of the Group's subsidiaries that has material non-controlling interest ("NCI"), before any intra-group elimination.

December 31st 2015	Electrica Distributie Muntenia Nord	Electrica Distributie Transilvania Nord	Electrica Distributie Transilvania Sud	Electrica Furnizare	Intra-group eliminations	Total
NCI percentage	**22%**	**22%**	**22%**	**22%**		
Non-current assets	1,288,375	1,217,033	1,195,298	133,944		
Current assets	399,710	161,166	262,649	1,005,095		
Non-current liabilities	(164,332)	(80,112)	(136,294)	(67,293)		
Current liabilities	(190,731)	(246,573)	(291,064)	(726,104)		
Net assets	**1,333,022**	**1,051,514**	**1,030,589**	**345,642**		
Carrying amount of NCI	**293,265**	**231,332**	**226,730**	**76,041**	**1,589**	**828,957**
Revenues	871,661	857,589	840,242	4,159,740		
Net profit	140,085	143,033	137,335	122,665		
Other comprehensive income	2,575	3,171	2,273	2,953		
Total comprehensive income	**142,660**	**146,204**	**139,608**	**125,618**		
Profit allocated to NCI	**30,819**	**31,467**	**30,214**	**26,985**		**119,485**
Other comprehensive income allocated to NCI	**567**	**698**	**500**	**649**		**2,414**

(Continued on page 146)

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

December 31st 2015	Electrica Distributie Muntenia Nord	Electrica Distributie Transilvania Nord	Electrica Distributie Transilvania Sud	Electrica Furnizare	Intra-group eliminations	Total
Cash flows from operating activities	179,668	242,102	270,443	124,725		
Cash flows used in investing activities	(14,980)	(160,123)	(78,064)	(16,275)		
Cash flows used in financing activities**	(135,242)	(54,673)	(137,947)	(174,024)		
Net increase/(decrease) in cash and cash equivalents*	**29,446**	**27,306**	**54,432**	**(65,574)**		
Dividends paid to NCI during the year	**24,653**	**16,702**	**17,568**	**38,285**		**97,208**

*Amounts presented represent cash flows of the subsidiaries
**Cash flows from financing activities include dividends paid to NCI

December 31st 2014 restated***	Electrica Distributie Muntenia Nord	Electrica Distributie Transilvania Nord	Electrica Distributie Transilvania Sud	Electrica Furnizare	Intra-group eliminations	Total
NCI percentage	**22%**	**22%**	**22%**	**22%**		
Non-current assets	1,232,023	1,109,674	1,160,070	129,534		
Current assets	448,692	155,692	178,432	1,064,741		
Non-current liabilities – restated***	(203,063)	(90,664)	(131,720)	(71,220)		
Current liabilities - restated***	(175,553)	(193,477)	(235,945)	(729,007)		
Net assets - restated* **	**1,302,099**	**981,225**	**970,837**	**394,048**		
Carrying amount of NCI -restated* **	**286,462**	**215,870**	**213,584**	**86,691**	**1,659**	**804,266**
Revenues	876,482	750,669	815,823	3,994,524		
Net profit - restated***	136,554	131,822	78,561	180,786		
Other comprehensive income	(2,082)	625	(1,925)	3,070		
Total comprehensive income	**134,472**	**132,447**	**76,636**	**183,856**		
Profit allocated to NCI restated* **	**30,042**	**29,001**	**17,283**	**39,773**		**116,099**
Other comprehensive income allocated to NCI	**(458)**	**138**	**(424)**	**676**		**(68)**
Cash flows from operating activities	181,225	162,827	181,781	443,936		
Cash flows used in investing activities	(276,110)	(133,883)	(80,000)	(1,116)		
Cash flows used in financing activities**	(135,141)	(81,689)	(142,270)	(89,262)		
Net increase/(decrease) in cash and cash equivalents*	**(230,026)**	**(52,745)**	**(40,489)**	**353,558**		
Dividends paid to NCI during the year	**23,212**	**11,666**	**12,734**	**19,638**		**67,250**

*Amounts presented represent cash flows of the subsidiaries
**Cash flows from financing activities include dividends paid to NCI
*** See Note 7

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

27 Financing for network construction related to concession agreements

Financing for network construction related to concession agreements is based on suppliers' credit. The amounts are denominated in EUR and are backed by promissory notes issued by the Group to its suppliers. Part of these promissory notes are discounted by the suppliers at banks for early settlement. Such financing is measured at amortized cost, by using an average effective interest rate of 2.64% in 2015 (2014: 4.1%).

The amounts are due as follows:

	December 31st 2015	December 31st 2014
Less than 1 year	99,576	99,064
Between 1 and 5 years	122,065	151,486
Total	**221,641**	**250,550**

28 Trade payables

	December 31st 2015	December 31st 2014
Electricity suppliers	302,267	318,549
Capital expenditure suppliers	181,945	93,283
Other suppliers	172,198	143,424
Total	**656,410**	**555,256**

Electricity suppliers are mainly state-owned power generators, as detailed in Note 32, but also other participants on the electricity market.

Other suppliers include suppliers of services, materials, consumables, etc.

29 Other payables

	December 31st 2015		December 31st 2014 restated*	
	Current	Non-current	Current	Non-current
VAT payable	119,262	-	136,831	-
Late payment penalties to the State budget	969	-	18,450	11,238
Other liabilities to the State	90,300	-	86,115	-
Liabilities related to radio and TV tax	13,428	-	12,424	-
Liabilities related to green certificates acquisition obligation	-	-	42,396	-
Other liabilities	25,347	43,068	14,590	41,943
Total	**249,306**	**43,068**	**310,806**	**53,181**

** See Note 7*

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

The late payment penalties to the State represents amounts rescheduled for payment based on a plan issued by ANAF to Electrica Serv for a period of 48 months starting August 2012. In 2015 Electrica Serv made payments of RON 28,777 thousands in relation to these rescheduled debts. In relation to this ANAF instituted a pledge on certain property, plant and equipment of Electrica Serv (see Note 35 d)).

Part of Other liabilities to the State refer to services subsidiaries, including those in financial distress presented in Note 33.

In accordance with Law no. 533/2003, that amended Law no. 41/1994 regarding the organization and functioning of Romanian Radio Company and Romanian Television Company, radio and TV taxes are collected by Electrica Furnizare SA on behalf of these companies. The payable of the Group to the above mentioned institutions represents radio and TV tax collected and not paid by the year-end. Other liabilities include mainly guarantees and sundry creditors. Other non-current liabilities refer to guarantees from customers related to electricity supply.

30 Provisions

	Provisions
Balance at January 1st 2015	**72,634**
Provisions made	87,473
Provisions used	(4,059)
Provisions reversed	(28,435)
Balance at December 31st 2015	**127,613**

As at December 31st 2015, provisions refer mainly to:
- RON 80,106 thousand representing potential fiscal obligations of the Group (including interest and penalties);
- RON 28,989 thousand representing restructuring provision in respect of Electrica Serv;
- RON 2,388 thousand representing claims of individuals in respect of land of the Group.

The provisions made in 2015 refer mainly to:
- provision of RON 31,252 thousands representing penalties disputed with ANAF in court, following the adverse decision no. 1029 from 17 April 2015;
- provision of RON 14,652 thousands representing potential late payment interest and penalties for fiscal obligations following controls from ANAF to certain subsidiaries. The amount refer mainly to consideration as non-deductible the intra-group management services;
- provision for restructuring of RON 28,989 thousands as a result of a restructuring plan approved by the Board of Directors of Electrica Serv in December 2015 to be implemented during 2016-2018, representing the lay-off of 500 employees.

Provisions reversed in 2015 refer mainly to:
- RON 15,600 thousand representing claims of individuals in respect of land of the Group following the favourable Court decision no. 1182 from 17 September 2015;
- RON 3,174 thousand representing claims of individuals in respect of rent for use of land by the Group following the favourable Court decision no. 549 from 22 June 2015.

As at December 31st 2014, provisions refer mainly to:
- RON 34,175 thousand representing potential fiscal obligations of certain subsidiaries as a result of controls performed by Court of Accounts (including interest and penalties);
- RON 21,497 thousand representing claims of individuals in respect of land of the Group.

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

31 Financial instruments - fair values and risk management

(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			
December 31st 2015	*Note*	**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	18	837,782	-		837,782				
Deposits, treasury bills and government bonds		-	1,987,881		1,987,881				
Cash and cash equivalents	21	893,492	-		893,492				
Total		**1,731,274**	**1,987,881**		**3,719,155**				
Financial liabilities not measured at fair value									
Bank overdrafts	21			65,963	65,963				
Financing for network construction related to concession agreements	27			221,641	221,641		224,124		224,124
Short-term bank borrowings				59,821	59,821				
Trade payables	28			656,410	656,410				
Total				**1,003,835**	**1,003,835**		**224,124**		**224,124**

		Carrying amount				Fair value			
December 31st 2014	*Note*	**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	18	780,821	-		780,821				
Deposits, treasury bills and government bonds		-	1,220,521		1,220,521				
Cash and cash equivalents	21	1,629,508	-		1,629,508				
Total		**2,410,329**	**1,220,521**		**3,630,850**				
Financial liabilities not measured at fair value									
Bank overdrafts	21			48,132	48,132				
Financing for network construction related to concession agreements	27			250,550	250,550		256,130		256,130
Finance lease				294	294				
Trade payables	28			555,256	555,256				
Total				**854,232**	**854,232**		**256,130**		**256,130**

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

(b) Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities	*Discounted cash flows (DCF) method* The discount rates used are the average 12 M ROBID-ROBOR interest rates of 1.43% as at December 31st 2015 (2014: 1.67%).	Not applicable

(c) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, cash and cash equivalents, bank deposits and treasury bills and government bonds.
Cash, bank deposits, treasury bills and government bonds are placed in financial institutions, which are considered to have minimal risk of default.
The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables
The Group's credit risk in respect of receivables is concentrated around state-controlled companies.
The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

Impairment
The ageing of trade receivables was as follows:

	December 31st 2015		December 31st 2014	
	Gross value	Bad debt allowance	Gross value	Bad debt allowance
Neither past due nor impaired	654,679	-	501,052	-
Past due 1-90 days	189,243	(15,916)	240,421	-
Past due 90-180 days	12,525	(3,605)	23,542	-
Past due 180-360 days	9,864	(9,008)	29,463	(13,657)
Past due 1-2 years	33,561	(33,561)	52,801	(52,801)
Past due 2-3 years	19,388	(19,388)	105,710	(105,710)
Past due more than 3 years	1,043,639	(1,043,639)	975,487	(975,487)
Total	**1,962,899**	**(1,125,117)**	**1,928,476**	**(1,147,655)**

	Net trade receivables	
	December 31st 2015	December 31st 2014
Neither past due nor impaired	654,679	501,052
Past due 1-90 days	173,327	240,421
Past due 90-180 days	8,920	23,542
Past due 180-360 days	856	15,806
Total	**837,782**	**780,821**

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.
The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables. In addition, the Group maintains overdrafts (refer to Note 21).

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

		Contractual cash flows				
Financial liabilities	**Carrying amount**	**Total**	**less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
December 31st 2015						
Bank overdrafts	65,963	65,963	65,963	-	-	-
Financing for network construction related to concession agreements	221,641	228,332	100,248	97,002	31,082	-
Short term bank borrowings	59,821	59,821	59,821	-	-	-
Trade payables	656,410	656,410	656,410	-	-	-
Total	**1,003,835**	**1,010,526**	**882,442**	**97,002**	**31,082**	**-**

		Contractual cash flows				
Financial liabilities	**Carrying amount**	**Total**	**less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
December 31st 2014						
Bank overdrafts	48,132	48,132	48,132	-	-	-
Financing for network construction related to concession agreements	250,550	262,231	101,633	87,114	73,484	-
Finance lease	294	294	294	-	-	-
Trade payables	555,256	555,256	555,256	-		-
Total	**854,232**	**865,913**	**705,315**	**87,114**	**73,484**	**-**

The Group has loan contracts from OTP and BCR as follows:

Bank	**Contract date**	**Facility type**	**Maturity**	**Annual interest**	**Credit limit (thousand RON)**	**Balance at December 31st 2015**
OTP Bank Romania	13-Mar-15	financing of liabilities to Fiscal Authorities	until November 2017	3M ROBOR + 3.25%	18,000	9,900
BCR	7-Sep-15	working capital financing and refinancing of other loans	4 months	1M ROBOR	50,000	49,921
Total					**68,000**	**59,821**

In March 2015 Electrica Serv contracted a loan from OTP Bank Romania of RON 18,000 thousand in order to finance the subsidiary's payables to tax authorities. The loan bears an interest rate of ROBOR 3M plus a margin of 3.25% p.a. The loan is payable in equal monthly tranches until 11 November 2016. The loan is secured by pledges over part of the subsidiary's assets (bank accounts, trade receivables from the contracts concluded with related parties and buildings).

In September 2015 Electrica Distributie Transilvania Nord contracted a revolving credit facility from Banca Comerciala Romana in order to finance the operational activity and to refinance credit facilities contracted by the subsidiary from other banks. The credit has a maximum limit of RON 50,000 thousand and bears an interest rate of ROBOR 1M. The credit is payable in full in January 2016.

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates– will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Group. The functional currency of all entities belonging to the Group is the Romanian Leu (RON). The currencies in which these transactions are primarily denominated are RON and EUR. Certain liabilities are denominated in foreign currency (EUR). The Group also has deposits and bank accounts denominated in foreign currency (EUR). The Group's policy is to use the local currency in its transactions as far as practically possible. The Group does not use derivative or hedging instruments.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk is as follows:

	December 31st 2015	December 31st 2014
in thousands of RON	EUR	EUR
Cash and cash equivalents	10,241	10,138
Deposits (deposits, treasury bills and government bonds)	139,581	136,704
Financing for network construction related to concession agreements	(221,641)	(250,550)
Finance lease	-	(294)
Net statement of financial position exposure	**(71,819)**	**(104,002)**

The following significant exchange rates have been applied during the year:

	Average rate		Year-end spot rate	
RON	**2015**	**2014**	**2015**	**2014**
EUR 1	4.4450	4.4446	4.5245	4.4821

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at December 31st would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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

	Profit before tax	
Effect	**Strengthening**	**Weakening**
December 31st 2015		
EUR (5% movement)	(3,591)	3,591
December 31st 2014		
EUR (5% movement)	(5,200)	5,200

Interest rate risk
The Group's policy is to mainly use supplier credit for financing its capital investments. The Group does not have significant long-term bank loans.

Exposure to interest rate risk
The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	December 31st 2015	December 31st 2014
Fixed-rate instruments		
Financial assets		
Bank accounts (cash and cash equivalent)	678,612	1,352,487
Treasury bills and government bonds (cash and cash equivalent)	90,865	199,500
Deposits, treasury bills and government bonds	1,987,881	1,220,521
Financial liabilities		
Financing for network construction related to concession agreements	(221,641)	(250,550)
Finance lease	-	(294)
	2,535,717	**2,521,664**
Variable-rate instruments		
Financial liabilities		
Short term bank borrowings	(59,821)	-
Overdrafts	(65,963)	(48,132)
	(125,784)	**(48,132)**

Fair value sensitivity analysis for fixed-rate instruments
The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments
A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit before tax	
	50 bp increase	**50 bp decrease**
December 31st 2015		
Variable-rate instruments	(629)	629
December 31st 2014		
Variable-rate instruments	(240)	240

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

32 Related parties

(a) Main shareholders

As at December 31st 2015, the main shareholder of Electrica SA is the Romanian State, represented by the Ministry of Energy (48.78%), after the ownership dilution following an initial public offer. The second largest shareholder is the European Bank for Reconstruction and Development with 8.66%..

(b) Management and administrators' compensation

	2015	2014
Management compensation	**5,540**	**4,030**

In 2014 management compensations included only one manager with mandate contract for Electrica SA, however starting with August 2015 two more managers were included in the disclosure above, and starting October 2015 one more manager was included. As at December 31st 2015 the Company has four managers with mandate contracts.

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

	2015	2014
Members of Board of Directors	5,362	3,093
Representatives in the General Meeting of Shareholders	53	115
Total	**5,415**	**3,208**

Until 14 December 2015 the Board of Directors of Electrica SA comprised 5 members and afterwards 7 members.

No loans were granted to managers or administrators in 2015 and 2014.

(c) 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 its 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 (without VAT)		Balance (including VAT)	
Supplier	**2015**	**2014**	**December 31st 2015**	**December 31st 2014**
Nuclearelectrica	304,412	391,517	19,682	35,619
Transelectrica	651,045	504,776	119,065	156,759
Complexul Energetic Oltenia	242,181	2,892	39,622	6,000
Hidroelectrica	482,448	553,509	34,889	55,065
OPCOM	326,655	391,742	3,604	2,449
Electrocentrale Bucuresti	32,487	4,565	-	1
SNGN ROMGAZ	-	19,296	-	-
CN Posta Romana SA	5,654	7,442	437	324
Electrocentrale Oradea	-	618	-	-
Electrocentrale Galati	-	2,495	-	-
Others	72,929	30,676	16,285	5,540
Total	**2,117,811**	**1,909,528**	**233,584**	**261,757**

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

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

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2015**	**December 31st 2015**		
CFR Telecomunicatii	52,332	7,040	-	7,040
Electrificare CFR	12,660	1,139	-	1,139
SNGN ROMGAZ	20,145	1,497	-	1,497
OPCOM	28,316	3,537	-	3,537
Societatea Comerciala "Cupru Min"- S.A. Abrud	31,295	10,122	(10,122)	-
Transelectrica	5,536	1,403	-	1,403
CN Romarm	8,592	33	-	33
CN Remin SA	314	71,173	(71,173)	-
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,277	(715,277)	-
Baita SA	1,845	5,349	(4,770)	579
Enel Distributie Muntenia	15,576	4,933	-	4,933
Others	56,784	15,253	(6,790)	8,463
Total	**233,395**	**915,491**	**(886,867)**	**28,624**

	Sales (without VAT)	Balance, gross (including VAT)	Allowance (including VAT)	Balance, net
Client	**2014**	**December 31st 2014**		
CFR Telecomunicatii	126,868	1,367	-	1,367
Electrificare CFR	4,328	27,681	(19,711)	7,970
SNGN ROMGAZ	23,032	1,544	-	1,544
OPCOM	13,722	2,374	-	2,374
Societatea Comerciala "Cupru Min"- S.A. Abrud	31,399	24,122	(24,122)	-
Transelectrica	17,167	2,080	-	2,080
CN Romarm	9,412	366	-	366
Electrocentrale Oradea	1,991	341	-	341
CN Remin SA	349	71,192	(71,192)	-
C.N.C.A.F. MINVEST S.A.	-	78,735	(78,735)	-
Oltchim	-	715,277	(715,277)	-
SNTGN Transgaz Medias	2,668	110	-	110
Hidroelectrica	3,996	306	-	306
Baita SA	2,143	6,366	-	6,366
Enel Distributie Muntenia	33,918	14,814	-	14,814
Others	13,359	4,737	(75)	4,662
Total	**284,352**	**951,412**	**(909,112)**	**42,300**

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

33 Subsidiaries in financial distress

In 2013 the Company approved the liquidation of Servicii Energetice Moldova, Servicii Energetice Banat and Servicii Energetice Dobrogea. Servicii Energetice Dobrogea entered in bankruptcy in January 2015 and Servicii Energetice Banat in November 2014 and consequently the Company discontinued their consolidation as of these dates as it no longer has control over these entities.
The individual assets and liabilities of Servicii Energetice Dobrogea at the date the Company ceased its consolidation (January 31st 2015) were as follows:

	Carrying amount
	Servicii Energetice Dobrogea as of January 31st 2015
Property, plant and equipment	3,435
Trade receivables	1,367
Cash and cash equivalents	2,863
Total assets	**7,665**
Trade payables	1,802
Other payables	22,006
Employee benefits	22,214
Deferred tax liabilities	144
Total liabilities	**46,166**
Gain on loss of control (Note 11)	**38,501**

In January 2014 the Board of Directors of Servicii Energetice Oltenia and in October 2014, the Board of Directors of Servicii Energetice Muntenia decided the commencement of the insolvency procedure with a view to reorganization. The insolvency processes were initiated in 2014. On 22 January 2016 Servicii Energetice Moldova entered in bankruptcy. The Company will discontinue their consolidation as of this date.
Due to the above conditions that indicated the existence of significant uncertainties that cast significant doubt on the ability of these subsidiaries to continue to operate as going concerns, the Group has measured the carrying amounts of the assets and liabilities of these subsidiaries on a liquidation basis as at December 31st 2015 (for Servicii Energetice Moldova SA, Servicii Energetice Oltenia SA, and Servicii Energetice Muntenia) and December 31st 2014 (for Servicii Energetice Moldova SA, Servicii Energetice Dobrogea SA, Servicii Energetice Oltenia SA, and Servicii Energetice Muntenia).
As at 31st December 31st 2015 and at December 31st 2014, the carrying amount of the assets and liabilities of these companies included in the consolidated financial information are as follows:

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

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

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

The Group has not classified the assets and liabilities of these subsidiaries as held for sale as at December 31st 2015, as the assets are not available for immediate sale in their present condition, the assets or disposal groups were not actively marketed for sale, the Group is not committed to a plan to sell the assets or disposal groups, and it has not initiated an active programme to locate a buyer and complete the disposal plan. Consequently, the Group has not presented these subsidiaries as discontinued operations in the income statement for the year ended December 31st 2015.

Assumptions used for adjusting the carrying amount of assets and liabilities of subsidiaries under financial distress

The carrying amount of assets and liabilities were recognised on a liquidation basis as at the reporting date when significant doubt on the ability of each subsidiary to continue as going concern existed.

Property, plant and equipment (PP&E). Land and buildings were valued under a forced sale assumption, where the Group recognized impairment adjustments to carrying amounts based on market experience for forced sale transactions. The impairment losses recognized in 2015 were RON 2.5 million and in 2014 were RON 60 million, of which RON 26 million decreased the revaluation reserve and RON 34 million was recognised in profit or loss.

Provisions, employee benefits and payables to the State budget. The Group recognised provisions or liabilities for the obligations as at December 31st 2015 and 2014. In addition, all non-current liabilities, if any, were reclassified as current liabilities.

34 Contingencies

(a) Litigation and claims

The Group is involved in various litigations for which the Group did not set-up provisions; the most significant is the following:

- The Group was sued by Termoelectrica, which claimed the payment of RON 25,047 thousand representing penalties related to certain electricity invoices, for the period 1 April 2007 – 31 March 2008. The court issued a decision that dismissed the claim and further Termoelectrica filed an appeal to this decision. The court of appeal issued no decision by the date of these financial statements. The Group expects a favourable outcome for this case.
- The Group was sued by Hidroelectrica, which claimed the payment of RON 5,445 thousands and other damages, representing claims related to acquisition of electricity by the Group from Hidroelectrica at a price estimated by the counterparty as being in some cases lower than its production costs and in some cases determined unrealised benefits for the counterparty.

(b) Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of tax payers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law. Income tax returns may be subject to revision and corrections by tax authorities, generally for a five year period after they are completed.

The management of the Group believes that adequate provisions were recorded for all significant tax obligations.

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

35 Commitments

(a) Contractual commitments

The Group has the following contractual commitments as at December 31st 2015:

	Amount
Purchase of electricity	902,966
Purchase of property, plant and equipment and intangible assets	220,044
	1,123,010

(b) Operating leases

The main operating leases refer to vehicles and equipment leased by Electrica Serv, as follows:

Supplier	Contractual amount
Operational Autoleasing SRL	60,241
RCI Finantare Romania SA	1,421
Electrical Business Center SRL	37,145
Energopetroleum Top Service SRL	7,578
SC Center TEA & Co SRL	12,134
Total	**118,519**

The future minimum lease payments related to the operating lease contracts mentioned above are as follows:

	December 31st 2015	December 31st 2014
Less than 1 year	24,438	18,094
Between 1 and 5 year	57,383	52,484
Total	**81,821**	**70,578**

(c) Investment program

The investment program approved for the year 2016 is as follows:

	2016
Distribution activity	787,000
Supply activity	17,153
Maintenance activity	14,509
Other/ shared	15,000
Total	**833,662**

The amounts actually incurred may differ from the ones planned.

(d) Guarantees and pledges

At December 31st 2015 and 2014, the Group has guarantees on its bank accounts opened at ING, BRD and BCR for the overdrafts contracted (please see Note 21).

At December 31st 2015 the Group has outstanding bank letters of guarantee of RON 188,084 thousand (2014: RON 180,127 thousand) issued in favour of its suppliers.

In 2012, ANAF instituted pledges on land and buildings of ElectricaServin relation with outstanding taxes and contributions. As at December 31st 2015 the pledges amount to RON 13 million (2014: RON 73 million).

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Independent Auditors' Report
(free translation[1])

To the shareholders of
Societatea de Distributie si Furnizare a Energiei Electrice Electrica S.A.

Report on the Consolidated Financial Statements

1 We have audited the accompanying consolidated financial statements of Societatea de Distributie si Furnizare a Energiei Electrice Electrica S.A. ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Fiscal registration code
RO12997279
Trade Registry
no.J40/4439/2000
Share Capital 2,000 RON

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Other Matters

7 This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for the report on the consolidated financial statements and the report on the consolidated Administrators' Report, or for the opinion we have formed.

Report on the consolidated Administrators' Report

The Administrators are responsible for the preparation and presentation of the consolidated Administrators' Report in accordance with Order of the Vice-prime Minister of Public Finance no. 1286/2012 and related amendments, articles 27-28 of the accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market, and for such internal control as Administrators determine is necessary to enable the preparation and presentation of consolidated Administrators' Report that is free from material misstatement, whether due to fraud or error.

The consolidated Administrators' Report presented from page 1 to 117 is not part of the consolidated financial statements.

Our opinion on the consolidated financial statements does not refer to the consolidated Administrators' Report.

In connection with our audit of the consolidated financial statements as at and for the year ended 31 December 2015, we have read the consolidated Administrators' Report attached to the consolidated financial statements, and based on this we report that:

a) in the consolidated Administrators' Report we have not identified information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements;

KPMG

b) the consolidated Administrators' Report identified above includes, in all material respects, the information required by Order of the Vice-prime minister, Minister of Public Finance no. 1286/2012 and related amendments, articles 27-28 of the accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market.

In addition, based on our knowledge and understanding of the entity and its environment acquired during our audit of the consolidated financial statements as at and for the year ended 31 December 2015, we have not identified historical financial information included in the consolidated Administrators' Report that contains a material error.

The consolidated Administrators' Report includes financial forecasts based on assumptions regarding potential future events or future actions of the management and also includes operational data. Financial forecasts and operational data are not included within the scope of the audit of the financial statements and, as a result, our report does not refer to such information included in the consolidated Administrators' Report.

KPMG Audit SRL

For and on behalf of KPMG Audit S.R.L.:

Mikael Olsson
registered with the Chamber of Financial Auditors of Romania under no 662/2001

KPMG Audit S.R.L.
registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 11 March 2016

2015
DIRECTORS' REPORT
(STANDALONE)

IDENTIFICATION DATA OF THE REPORT AND ISSUER

Report date: 11 March 2016

Issuer name: Societatea de Distributie si Furnizare a Energiei Electrice - „ELECTRICA „ SA (SDFEE ELECTRICA SA)

Registered Office: no. 9 Grigore Alexandrescu Street, 1st District, Bucharest, Romania

Telephone/fax: +4021.208.5999; +4021.208.5998

Fiscal code: RO13267221

Registered with the Trade Register under no.: J40/7425/2000

Share Capital: RON 3,459,399,290 subscribed and paid up

The main characteristics of securities issued: 345,939,929 ordinary shares of 10 RON nominal value, issued in dematerialized form and freely transferable, registered, tradable and fully paid.

The regulated market where the securities issued are traded: On December 31, 2015, the company's shares are listed on the Bucharest Stock Exchange and Global Depository Receipts are listed on London Stock Exchange.

	Ordinary Shares	GDRs
ISIN	ROELECACNOR5	US83367Y2072
Bloomberg Symbol	0QVZ	ELSA: LI
Currency	RON	USD
Face value	RON 10	RON 40
Trading market	Bucharest Stock Exchange REGS	London Stock Exchange MAINMARKET
Market symbol	EL	ELSA

1 HIGHLIGHTS

SDFEE Electrica S.A., herein after refer to as "Electrica SA"/"the Company", registered with the National Trade Registry Office under no. J40/7425/2000, with unique registration code 13267221 and having as main activity „Consulting activities and business management" - NACE Code 7022, aims at the coordination and efficient control of investments in subsidiaries carrying out electricity distribution and supply activities, as well as energy services.

Also, the Company carries out services in the electricity balancing market, import-export and trading.

A summary of the key indicators is presented below:

- In the period ended December 31, 2015, revenues collected by the Company from dividends distributed by its subsidiaries increased by RON 106 million compared to 2014;
- In the period ended December 31, 2015, the net profit amounted to RON 301 million, increasing by RON 31 million or 12% ascompared to 2014.

2 ORGANIZATIONAL STRUCTURE

The Company's subsidiaries as at December 31st 2015 are the following:

Subsidiary	Activity	Unique Registration Code	Registered Office	% stake on December 31st 2015
Electrica Distributie Muntenia Nord SA	Electricity distribution in the geographical area Muntenia Nord	14506181	Ploiesti	78.0000021%
Electrica Distributie Transilvania Nord SA	Electricity distribution in the geographical area Transilvania Nord	14476722	Cluj-Napoca	77.9999999%
Electrica Distributie Transilvania Sud SA	Electricity distribution in the geographical area Transilvania Sud	14493260	Brasov	78.0000019%
Electrica Furnizare SA	Electricity supply	28909028	Bucharest	77.9999700%
Electrica Serv SA	Services in the energy sector (maintenance, repair, construction)	17329505	Bucharest	100%
Servicii Energetice Muntenia SA (company in restructuring)	Services in the energy sector (maintenance, repair, construction)	29384120	Bucharest	100%
Servicii Energetice Moldova SA (company in insolvency)	Services in the energy sector (maintenance, repair, construction)	29386768	Bacau	100%
Servicii Energetice Oltenia SA (company in restructuring)	Services in the energy sector (maintenance, repair, construction)	29389861	Craiova	100%
Servicii Energetice Dobrogea SA* (bankrupt company)	Services in the energy sector (maintenance, repair, construction)	29388378	Constanta	100%
Servicii Energetice Banat SA* (bankrupt company)	Services in the energy sector (maintenance, repair, construction)	29388211	Timisoara	100%

Source: Electrica
***)Electrica SA lost control over Servicii Energetice Banat as of November 2014 and over Servicii Energetice Dobrogea as of January 2015 due to bankruptcy procedure. Starting January 2016 Servicii Energetice Moldova has initiated the simplified insolvency procedure estimated to be finalized at the end of 2016.**

Electrica's subsidiaries do not hold any shares issued by the parent company.

3 KEY EVENTS IN 2015

The main events of 2015:

Regarding corporate governance

- Starting with July4, 2014, the Company's shares were listed on the Bucharest Stock Exchange, and Global Depository Receipts were listed on London Stock Exchange. After admission to trading on regulated markets in Bucharest and London, Electrica has taken major steps to align to the best practices of listed companies, by defining and introducing an action plan regarding corporate governance, defining clear lines of responsibility and accountability, implementing a code of conduct, assessing the management by a third party consultant and implementing a whistle-blower policy.
- The most important decisions of the General Meeting of Electrica's Shareholders in 2015 (14 December 2015, 10 November 2015, 9 September 2015, 9 July 2015 and 27 April 2015) refer to:
  - Election of a Board of Directors consisting of seven non-executive members on 14 December 2015, out of which four are independent.
  - Approval of new Articles of Association in November 2015. The main changes refer to the number of directors and changing the methodsof candidates' selection.
  - Empowerment of the Board of Directors to start negotiations with Fondul Proprietatea to purchase the minority stakes in the distribution and supply subsidiaries.
  - Approval of the consolidated investment plan at group level and revenue and expenditure budgets for Electrica and its subsidiaries (Note: the consolidated investment plan was initially rejected on 27 April 2015 and then approved on 9 July 2015).
  - Approval of financial statements for 2014 and profit distribution for Electrica and its subsidiaries.
  - Rejection of the standard employee contract and remuneration policy for non-executive directors.
  - Approval of general limits of remuneration for executives with mandate.

Regarding the executive management

- In July and, respectively, October, the Board of Directors appointed four executives with mandate, on the date of the current report two positions of executives with mandate being still vacant (COO and CISO).
- The new organizational structure and the corresponding processes were approved by the Board of Directors in April 2015. Their implementation is achieved in several stages, starting with a transition phase, during which the refining and consolidation of structures and processes take place. The project will be completed and started at the level of Electrica's subsidiaries during 2016.

Other relevant events:

- ANRE Order no. 115/2014 regarding the approval of the Rules for monthly payment settlement in the balancing market for imbalances of balance responsible parties, entered into force on 1 March 2015.
- ANRE Orders 171, 172, 173/14.12.2015 that approves the distribution tariff for 2016 at a lower level than 2015.
- In November 2015, the court cancelled the ANRE order for approval of the distribution tariff for Electrica Distributie Transilvania Nord, for 2015. The decision can be appealed by ANRE.

4 DECLARATION ON CORPORATE GOVERNANCE

4.1 OWNERSHIP STRUCTURE

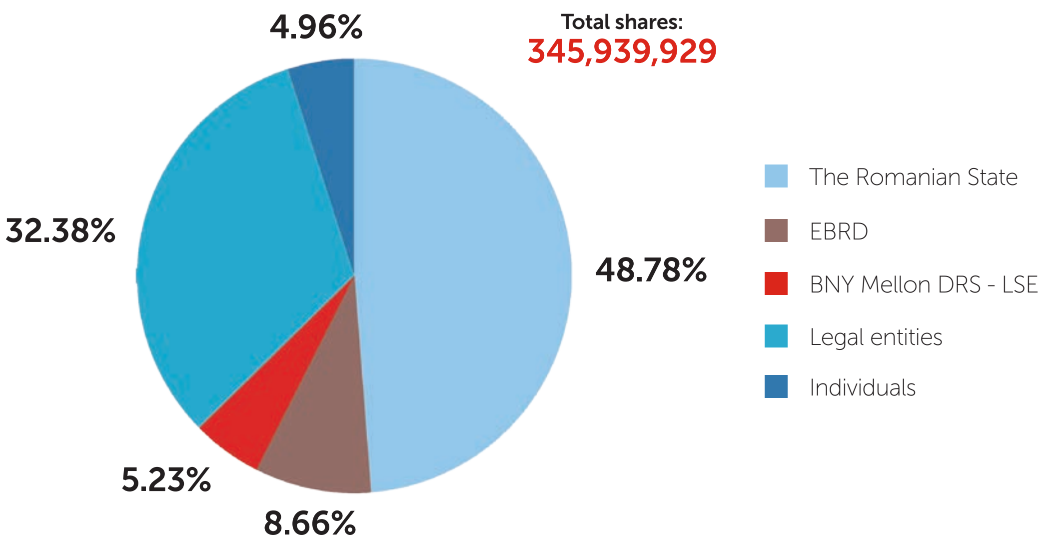
The General Meeting of Shareholders („GMS") is the main corporate forum of Electrica S.A., with responsibilities of decision regarding matters mentioned in the Articles of Association. Convening, operating, voting process and other provisions regarding GMS are detailed in the Articles of Association of Electrica S.A.

Until July 2014, the Romanian state, through the Ministry of Energy, was the sole shareholder of Electrica S.A. As of July 4, 2014, the Company's shares are listed on the Bucharest Stock Exchange, and Global Depository Receipts are listed on London Stock Exchange. The latest information on ownership structure was made available by the Central Depository on 3 March 2016 and is presented in the following table:

Shareholder	Number of shares	Stake held (% of the share capital)
The Ministry of Energy, Bucharest, Romania	168,751,185	48.78%
The European Bank for Reconstruction and Development, London, UK	29,944,090	8.66%
BNY MELLON DRS, New York, USA	18,086,928	5.23%
Legal entities	112,002,040	32.38%
Individuals	17,155,686	4.96%
TOTAL	**345,939,929**	**100%**

Source: Central Depository, Electrica S.A.

FIGURE1: Ownership structure on 3 March 2016



Source: Central Depository, Electrica

4.2 ELECTRICA S.A GENERAL MEETING OF SHAREHOLDERS

According to the Articles of Association updated on 10 November 2015:

Duties of the general meeting of shareholders

1. The general meeting of shareholders of "Electrica" is its management body, deciding on its activity and economic policy.

2. The general meetings of shareholders are ordinary and extraordinary.

3. The ordinary general meeting of shareholders shall have the following main duties:

a) to appoint and revoke the members of the Board and establish the level of their remuneration and other rights according to legal provisions;

b) to establish the income and expenses budget;

c) to approve the annual report of the Board;

d) to debate, approve or amend the annual financial statements according to the reports submitted by the Board and the financial auditors;

e) to approve the profit distribution according to the law and to establish the dividend;

f) to analyse the reports of the Board regarding, among others, the status and perspectives of the profit and the dividends, the position on the domestic and international market, technical level, quality, labour force, environmental protection, customer relations;

g) to decide on the directors' management and on the discharge of liability, in accordance with the law;

h) to decide to file legal actions against the directors, managers and financial auditors for damages they caused to the Company by breaching their obligations towards the Company;

i) to decide on mortgaging, leasing or closing of some units;

j) to carry out any other duties set out by the law;

k) to appoint and dismiss the financial auditor and to set the minimum term of the financial audit contract.

4. The extraordinary general meeting of shareholders shall gather in order to decide on the following:

a) withdrawal of the preference right of shareholders upon subscription of new shares issued by the Company;

b) contracting any type of loans, debts or obligations representing a loan, as well as ensuring real or personal security guarantees to these loans, in each case in accordance with the competence limits provided in Annex 1 to Electrica's Articles of Association;

c) operations regarding the acquisition, disposal, exchange or creation of encumbrances over fixed assets of the Company whose value exceeds, individually or cumulated, during any financial year, 20% of the total fixed assets, less receivables, as well as leases of tangible assets for periods longer than 1 year, whose individual or cumulated value towards the same contractor or persons with whom it acts in concert exceeds 20% of the fixed assets value, less receivables at the time of entering the relevant operation, as well as joint ventures in excess of the same value and with a duration of over 1 year;

d) approving investment projects in which "Electrica" S.A. will be involved in accordance with the competence limits provided in Annex 1 to the Company's Articles of Association, other than the ones provided in the annual investment plan of the Company;

e) approving the issuance and admission to trading on a regulated market or on an alternative trading system of shares, depositary receipts, allotment rights or other similar financial instruments; approving the competencies delegated to the Board;

f) changing the legal form;

g) relocation of the registered office;

h) changing the main or secondary business objects;

i) increasing the share capital, as well as decreasing or replenishing it by issuing new shares, according to the law;

j) the merger and the spin-off;

k) the dissolution of the Company;

l) carrying out any bond issuance or conversion of a category of bonds in a different category or to shares;

m) any amendment to the Articles of Association;

n) approving the conversion of preferential and nominative shares from one category to another, according to the law;

o) setting-up or dissolving secondary offices: branches, agencies, representative offices or any other similar units without legal status, according to the legal provisions;

p) any other decision that requires the approval of the extraordinary general meeting of share-

holders;
q) participation in the establishment of new legal persons;
r) approval of the eligibility and independence criteria with respect to the Board members;
s) approval of the corporate governance strategy of the Company, including the corporate governance action plan;
t) the annual consolidated investment plan at a group level (CAPEX plan); and
u) donations within the limits of the competence provided in Appendix 1 to the Articles of Association.

Rights and obligations deriving from the shares

1. Each share subscribed and fully paid in by the shareholders, in accordance with the law, grants them the right to one vote in the general meeting of shareholders, the right to elect and be elected in the management bodies, the right to participate in the profit distribution according to the Articles of Association and the legal provisions, as well as other rights included in the Articles of Association.
2. Acquiring the property right over a share by a person, directly or indirectly, as it can be provided by the law, has the effect of automatic acquiring the capacity of Company's shareholder together with all rights and obligations deriving from this capacity, in accordance with the law and the Articles of Association.
3. The shares' rights and obligations are attached to the shares and in case of new owners, they are transferred together with the shares.
4. When a nominative share is owned by several persons, the transfer shall be registered only if they appoint a sole representative for exercising the rights derived from the shares.
5. The obligations of "Electrica" are secured by its social patrimony, and the liability of the shareholders shall be limited up to the concurrence of the subscribed share capital.
6. The Company's patrimony cannot be encumbered by debts or other personal obligations of the shareholders.
7. The shareholder that has, in a certain operation, either personally or as a representative of another person, an interest contrary to that of the Company, must refrain from deliberations regarding the said operation.

The exercise of the rights by the holders of the depositary receipts

1. The rights and obligations related to the underlying shares based on which the depositary receipts were issued are exercised by the holders of the depositary receipts, proportionally to their holdings of depositary receipts and taking into account the conversion rate between underlying shares and the depositary receipts.
2. The issuer of the depositary receipts in the name of whom the underlying shares are registered, is the shareholder within the meaning and for the application of the Regulation no. 6/2009 regarding the exercise of certain rights of the shareholders in the general meetings of the companies. To this end, the issuer of the depositary receipts is fully responsible for informing the holders of the depositary receipts in a proper, complete and timely manner, according the provisions of the issuance documents of the depositary receipts related to documents and informing materials needed for a general meeting of shareholders, made available by the Company to the shareholders.
3. In order to exercise its rights and obligations related to a general meeting of shareholders, the holder of depositary receipts should send to the entity where it has opened its account for depositary receipts the instructions related to items of the agenda of the general meeting of shareholders, so the information could be sent to the issuer of the depositary receipts.
4. The issuer of the depositary receipts votes in the general meeting of shareholders of the Company in accordance and within the limits of the instructions of the holders of depositary receipts, which have this quality at the reference date determined in accordance with the applicable legal provisions and accounting for the provisions of the issuance documents of the depositary receipts.
5. The issuer of the depositary receipts can express in the general meeting of shareholders different votes for certain underlying shares than those expressed for other underlying shares.
6. The issuer of the depositary receipts is fully responsible for taking all the necessary measures, so that the entity which keeps the records of the holders of depositary receipts, the intermediaries involved in the custody services for holders of depositary receipts on the market where the depositary receipts are traded and/or any other entities involved in recording the holders of the depositary receipts, to send the voting instructions of the holders of the depositary receipts related to the items of the agenda of the general meeting of shareholders.
7. Any reference date for the identification of the shareholders which have the right to take part and to vote in the general meeting of shareholders of the Company and any registration date for the identification of the shareholders

which have rights deriving from their shares, as well as any other similar date set by the Company related to any corporate events of the Company will be established in accordance with the applicable legal provisions and with a prior notice sent with at least [15] free calendar days, to the issuer of the depositary receipts, in the name of which the underlying shares are registered based on which the depositary receipts mentioned above are issued. The reference date will be at least 15 working days prior to the deadline for submitting the power of attorney related to the vote.

Transfer of shares

1. The shares are indivisible as regards "Electrica" which shall recognize a single owner per each share, subject to the provisions of art. 11(4) from Articles of Association.

2. The partial or total transfer of shares between the shareholders or to third parties shall be carried out according to the terms and procedure provided by the law applicable to companies, including, the capital markets legislation.

Useful updated information is available for shareholders at the following website address: http://www.electrica.ro/en/investors/.

4.3 ELECTRICA S.A. BOARD OF DIRECTORS

During 2015, the Board of Directors has undergone several changes. At the beginning of the year, the Board of Directors consisted of five non-executive members, appointed by the Ordinary General Meeting of Shareholders on 22 September 2014. One of the directors was elected following the proposal by the Romanian state, represented at the time by the Ministry for Energy, three were elected at the proposal of private shareholders and one was elected at both the proposal of the Romanian state and of private shareholders. Four of the five directors fulfilled the independence criteria provided by the Articles of Association.

The Board of Directors is responsible for fulfilling all measures necessary to carry out the activity of the Company, and for supervising the activity. The structure, organization, duties and responsibilities are established under the Articles of Association and the Regulation of the Board of Directors.

During September 22, 2014 – November 17, 2015, the Board of Directors consisted of the following members:

- Mr. Victor Cionga – non-executive independent director, elected as Chairman of the Board of Directors until January 2016
- Ms. Arielle Malard de Rothschild - non-executive independent director
- Mr. Michael Boersma – non-executive independent director
- Mr. Cristian Bușu - non-executive independent director
- Mr. Victor Grigorescu - non-executive director.

We present below the most relevant aspects regarding the professional experience of the members of the Board of Directors at the time of their appointments:

Name	Office term	Professional experience
Victor Cionga	4 years	• Has held non-executive positions, including in energy companies (Member of the Supervisory Board of Hidroelectrica, President of the Board of Directors of Arctic Găesti, Member of the Board of Directors of Sidex). • Has experience in listing processes (involved in the initial public offering of Transelectrica, Siderurgica Hunedoara, Sidex and Petrotub), in bond issue projects (he has prepared one of the largest issues of municipal bonds on the Romanian market, issued by the Local Council of Timisoara Municipality) and in M&A area (Continental Hotels, NetCity). • Has comprehensive knowledge of corporate governance: he was director of BSE and created a partnership with OPSPI in order to strat a program through which the Institute of Corporate Governance offered free training programs to state-owned companies regarding the listing process.
Arielle Malard de Rothschild	4 years	• Has an extensive experience in the field of investment banking, spending over 25 years in the companies Lazard Frères & Cie and Rothschild. Is the founder of the Emerging Markets Division at the Rothschild & CIE investment bank, part of the Rothschild group. • Before joining Rothschild & CIE in 1999, she spent 10 years as an investment banker at Lazard Frères & Cie, as part of the Sovereign Advisory team. • Her experience covers major privatization projects in Romania, Poland, Russia, Hungary and Morocco, coordinating the privatization of companies such as MOL, Nafta Polska, ZIL, BCR or Dacia. • Has experienced in M&A projects, working in over 40 such projects in Eastern Europe and Africa. • Member of the Board of Directors of Imerys S.A. (SBF120) and of Rothschild & Co, both listed on the Paris Stock Exchange and of Groupe Lucien Barrière.

Name	Office term	Professional experience
Michael Boersma	4 years	• Professor of corporate governance at the TIAS School for Business and Society, University of Tilburg in the Netherlands • Senior adviser for First State European Diversified Infrastructure Fund, London, UK. • Non-executive independent director of Nynas AB, Stockholm, Sweden, a company owned by PDVE and Neste Oil Oyj, and specializing in the production and trade of oils and bitumen. • President of the Board of Directors of Prometheus Energy, based in Houston (Texas, U.S.A.). • President of the Supervisory Board of TMG, a Dutch listed company, Amsterdam. • Member of the Supervisory Board of PostNl, a Dutch listed company, The Hague, the Netherlands. • President of the Supervisory Board of the VieCuri Medical Center for Noord-Limburg in Venlo, the Netherlands. • Chairman/member of foundations/institutions/advisory bodies (e.g. Energy Fund Limburg, Jheronimus Bosch 500, Protective preference shares FUGRO). • From 2003 until the end of 2009 - CEO and Chairman of the Executive Board of Directors of Essent, the largest Dutch utility company.
Cristian Bușu	4 years	• Member of the Board of Directors and of the Audit Committee at SIF OLTENIA. • Manager at the Central branch of Marfin Bank in Bucharest. • Between 2009 and 2013, he served as Financial Manager of Fondul Proprietatea and was a member of the Representatives Committee. • Economic Adviser for the Economic Department of the Romanian Government. • Lecturer at the Bucharest Academy of Economic Studies, in which capacity he conducted various teaching and research activities.
Victor Grigorescu	4 years	• Expert at the Department for Energy. • Manager of AG Industrial Consult, company specializing in consulting in the field of public policies. • During 2007-2011- Second Secretary at the Permanent Mission of Romania to the EU, the commercial division, with responsibilities for the EU's common commercial policy. • Since 2004 - EU expert at the Ministry of Economy and Trade, Foreign Trade Department. • Since 2006 - Romania's representative in the 133 Committee (Steel), as guest, in the pre-accession period, and then as a full member after January 1st 2007. • Before working in public administration, he was development manager for a firm trading textile and other industrial products.

On November 17, 2015, following his nomination as Government member, Minister of Energy, Mr. Victor Grigorescu resigned from the position of member of the Board of Directors of Electrica SA. Given that on November 10, 2015 the General Meeting of Shareholders decided to amend the Articles of Association and increase the number of members of the Board of Directors from five to seven, and in order to ensure the fulfilment of statutory requirements for adopting decisions, on 19 November 2015 the Board of Directors appointed Mrs. Ioana Dragan as interim member of the Board of Directors, until the next General Meeting of Shareholders of the Company, i.e. until 14 December 2015.

Also, in November, Mr. Cristian Bușu was appointed Secretary of State in the Ministry of Energy, consequently changing his status of independent candidate.

During September 22, 2014 – November 17, 2015, the Board of Directors consisted of the following members:

- Mr. Victor Cionga - non-executive director, chairman of the Board of Directors
- Ms. Arielle Malard de Rothschild - non-executive director
- Mr. Michael Boersma – non-executive director
- Mr. Cristian Bușu – non-executive director
- Ms. Ioana Dragan - interim non-executive director.

On December 14, 2015, the General Meeting of Shareholders elected, by cumulative voting, a Board of Directors consisting of seven non-executive members. Their term of office, registered based on the decision of the General Meeting of Shareholders, is 4 years. Four of the seven directors fulfil the independence criteria provided by the Articles of Association, according to statements presented on the occasion of nomination.

At the date of this report, members of the Board of Directors are the following:

No.	Name	Term of office (starting with 14.12.2015)	Status	Date of first election
1.	Cristian Bușu	4 years	non-executive director	22 September 2014
2.	Arielle Malard de Rothschild	4 years	non-executive director, independent	22 September 2014
3.	Ioana Dragan	4 years	non-executive director	14 December 2015
4.	Corina Popescu	4 years	non-executive director	14 December 2015
5.	Bogdan Iliescu	4 years	non-executive director, independent	14 December 2015
6.	Michael Boersma*	4 years	non-executive director	22 September 2014
7.	Pedro Mielgo Alvarez	4 years	non-executive director independent	14 December 2015

Source: Electrica
***Note: Mr. Michael Boersma announced that he would resign from the position of Board member as of 1 May 2016.**

Details of biographies of Board members can be found on the company website under the "Investors" section.

Mr. Cristian Bușu was elected Chairman of the new Board of Directors in the first meeting, which took place on 13 January 2016, for a term of 1 year.

- During 2015, until December 14, 2015, the composition of the committees was the following:
  - a) The Nomination and Remuneration Committee
    - Mrs. Arielle Malard de Rothschild - Chair of the committee
    - Mr. Michael Boersma
    - Mr. Cristian Bușu
  - b) The Audit Committee
    - Mr. Cristian Bușu - Chair of the committee (until November 27, 2015, when the chairmanship of the Committee was taken over by Mrs. Arielle Malard de Rothschild)
    - Mr. Victor Grigorescu; (until 17 November, as of November 27, 2015 he was replaced by Mr. Victor Cionga)
    - Mrs. Arielle Malard de Rothschild
  - c) The Strategy, Restructuring and Corporate Governance Committee
    - Mr. Michael Boersma - Chair of the committee
    - Mr. Victor Grigorescu; (until 17 November, as of November 27, 2015 he was replaced by Mrs. Ioana Dragan)
    - Mr. Victor Cionga.
- In the first meeting of the new Board of Directors on January 13, 2016, it was decided to change the composition of committees, as follows:
  - a) The Nomination and Remuneration Committee
    - Mr. Bogdan Iliescu - Chair of the committee
    - Mrs. Arielle Malard de Rothschild
    - Mrs. Corina Popescu
  - b) The Audit Committee
    - Mr. Pedro Mielgo Alvarez - Chair of the committee
    - Mrs. Arielle Malard de Rothschild
    - Mr. Bogdan Iliescu
  - c) The Strategy, Restructuring and Corporate Governance Committee
    - Mr. Michael Boersma - Chair of the committee
    - Mrs. Ioana Dragan
    - Mr. Cristian Bușu.

Consultative committee members are elected for a period of one year. 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 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.

The following table presents the number of Electrica S.A. shares held by all members of the Board of Directors in March 2016:

Name	Number of shares	Stake held (% of the share capital)
Victor Cionga	5,000	0.00144534%
Victor Grigorescu	-	-
Cristian Bușu	-	-
Arielle Malard de Rothschild	-	-
Ioana Dragan	-	-
Corina Popescu	-	-
Michael Boersma	-	-
Bogdan Iliescu	-	-
Pedro Mielgo Alvarez	-	-

Source: Electrica

According to information held, the members of Board of Directors were not involved in disputes or administrative proceedings regarding their activity within the Company in the last five years or regarding the capacity to fulfil their duties within the Company.
During 2015, the Company established a special structure, the General Secretariat, functionally reporting to the Board of Directors and which among others duties covers to provide the necessary support for the development of Board's meetings. The coordinator of the Secretariat has the position of secretary of the meeting within the Board meetings. Starting with September 26, 2015, Mrs. Mirela Dimbean-Creta fulfils this position.

The activity of the Board of Directors of Electrica S.A and its consultative committees

In 2015, the Board of Directors met 35 times. Out of 35 meetings that took place in 2015, 12 were organized at Electrica's headquarters and 23 were held electronically, in accordance with the provisions of art. 17 paragraph 22 of the Articles of Association of the Company.
We present below the situation of Board members' presence (in person) in the meetings of the Board of Directors and its committees in 2015:

Name	The Board of Directors (no. of meetings - 35)	The Audit Committee (no. of meetings - 9)	The Nomination and Remuneration Committee (no. of meetings - 14)	The Strategy, Restructuring and Corporate Governance Committee (no. of meetings - 11)
Victor Cionga	34*	1	-	11
Victor Grigorescu	31	8	-	9
Cristian Bușu	35	9	14	-
Arielle Malard de Rothschild	35	9	14	-
Ioana Dragan	4	-	-	1
Michael Boersma	35	-	14	11

Source: Electrica
***Note: in a meeting of the Board of Directors, Mr. Victor Cionga as represented by Mr. Victor Grigorescu, on the basis of mandate.**

The main decisions adopted by the Board of Directors in 2015 refer to:
- Implementation of the charter of the Board of Directors and the charters of the committees set up by the board;
- Approval of the Corporate Governance Code;
- Approval of the Code of Ethics and Professional Conduct, of the procedure for reporting ethical misconduct, irregularities or any violations of the law by professional alert devices (whistle-blower);
- Approval of the Internal Audit Charter and Code of Ethics for the internal auditor;
- Approval of the audit plan for 2015 and 2016;
- Approval of the internal audit operational procedure;
- Implementation in Electrica SA subsidiaries of a similar corporate governance model as used by the Company, namely replacing the executive directors with non-executive ones;
- Endorsement of Electrica SA's financial statements at individual and consolidated levels for the financial year of 2014;
- Endorsement of financial statements of Company's subsidiaries for the financial year of 2014;
- Endorsement of Electrica SA's income and expenses budgets at standalone and consolidated levels for the financial year of 2015; analysis of the budgetary projection for 2016;
- Endorsement of income and expenses budgets of company's subsidiaries for the financial year of 2015; analysis of the budgetary projection for 2016;
- Endorsement of the consolidated investment plan for the financial year of 2015;
- Approval of the transition organizational structure and the Regulation of organization and functioning of the Company;
- Approval of a profile for the competences of the members of the board of directors of the Company.

Also, the Board of Directors discussed during several meetings and analysed the materials and proposals regarding Electrica's Strategy and Business Plan, the Management Plan of the Board of Directors, the Remuneration Policy and the Board of Directors administration standard contract, and initiated projects regarding the restructuring of subsidiaries and review of the Articles of Association of the Company and of its subsidiaries.
Another area characterizing the activity of the Board of Directors in this period is represented by the concern for setting up a new team on executive management and key-positions level. In this context, an extensive process of evaluation of internal competences was carried out, in order to confirm and, respectively, select and recruit executive managers for the positions of director of strategy, sales, human resources and CFO.
In the first two months of 2016, the Board of Directors met five times (out of which two meetings were held electronically) and adopted important decisions for both its organization and the development and operational direction of the Company.
The main decisions adopted by the Board of Directors during meetings held in the period of December 14, 2015 - February 29, 2016 refer to:
- Election of the Board of Directors' Chairman;
- Establishment of the consultative committees and election of their presidents;
- Analysis and endorsement of individual budgets of Electrica SA and its subsidiaries and the consolidated budget at group level for 2016;
- Endorsement of the consolidated investment plan at group level for 2016.

Board of Directors' evaluation

The Board of Directors whose term ended on December 14, 2015 has initiated and carried out an evaluation of its activity. For this purpose, it has contracted the services of a well-established international company, with comprehensive experience in corporate governance. The evaluation covered the period November-December 2015 and the main objectives established considered the following aspects:
- Strengthening the effectiveness of the Board by identifying the possible improvements in its structure, functioning, ability to work as a team, and its capacity to constructively challenge management.
- Development of shared views among Board members on how the Board could better contribute to Electrica's performance.
- Strengthen confidence in Electrica's approach to governance among key shareholders and other stakeholders.
- Encourage Electrica to be a leader in Romanian corporate governance by meeting best practice requirements and expectations of the BSE Code of Corporate Governance;;
- Enhance comfort among Board members regarding the fulfilment of collective responsibilities.

The conclusions drawn from the evaluation process were discussed by the Board of Directors – both in the old structure valid until December 14, 2015 and in the new structure. Analysis of recommendations formulated revealed that the action plan should focus on the following main elements:
1. The Board of Directors should focus more on viewing the activity from a group level perspec-

tive and should receive more information on the activity of subsidiaries, in order to define and apply appropriate governance policies at group level;

2. Improvement of the nomination process regarding the candidates for a position within the Board of Directors, in order to ensure the necessary resources and competencies of the Board, while also strengthening the role of the Nomination and Remuneration Committee in managing this process;
3. The Board of Directors will have an approach from a strategic point of view rather than operational, one of the areas requiring more focus being the creation and development of a proper framework for risk management and internal control;
4. Improving communication with the executive management and creating a relevant tool for the periodic reporting of Electrica and group activity; setting the annual calendar of meetings and key documents and reports to be presented by the executive management.

A first step in implementing the measures mentioned is the initiation of a project to review and align the Articles of Association of Electrica and its subsidiaries, considering more clearly the scope of activity and the responsibilities by level of management, controlled delegation of abilities and implementation of a new corporate governance at group level.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive Board of Directors members, the majority of them being independent members, while the chairman of the committee is an independent director.

The role of the Committee is to propose candidates for the Board of Directors, to develop and propose to the Board the selection procedure of candidates for the positions of director and other management positions, to recommend to the Board candidates for the positions listed, to formulate proposals on the remuneration of directors and management positions. Additionally to the provisions of the Articles of Association the Committee has the following duties in the area of remuneration:

- elaborates and proposes to the Board the policy for selection and evaluation of candidates and evaluates the balance of skills, experience, independence, knowledge and diversity of candidates;
- proposes to the Board procedures for the periodical assessment of performance of the Board and its members;
- periodically evaluates the size and structure of the Board and of the advisory committees and, if necessary, recommends any changes to the Board;
- makes recommendations to the Board regarding the Company's policies on remuneration, incentives and severance payments;
- makes recommendations to the Board regarding the Company's policies on staff recruitment, retention and termination of employment;
- makes recommendations to the Board regarding the remuneration of the CEO and other executive directors, including the main components of remuneration, performance objectives and evaluation methodology;
- makes recommendations to the Board regarding the structure of the remuneration of non-executive directors.

The Nomination and Remuneration Committee met 17 times during January 1, 2015 - February 29, 2016. During these meetings, the following topics were discussed and referred to the Board of Directors for approval:

- recommendations on the remuneration of Board members and their administration standard contract;
- recommendations on the structure and remuneration of the subsidiaries' Board of Directors members;
- recommendations on the appointment of executive directors and performance criteria;
- recommendations on the organizational structure of the Company;
- the profile of the Board of Directors and its evaluation policy - developed according to principles undertaken by Electrica SA under the Corporate Governance Code and taking into account the principles and provisions of the new Corporate Governance Code adopted by the Bucharest Stock Exchange, applicable as of 4 January 2016. The criteria envisages for the Board members covers the following areas: general management, technology and regulation, financial and economic, social and economic, international experience and information technology, areas that reflect the Company's activity and its anticipated challenges in the coming years.

Furthermore, the Nomination and Remuneration Committee was involved in preparing the General Meeting of Shareholders held on December 14, 2015, which had on its agenda the election of members of the Board of Directors via the cumulative voting procedure, at the request of the Romanian state as a shareholder. For this purpose, according to the provisions of the Articles of Association in force at the time of convening the General Meeting of Shareholders, the Nomination and Remuneration Committee decided to hire an independent recruitment agency, with international experience, for identifying and providing a shortlist of potential independent candidates, from which the shareholders could choose one or several candidates. Also, in terms of nominations of independent candidates, the Nomination and Remuneration Committee verified the existence of supporting documents proving that they fulfilled the conditions mentioned in the Articles of Association of Electrica SA.

The Audit Committee

The Committee is made up of three members, most of them independent directors, the chairman is a non-executive independent director. This structure provided the necessary expertise in finance and risk management, according to legal requirements.

The main role of the Committee is to support the Board in fulfilling its duties of effective validation of Company's financial reporting, internal control and risk management. While fulfilling this role, the Committee advises the Board regarding the Annual Report and Annual Financial Statements, whether the documents are accurate, balanced and comprehensive and provide all the necessary information for the shareholders' evaluation of the financial performance, business model and strategy of the Company. At the same time, the Committee has the following duties:

- reviews and monitors the independence of the external auditor, the objectiveness and effectiveness of the audit process;
- monitors the auditor compliance with the relevant professional and ethical guidelines regarding the audit partner rotation, the level of fees paid by the Company compared to the overall income fees of the company, audit office and partner, and other related requirements;
- ensures the compliance of the activities with the internal audit role;
- monitors and reviews the adequacy and effectiveness of the internal audit role and internal financial controls in the context of the entire risk management system of the Company;
- reviews the policies and systems of the Company for detecting fraud and preventing taking/giving of bribes;
- assesses the financing requirements of the Company and the financing plans proposed and makes recommendations to the Board regarding the permits, notifications and applications necessary and appropriate to enable the Company's management to execute such plans.

The Audit Committee met 12 times during January 1, 2015 - February 29, 2016. During these meetings, the following were discussed and referred to the Board of Directors for debate and, when applicable, approval/endorsement:

- The Regulation of organization and operation of the Audit Committee;
- The audit plan for 2016;
- The operational internal audit procedure;
- The financial statements of Electrica SA at standalone and consolidated levels for the financial years of 2014 and 2015 and the financial statements of Company's subsidiaries for the financial years of 2014 and 2015;
- The income and expense budget of Electrica SA at standalone and consolidated levels for the financial years of 2015 and 2016 and the income and expense budgets of Company's subsidiaries for the financial years of 2015 and 2016;
- Various reports submitted by the internal auditor on missions carried out within Electrica SA and its subsidiaries.

The internal audit activity is carried out by a separate division from a structural point of view (the Internal Audit Office), within the Company. In order to ensure the fulfilment of its main functions, it reports to the Board of Directors through the Audit Committee and administratively - to the CEO.

Given the recommendation resulting from the process of evaluation of the activity of the Board of Directors in its whole, regarding the creation and development of an adequate risk management framework, the Audit Committee decided to pay more attention and provide more support to the Company, from this perspective. A first step was the implementation of the decision, to rename it as the **Audit and Risk Committee** in the meeting held on 8 December 2015, and during the first meetings of the new Committee was planned the presentation of a report on risk management process in the year 2015 and based on its analysis resulted the establishment of a calendar for the presentation of specific and periodical reports.

The Strategy, Restructuring and Corporate Governance Committee

The Committee consisted of three non-executive directors, most of them being independent directors, and the chairman - a non-executive independent director.

The Committee has the following duties in terms of strategy:

- supervises and monitors the strategy of the Company and makes recommendations to the Board in relation to this;
- makes sure that an effective strategic planning

process is being set by the Board, including the development of a medium-term strategic plan with measurable targets and deadlines;
- evaluates the performance of the Company and makes sure that the Company is aware of trends in the industry and the local market, with the evolution of competition and technological developments;
- assesses whether acquisitions, disposals, joint ventures, cooperation projects fit into the strategy of the Company.

Regarding the tasks of the Committee on restructuring, they mainly relate to:
- making recommendations to the Board on the most appropriate ways for the Company to restructure and/or develop its activities and supervises the implementation by Company management of the decisions adopted by the Board on restructuring and/or development of the Company;
- reviewing the structure, objectives and policies of the Company and making recommendations to the Board;
- reviewing and making recommendations to the Board on the development and implementation of all restructuring plans and objectives of the Company, including any matters relating to the establishment and streamlining of core businesses.

At the same time, the Committee has duties in terms of corporate governance:
- supervises and monitors the Company's compliance with its legal and contractual obligations and with the principles of corporate governance applicable and makes recommendations to the Board in connection to this;
- develops and recommends to the Board corporate governance guidelines and proposes any amendments on corporate governance policy and documentation of the Company;
- reviews potential conflicts of interest that involve the directors and discusses with the Board if a director or directors may vote on any matter in relation to which there could be a conflict.

The Strategy, Restructuring and Corporate Governance Committee met 13 times during January 1, 2015 - February 29, 2016. During these meetings, the following were discussed and referred to the Board of Directors for approval/endorsement:
- the Regulation of organization and operation of the Board of Directors and of the Strategy, Restructuring and Corporate Governance Committee;
- recommendations on acquisitions/investments opportunities, respectively the strategy of smart-metering implementation at the level of Electrica Group, unification of the Dispatcher, GIS etc.;
- the Corporate Governance Code;
- the consolidated investment plan for 2015 and 2016;
- the strategy for the development of Electrica SA Group's activity;
- health and safety at Group level;
- the procedure for reporting ethical misconduct, irregularities or any violations of the law by professional alert devices (whistle-blower);
- proposals to amend the Articles of Association of Electrica SA and its subsidiaries, in its capacity as sponsor of the project for review and alignment thereof.

For 2016, the Committee proposed as main objectives the completion and implementation of new Articles of Association of Electrica SA and its subsidiaries and greater involvement and coordination of the process of defining and implementing the policy of corporate governance at Group level and the restructuring strategy thereof.

4.4 EXECUTIVE MANAGEMENT

In accordance with art. 18 letter A, paragraphs (c) 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. The CEO carries out the activity according to the provisions of the mandate contract concluded with the Company.

Under the Decision no. 24 of July 5, 2013, the Board of Directors appointed Mr. Ioan Roșca as CEO with a four year mandate and delegated to him some responsibilities for internal management and power of representation of the Company. On 26 February 2016, the Board of Directors and Mr. Roșca announced that they had reached an agreement on terminating his mandate as CEO of Electrica S.A. by June 2016 at the latest.

According to the best practices applied by companies listed on international markets, regarding the implementation of a succession plan for key-positions, the Nomination and Remuneration Committee coordinates the process of selection suitable applicants for the CEO position of Electrica SA. The Nomination and Remuneration Committee is supported in this approach by an international consulting firm specialised in recruiting top management, in order to complete the selection process in the next two months.

During the meeting held on 29 July 2015, the Board of Directors appointed the following directors for a mandate of four years starting 4 August 2015:

- Ms. Alexandra Romana Augusta Popescu Borislavschi - Strategy and Corporate Governance Manager
- Mr Ramiro-Robert-Eduard Angelescu – Sales Coordination Division Manager
- Mrs. Gabriela Marin – Human Resources Division-Manager

During the meeting held on 26 October 2015, the Board of Directors appointed Ms. Iuliana Andronache as CFO for a mandate of four years starting 27 October 2015.

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

4.5 THE CORPORATE GOVERNANCE CODE

Electrica has adhered and voluntarily applies the provisions of the Corporate Governance Code issued by the Bucharest Stock Exchange, starting with the financial year of 2014. Formally, Electrica adopted the Corporate Governance Code („CGC ELSA") as of February 2015 and made it available for all stakeholders on its website.

This Corporate Governance Code incorporates Electrica's general principles and rules of conduct, which set the corporate values, responsibilities, obligations and business conduct of the Company.

CGC ELSA also includes Electrica's Articles of Association, the regulations of organization and operation of the Board of Directors and of the committees established within it, and together all these documents contain the reference terms and responsibilities of the administrative and executive management of the company.

Electrica has continuously developed and updated the corporate governance principles in order to meet the requirements and to create opportunities, as well as to increase its competitivity.

In September 2015, BSE issued a new Corporate Governance Code („BSE Code" or „CGC BSE"), which entered into force as of 4 January 2016. The provisions of the new Code are currently subject to careful analysis within the Company, and Company's compliance with it is being thoroughly assessed.

The statement „Apply or Explain" (please refer to Appendix 1) is updated as of 29th February 2016 and presents the status on the Company's compliance with the new provisions of CGC BSE. Electrica will continue to assess the provisions of the Code and any subsequent progress made by the Company in achieving compliance will be reported to the capital market.

CGC is also a guide for Electrica's management and employees, as well as other stakeholders, regarding business conduct and governance and provides information on principles and policies of the Company. CGC also incorporates the Code of ethics and professional conduct.

In accordance with the policies of the Company and with the provisions of the Code of Ethics and Professional Conduct, the Audit Committee ensures that the Company's activity is carried out with honesty and integrity including by approving the whistle-blower procedure. The purpose of whistle-blower procedure is to protect the Company from ethical misconduct, frauds and any issues of non-compliance that could bring image and/or commercial prejudice or would lead to legal sanctions, reducing the prestige and profitability of the Company. This procedure can be accessed on Electrica's website.

4.6 DESCRIPTION OF THE MAIN FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

The internal control and the risk management systems in relation to the financial reporting process have the following objectives:

- Compliance with the current financial and accounting regulations;
- Applying the elaborated management instructions regarding the financial information;
- Ensuring the reliability of the financial information (i.e. ensuring that the provided and published accounting, financial and management information is complete and accurately reflects the company's activity and current situation);
- Preventing and detecting fraud as well as financial and accounting irregularities.

Realizing the above mentioned objectives is supported by:

- Recruiting personnel with adequate competencies that match the Company's needs and the existence of an appropriate plan for continuous learning, which facilitates the updating and continuous improvement of the knowledge concerning the fiscal and accounting regulations (according to the approved personnel policy) or supplementing the internal resources with external advisors, if necessary.
- Clearly establishing the responsibilities of each and every person involved in the financial reporting process (according to the job descriptions) and the separation of duties on carrying out operations between persons in a way that the approval, control and registration authorities are, as much as possible, attributed to different individuals (according to the Company's organizational structure).
- The existence of an accounting policy manual drawn up according with the currently outstanding laws and approved by the Board of Directors.
- The existence of a clearly established plan and process for preparing the accounting and financial information in line with the reporting standards (the capital market's financial and accounting standards) as well as their adequate verification and approval by the Board of Directors in order to be published.

In order to prevent the identified risks, the Company created and implemented internal controls. To ensure the fulfilment of objectives, to prevent the possibility of risks occurrence and to remove some risks already identified, the Company has at its disposal the Internal Audit Office and the Internal Control Office, as well as a general financial control system, financial control management, unanticipated controls ordered by management, control on technical issues, controls that occur both within sub-units and at the headquarters organizational entity.

There are policies, procedures and processes documented in regards to the selection, development and performance assessments done by the management in order to determine which components of internal control verifies the actual control system. Thus, in 2015, it took place the Commission's meeting regarding the monitoring, coordination and methodological guidance of the managerial control system development, appointed by Decision no. 97/17.2.2014. This Commission worked on the basis of the Commission's system procedure, regarding the activity of monitoring, coordination and methodological guidance of the managerial control system development, code SCM-PS-01.

The management monitors the operation of internal controls through periodic management reviews, e.g. budget implementation, monitoring security incidents, internal and external audit reports, internal control reports.

The deficiencies in the implementation or operation of internal controls are documented in the internal control and internal audit reports and these matters are presented to the operative management in order to dispose correction measures.

The internal audits assess the internal control system, risks and control strategies implemented and suggest initiative, proposals, solutions and recommendations to mitigate the risk of fraud and improved control strategies (please refer to Appendix 2 to this report).

Internal audit includes, but is not limited to, examination and assessment of the adequacy and effectiveness of the organization's corporate governance, risk management and internal controls and quality performance in fulfilling the responsibilities assigned to achieve declared goals and objectives of the organization.

The following policies/procedures have been implemented in order to prevent, detect, deter and reduce fraud:

- The Policy of reporting ethical misconduct, approved in Electrica's Board of Directors and in subsidiaries – whistle-blower;

- The Policy of zero tolerance for corruption, fraud and money laundering, was adopted in January 2016 at ELSA level. The policy is currently being approval process by the subsidiaries;
- Based on the IT audit for identification and assessment of the information security risks, conducted in December 2014, were evaluated 261 security controls, according to best industry practices, resulting in 64 controls that are compliant, 70 controls partially compliant and 127 controls not implemented, resulting a "HIGH" risk level on the information security. This level of risk was confirmed by tests conducted by SC SAFETECH INNOVATIONS SRL, in order to identify and assess vulnerabilities computer system, concluding that it is a number of critical vulnerabilities in the IT infrastructure exposed in Internet and also internally. By the proposed measures to be implemented in 2016, it is estimated that the risk will be reduced to a "Medium" level and on certain components to "Acceptable" level.

The program for improving the safety for IT system addresses four components as follows:

- Management process for security, including the monitoring process;
- Policy and security standards;
- Training of the users on information security;
- Systems and technologies to ensure IT security.

5 FINANCIAL REPORTING

The standalone financial statements were prepared in accordance with the Order of the Deputy Prime Minister, Minister of Finance no. 1286/2012 approving the Accounting Regulations according to International Financial Reporting Standards („IFRS"), applicable to companies whose securities are admitted for trading on a regulated market, with further amendments („OVMFP 1286/2012").

In the acceptance of OVMFP 1286/2012, International Financial Reporting Standards represent the standards adopted under the procedure stipulated by the European Commission Regulation no. 1606/2002 of the European Parliament and Council of July 19, 2002 on the application of international accounting standards.

5.1 BALANCE SHEET ITEMS

Financial information selected from Company's balance sheet (thousand RON)

	December 31, 2015	December 31, 2014	Variation
ASSETS			
Fixed assets			
Tangible Assets	293,375	291,259	1%
Intangible Assets	1,499	678	121%
Investments in subsidiaries	1,430,819	1,427,361	0%
Deferred tax receivables	7,250	7,206	1%
Total fixed assets	**1,732,943**	**1,726,502**	**0%**
Current assets			
Cash and cash equivalents	283,366	1,075,620	-74%
Deposits, treasury bills and government bonds	1,900,395	1,038,420	83%
Trade receivables	77,531	87,696	-12%
Other receivables	13,056	15,391	-15%
Inventories	117	166	-30%
Prepaid expenses	56	337	-83%
Current income tax receivables	23,134	23,134	0%
Total current assets	2,297,656	2,240,763	3%
Total assets	4,030,599	3,967,266	2%
EQUITY AND DEBTS			
Equity			
Share capital, of which:	3,459,399	3,814,242	-9%
Subscribed share capital	3,459,399	3,459,399	0%
Inflation adjustments to capital	0	354,843	-100%
Share premium	103,049	103,049	0%
Treasury shares	-75,372	-75,372	0%
Contributions in kind of shareholders	2,862	3,277	-13%
Revaluation reserve	769	829	-7%
Legal reserves	142,932	127,897	12%
Retained earnings	292,266	-104,364	-
Total equity	**3,925,905**	**3,869,557**	**1%**

	December 31, 2015	December 31, 2014	Variation
Liabilities			
Long-term liabilities			
Employee benefits	1,796	2,991	-40%
Total long-term liabilities	1,796	2,991	-40%
Current liabilities			
Trade payables	60,634	83,400	-27%
Other liabilities	7,632	8,663	-12%
Deferred revenues	497	384	29%
Employee benefits	2,885	2,270	27%
Provisions	31,251	0	-
Total current liabilities	102,898	94,718	9%
Total liabilities	**104,694**	**97,709**	**7%**
Total equity and liabilities	**4,030,599**	**3,967,266**	**2%**

Fixed assets

On December 31, 2015 vs. December 31st 2014, fixed assets increased by RON 6,441 thousand or 0.4%, to RON 1,732,943 thousand from RON 1,726,502 thousand.

Equipment and tangible assets in progress include mainly the costs of implementation of the AMR system (Automatic Meter Reading). The Company concluded four contracts for the implementation and extension of the AMR system regarding the consumption measurement and control at Electrica Group level. In 2015 the Company put into function a part of this investment, amounting to RON 112,581,009 (2014: RON 59,920,097). Another portion of the investment, amounting to RON 21,524,137, is part of assets in progress as of December 31st 2015 (2014: RON 110,133,543). The net value capitalized relating to this system is RON 197,238,723 as of December 31st 2015.

In connection with the AMR system, the Company concluded service agreements with the distribution subsidiaries. The main services provided refers to data acquisition by distribution subsidiaries' employee, using electricity reading system from the metering points, property of the Company. The Company assessed whether the arrangement contains a lease and concluded that it does not contain any lease due to the fact that the distribution subsidiaries do not have the right of usage of the assets.

Trade receivables

On December 31, 2015, the Company's receivables dropped by RON 10,165 thousand or 12%, to RON 77,531 thousand, from RON 87,696 thousand on December 31st 2014.

Cash and short-term investments

On December 31, 2015, the category including cash and cash equivalents, deposits, treasury bills and government bonds increased by RON 69,721 thousand or 3%, to RON 2,183,761 thousand, from RON 2,114,040 thousand on December 31, 2014, due to the net interests from the investments made.

Deposits, treasury bills and government bonds

Th. RON	December 31, 2015	December 31, 2014
Treasury bills and RON government bonds with a maturity greater than three months	1,756,339,194	901,415,791
Deposits with a maturity greater than three months	144,056,193	137,004,050
Total deposits, treasury bills and government bonds	**1,900,395,387**	**1,038,419,841**

Deposits, treasury bills and government bonds with an initial maturity over three months have an average interest rate (average yield) of 0.93% from the following financial institutions: Citibank Europe PLC Dublin, Raiffeisen Bank, BRD-CSG, Marfin Bank, ING Bank. Treasury bills and government bonds are presented such as investments hold until maturity.

Share Capital

The subscribed share capital in nominal terms consists of 345,939,929 ordinary shares on December 31, 2015 (345,939,929 ordinary shares on December 31st 2014) with a face value of RON 10/share. All shares give equal rights to the net assets of the Company. Holders of ordinary shares are entitled to dividends and have the right to one vote per share in the General Meetings of Shareholders of the Company.
The Company recognizes the changes in share capital only after their approval in the General Meeting of Shareholders and their registration with the Trade Register. Contributions made by the shareholder which are not yet registered with the Trade Register at the end of the year are recognized in „Contributions in kind of shareholders, paid in advance".
In 2015 there were no changes in the share capital.
At December 31st 2015 the Company meet the requirements of share capital as per the legislation in force.

Dividends

The Company can distribute dividends from the statutory profit, according to the individuals statutory financial statements prepared in accordance with the Romanian accounting regulation. The Company's management intention as declared in the IPO Prospectus is to distribute dividends to Electrica's shareholders representing approximately 85% of the consolidated net profit.
Dividends distributed by Company in the last 3 years (from statutory profits of previous years), as follows:

	RON		
	2015	2014	2013
Distributed dividends	244,691,906	22,475,225	13,211,376

Dividends related to the year ended December 31st 2014, amounting to RON 244,691,906, were declared based on the standalone annual statutory financial statements of the Company.
The distribution of dividends gross amount of RON 0.7217/share was approved under the Decision of the Ordinary General Meeting of Shareholders no. 1 of April 27th, 2015 and their payment started on July 15th, 2015.
At December 31st 2015 the Company recorded dividends liabilities amounting to RON 608 thousands representing the dividends uncollected by the shareholders from the Depository.

Description of purchase and / or lending of assets

The main purchases of assets done by the Company during 2015 are the following:

- Tangible assets in progress amounting to RON 23,957 thousands for the implementation of the AMR (Automatic Meter Reading) system – please see "Tangible assets" for further details;
- Treasury bills and government bonds purchase - please see "Cash and short term investments" for further details.

5.2 OPERATIONAL RESULTS

Financial data selected from the profit and loss account of the Company (th. RON)

Indicator	Year 2015	Year 2014	Var.
Income	383,708	244,517	57%
Other operating income	1,533	4,462	-66%
Purchased electricity	-368,684	-224,176	64%
Salaries and employees benefits	-16,637	-16,699	0%
Amortisation of tangible and intangible assets	-20,242	-13,252	53%
Value adjustments related to investments in subsidiaries	0	-4,675	-100%
Adjustments restatements/ (Adjustments) on impairment of trade receivables and other receivables, net value	2,832	-2,469	-
Other operating expenses	-23,289	-29,318	-21%
Change in provisions, net value	-31,251	30,777	-
Operating losses	**-72,029**	**-10,832**	**565%**
Financial revenues	373,026	257,583	45%
Financial expenses	-289	-2,486	-88%
Profit from selling of shares hold in other entities	0	31,809	-100%
Net financial revenues	372,737	286,907	30%
Profit before taxation	**300,708**	**276,075**	**9%**
Corporate tax – benefit/(expenses)	157	-6,586	-
Net profit	**300,864**	**269,490**	**12%**

Income

In the year 2015, Electrica reported revenues of RON 384 million against RON 245 million reported in the year 2014. The variation is mainly caused by the unfavourable development of the activity carried out by Electrica SA as responsible party accountable for the stability of the energy market, reporting an increase by RON 148 million, respectively 64%.

The breakdown structure of the income is as follows:

thousands RON	2015	2014
Supplying electricity on the balancing markets and the Day-Ahead Market (MGP)	379,039	230,731
Management and consultancy Services	-	9,051
Revenues from services contracts related to the Automatic Meter Reading system	4,669	4,735
Total	**383,708**	**244,517**

Other operating income

Other income mainly include the income from rent and penalties applied to clients for delay payments.

Purchased electricity

The purchased electricity includes the cost of the electricity purchased for the settlements on the balancing market and the Day-Ahead Market (MGP), and it reached RON 368,684 thousands in 2015 against the amount of RON 224,176 thousands in 2014, following the same increasing trend as the energy revenues.

Amortisation of tangible and intangible assets

The amortisation increased by RON 6,990 thousands, reaching the amount of RON 20,242 thousands in 2015, from RON 13,252 thousands in 2014, due to the commissioning made as part of the investments program (AMR system, etc.).

Salaries and other benefits of the employees

In the year 2015, the expenditures related to salaries and other benefits of the employees were relatively constant, dropping by RON 62 thousands, reaching RON 16,637 thousands from RON 16,699 thousands in 2014.

Change in provisions, net value

The expense registered as provisions mainly refer to the litigations with the National Agency for Fiscal Administration ("ANAF") relating to delay penalties claimed by ANAF. The Company admitted the amount of RON 3,250 thousands as provisions, following the unfavourable Court decision No 1029/17.04.2015.

Operational Profit

Because of the above-mentioned factors for the year 2015, the Company reported a higher loss resulting from the operating activity against the year 2014, from RON 10,832 thousands to RON 72,029 thousands.

Financial revenues

The major financial revenues of Electrica SA consist of the dividends distributed by its subsidiaries. The income from the dividends distributed by subsidiaries in the year 2015 amounted to RON 344,648 thousands against the amount of RON 238,432 thousands in the year 2014, their structure being as follows:

RON	2015	2014
FDEE Electrica Muntenia Nord SA	87,406,431	82,297,979
FDEE Electrica Transilvania Nord SA	59,214,482	41,361,960
FDEE Electrica Transilvania Sud SA	62,288,316	45,147,641
FFEE Electrica Furnizare SA	135,738,720	69,624,139
TOTAL	**344,647,949**	**238,431,719**

Another category of financial revenues is represented by interests, which increased to RON 26,379 thousands in 2015 against the amount of RON 19,090 thousands in 2014.
The Company's strategy was focused on placing the funds from IPO through the banks that have subscribed, as part of the Consortium, in risk-free bonds and short-term deposits.
The increase of financial performance of 2015 is due to the income from interests related to cash money collected by the Company in July 2014, after transferring the property rights of the new shares, and invested in treasury bonds and government bonds: RON 20,645 thousands (RON 9,867 thousands in 2014) and deposits: RON 5,732 thousands in 2015 (RON 4,739 thousands in 2014).

Profit before taxation

In 2015, the profit before taxation increased by RON 24,633 thousands or 9%, to RON 300,708 thousands, from RON 276,075 thousands in 2014, due to the rising revenues collected by the Company from the dividends distributed by its subsidies, and the interest income.

Corporate Tax expenses

In the year 2015, the Company reported a benefit in quantum of RON 157 thousands, against corporate tax expenses in quantum of RON 6,586 thousands for the year 2014. The variation is mainly generated by the deferred tax related to the customer Oltchim, according to financial restatements.

Net Profit of the year

Due to the above factors, the net profit of the year 2015 increased by 12% against the year 2014, to RON 300,864 thousands from RON 269,490 thousands.
The main objective of the Company is to maximize the net individual profit of Electrica SA, by efficient coordination and control of the participating interests in subsidiaries, so that to give the Company's management the possibility to fulfil the intention declared in the Prospectus, namely: to distribute dividends in a quantum of approximately 85% of the consolidated net profit attributable to Electrica's shareholders.

6 OTHER INFORMATION

6.1 PERSONNEL

The average number of employees decreased in 2015 as compared to 2014 by one employee, to 138 employees from 139 employees, as a result of the lay-offs made under the Company's reorganisation and restructuring program, while the effective number of employees was 136 in 2015, respectively 149 in 2014.

On December 31st 2015, approximately 96% of the Company's employees are Union members, and their employment conditions are governed by the Collective Employment Contract, which is renegotiated at least every two years and submitted to the Territorial Labour Inspectorate of Romania. Electrica never faced strikes or other forms of labour disturbances that might have interfered with the Company's activity, and the Company's Management trusts that the relations with the employees are good.

On the 2nd of November 2015 the new transition organisation chart of Electrica has been implemented. New procedures and processes have been developed and will be completed once the appointments of executive directors will be finished

Also in November 2015 the programme of voluntary demission with compensatory payments has been implemented. The programme targeted mainly the employees with maximum 5 years until the standard retirement age as well as employees with medical issues.

The Company issued by laws that mainly accommodate the provisions related to the general dispositions on employment, non-discrimination, safety and health at work, rights and obligations of the employer and employees, the employees' complaint handling procedure, rules concerning the discipline at work, disciplinary sanctions and disciplinary misconduct, rules concerning the disciplinary procedure, criteria and procedures concerning the professional evaluation of the employees and finale dispositions.

The training programs of Electrica SA considered the improvement of employees' skills, to be able to cope with more complex work assignment and use optimally of existing resources. The Company's Management feels that the focus on training and development helps the employees in efficiently tackling the professional challenges.

6.2 THE PREDICTABLE DEVELOPMENT OF THE COMPANY

The Company estimates that for 2016 the income from dividends received from the subsidiaries will be higher than in 2015. The Company expects that the 2016 profit will be slightly higher than in 2015.

The company estimates a reduction of revenues and expenses from the electricity transactions on the balancing market, although with a higher margin than in 2015. Also, the Company estimates in 2016 to start the electricity trading activity.

6.3 MAIN RISK AND UNCERTAINTIES

Taking into account that the Company has as main activity the administration of its stakes hold in the subsidiaries, its profit is mainly determined by the income from the dividends received from its subsidiaries. Thus, the Company is exposed to the risk affecting the financial performance of its subsidiaries, namely:

- The financial performance of the distribution subsidiaries may be negatively influenced by changing tariffs on the regulated market and by the electricity prices;
- Romania's electricity demand is linked to various factors beyond control of the subsidiaries, such as economic, political and climate-changing instances;
- The subsidiaries have to comply with regulatory requirements, being exposed to significant liabilities in case of non-compliance;
- Components of the distribution subsidiaries' network are subject to deterioration over time;
- The Company may face additional claims from tax authorities for budgetary debts due for previous periods.
- The Romanian taxation system is subject to change and may issue inconsistent interpretations of tax legislation.
- After the Offering, the State will continue to have significant influence over the Company.
- The distribution subsidiaries' activity may be negative impacted by natural disasters or unau-

thorized human interventions.
- The existence of companies involved in the electricity distribution and network construction in the area where the Group's distribution subsidiaries performed their activity.
- Regulation risk generated by frequently changes and without appropriate consulting sessions with the electricity distribution operators negatively influence the budget planning capabilities.
- The subsidiaries' IT systems are outdated and are not integrated and the implementation of a new integrated ERP system may experience difficulties and delays
- The subsidiaries may face risks associated with restitution claims with regard to certain real estate properties;
- Fondul Proprietatea, as a minoritary shareholder of the distribution and supply subsidiaries og the Group, may try to block the decision making process;
- Electrica Furnizare may be prohibited by the legislation in place from suspending or interrupting the supply of electricity to certain customers, even if such customers are in payment default;
- The supply segment may be exposed to increasing competition due to the liberalization of the market;
- Group's supply segment might lose its status of supplier of last resort; The regulation in place regarding the electricity supply envisages the liberalization calendar and the fact that costumers can chose the supplier. By eliminating the regulated prices according to the liberalization calendar new opportunities rise for the number of households' customers exercising their eligibility right to increase. Thus, supplier switching experienced by the households customers can influence the supply's subsidiaries client base in a negative way.
- Failure to execute management's goals from the business strategy may lead to cost savings and revenue forecasts being lower than predicted;
- The subsidiaries reputation, future prospects or results of operations may be materially adversely affected by claims or litigation.
- Failure to execute public procurement legislation by the subsidiaries may lead to fines and voided contracts.

6.4 FINANCIAL RISK MANAGEMENT

The following provisions were considered when implementing both the risk management system, and the internal control/management system across the Electrica Group:
- Order no 946/2005 issued by the Ministry of Public Finances concerning the development of internal control/management system, as further modified and amended
- Government Ordinance 119/1999 regarding the internal control and the preventive financial control, as further modified and amended
- Internal procedures adopted in this regard

In 2015, the Company re-evaluated all risks initially identified and updated the risks register. Risks were re-evaluated according to their probability of occurrence and potential impact over the completion of the Company's objectives. Therefore, after calculating the level of exposure, the risks were included in one of the four levels of tolerance, (tolerable/ high tolerance/ low tolerance / intolerable) and the Company adopted proper measure control, according to the degree of emergency and the time required in order to implement new processes/procedures, meant to avoid or diminish such risks for the future.

One major concern is the low level of employees' awareness on the importance of the risk management role within the organization, and the need of direct involvement in the risk management process, and to implement the best national and international practices in the field, in view of the applicable legislation, standards and norms.

For the year 2016, the Company envisages the development of the risk management system according to the provisions of international standard SR ISO 31000:2010 "Risk Management – Principles and Guidelines".

Financial Risk Management

The Company is exposed to the following risks resulting from the use of financial instruments:
- credit risk;
- liquidity risk;
- market risk.

(i) Credit Risk

The credit risk means the Company's risk of a financial loss if a customer or counterparty within a financial instrument fails to meet its contract obligations, being mainly generated in connection with the trade receivables of the Company, the cash flow and cash equivalents, bank deposits and treasury bills and government bonds.

The Company holds a high credit risk mainly because of the State-owned companies. Until 2012, the Company concentrated its credit risk around Oltchim SA, a Company in insolvency. Currently,

the Company estimates that the credit risk exposure had decreased significantly.
The cash, bank deposits, treasury bills and government bonds are placed in financial institutions deemed to have a high credit rating.

The carrying amount of the financial assets means the maximum exposure to the credit risk.

Impairment
Here is the status of the age of trade receivables:

	December 31st 2015		December 31st 2014	
In thousands RON	**Gross Value**	**Adjustment for impairment**	**Gross Value**	**Adjustment for impairment**
Not outstanding	41,488	0	83,382	0
Outstanding by 1-90 days	27,556	0	744	0
Outstanding by 90-180 days	8,089	0	498	0
Outstanding by 180-360 days	399	0	3,072	0
Outstanding by 1-2 years	474	(474)	3,805	(3,805)
Outstanding by 2-3 years	104	(104)	34,542	(34,542)
Outstanding by more than 3 years	667,158	(667,158)	632,051	(632,051)
Total	**745,268**	**(667,737)**	**758,094**	**(670,398)**

The impairment adjustments mainly refer to the customer Oltchim SA.

In thousands RON	December 31st 2015	December 31st 2014
Not outstanding	41,488	83,382
Outstanding by 1-90 days	27,556	744
Outstanding by 90-180 days	8,089	498
Outstanding by 180-360 days	399	3,072
Total	**77,531**	**87,696**

(ii) Liquidity Risk
Liquidity risk means the Company's risk of facing difficulties in complying with the obligations associated to financial liabilities settled by transfer of cash or another financial asset. The Company's policy on liquidity management is focused on maintaining, to the maximum extent possible, sufficient liquid resources to be able to comply with its obligations while they become due, under normal conditions and under stress, so that to avoid unacceptable losses.
The Company's aim is to maintain a cash and cash equivalents level exceeding the cash outflows predicted for the payment of financial liabilities. The Company also monitors the level of predicted cash inflows from collecting trade receivables, and the level of predicted cash outflows for paying the trade debts and other debts.

Exposure to the liquidity risk

The table below shows the contractual maturity data for financial liabilities at the report date. The amounts are expressed as gross value not updated, including the estimated interest to be paid.

in thousands RON	Carrying amount	Contractual Cash Flow	
Financial Debts		**Total**	**less than 1 year**
December 31st 2015			
Trade liabilities	60,634	60,634	60,634
Total	**60,634**	**60,634**	**60,634**
December 31st 2014			
Trade liabilities	83,400	83,400	83,400
Total	**83,400**	**83,400**	**83,400**

(iii) Market Risk

The market risk is the risk for certain changes in the market prices – the exchange rate and the interest rate – to affect the Company's profit or the value of the financial instruments in hand. The objective of market risk management is to manage the exposures and maintain them within acceptable limits, and optimize the results.

Foreign currency risk

The Company is exposed to a foreign currency risk if there is a misbalance between the currencies used for sales and acquisitions, and those used for loans and the functional currency of the Company. The functional currency of the Company is Romanian Leu (RON).

The currencies used for the denomination of such transactions are mainly RON and EUR. The Company owns bank deposits denominated in foreign currency (EUR). The Company's policy is focused on using the local currency as much as possible in the transactions done. The Company does not use derivative instruments or hedging instruments.

Exposure to foreign currency risk

Summary of quantitative data related to the Company's exposure to the foreign currency risk, as follows:

In thousands RON	December 31st 2015	December 31st 2014
	EUR	EUR
Cash and cash equivalents	10,241	10,138
Deposits (Deposits, treasury bills and government bonds)	139,581	136,704
Net exposure according to the financial position status	**149,822**	**146,842**

Throughout the year, the Company applied the following significant exchange rates:

	Average exchange rate		SPOT exchange rate at the end of the year		
RON	**2015**	**2014**	RON	**2015**	**2014**
1 EUR	4.4450	4.4446	1 EUR	4.5245	4.4821

Sensitivity analysis
A potential and reasonable enhancement (impairment) of EUR against RON at December 31st would have affected the evaluation of financial instruments denominated in foreign currency and the profit before taxation and, respectively, equity instruments with the amounts shown below. The analysis implies that all the other variables, particularly the interest rates, remain constant, and it ignores the impact of estimates sales and acquisitions.

	Profit before taxation	
Effect (thousands RON)	**Enhancement**	**Impairment**
December 31st 2015		
EUR (modified by 5%)	7,491	(7,491)
December 31st 2014		
EUR (modified by 5%)	7,342	(7,342)

Interest rate risk
The Company has no long-term bank loans.

Exposure to interest rate risk
Here is the status of the interest rates related to the interest-bearing financial instruments of the Company:

in thousands RON	December 31st 2015	December 31st 2014
Fixed interest instruments		
Financial Assets		
Bank deposits (cash and cash equivalents)	181,248	874,243
Deposits (Deposits, treasury bills and government bonds)	1,900,395	1,038,420
Total	**2,081,643**	**1,912,663**

Fair value sensitivity analysis for the fixed interest instruments
The Company has no financial assets and financial liabilities bearing fixed interest rates recognized at fair value by profit or loss. Consequently, the variation of the interest rate at the report date would not affect the profit or loss.

6.5 ENVIRONMENTAL ASPECTS

In carrying out its activities and business strategy implementation, Electrica promotes environmentally friendly policies and procedures. The Company has implemented a management system concerning environmental, health and operational security matters. The annual capital investment budget includes expenditures related to environmental matters. At the time of this report, the Company holds all important permits required by law to conduct its business and the activity is carried out in accordance with all specific environmental regulations. The Company has implemented Integrated Quality, Environment, Occupational Health and Safety management systems duly certified in accordance with ISO 9001: 2008, ISO 14001: 2004 and EN OHSAS 18001: 2007.

6.6 RESEARCH AND DEVELOPMENT ACTIVITY

Concerning the Electrica's involvement in promoting technological innovation by participating in research and development projects co-financed through European funds, opportunity to test new technologies, simulating and managing behaviours that can be integrated in the distribution electricity networks, the involvement in accessing these types of funds by submitting projects under the FP7 and Horizon 2020 calls is emphasized.

Among project proposals attended by Electrica the following can be mentioned:

- Electrica has participated as a member in various consortiums for the elaboration of project proposals in the open calls for research-development-innovation both within the EU and the Ministry of Research. Among these projects we can mention:
  - „SINGULAR", the research and development project currently in progress, co-financed on FP7 which aims to test some software programs to forecast loads on network nodes, as well as the production generated by a wind power plant and a photovoltaic plant, based on measures of remote reading meters. The consumption/production forecast in a network island area might ensure the allocation of electricity losses and better monitoring in order to reduce them. Moreover, testing software applications on a real computing basis to optimize power flow followed by demonstrations create opportunities for the development of methodologies to determine the loss of electricity in networks that have integrated renewable resources in order to improve energy and operations in certain areas of the network with an increased degree of penetration of renewable resources.

The main objective of the project is to generate data and efficient solutions to maximize the integration of variable and unpredictable insular energy resources, while minimizing related adverse economic and technical consequences.

Other projects in which the Company participated with development activities are:

- H2020-DRS-12-2015 SUCCESS – project declared as eligible, for which Electrica has obtained full funding from the EU
- H2020-SCC-2015 SmaSH
- H2020-LCE-2015-3 InToReGRID
- H2020-EE-2015-2-RIA DRIBLE
- H2020-LCE-2016-2017 PROVISION

Electrica Group's strategy at the moment is to implement the "Green Highway" Innovation Pilot Project, designed to support infrastructure development for electric vehicles. Although initially suggested only for the Oradea – Bucharest route (in two route versions), if successful the Group extends the project, to other routes in Romania. This project is based on the study called "Developing the strategy to implement a business operating in the electric vehicle supply sector for Electrica S.A.- Business Plan Development" and is accordingly to the Action Plan mentioned in the EU Framework Strategy, which mentions, among others, the need to accelerate the energy efficiency and decarbonisation process in transportation sector, the gradual implementation of alternative fuels and the integration of energy and transportation systems.

In the **Investment Plan for 2016** Electrica SA mentioned in the Studies positions – an feasibility study „Electric vehicle charging infrastructure," and in the Projects position „ Electromobilitiy Pilot project „ (6 stations for fast charging) and in the Equipment position - a purchase of two electric vehicles.

Another important endeavour of Electrica S.A. in promoting technological innovation is to disseminate the solutions for updating its electric grid using a smart grids concept in the international conferences/symposia that Electrica holds every year in November and which propose as an alternative topic the smart grids and smart metering solutions. We mention that Electrica S.A. has supervised the organization of the international symposium called "Intelligent monitoring - Smart-Metering".

We emphasize the participation in the CIRED conferences with presentations concerning technological innovation and promotion of new technologies that improve operational efficiency. Thus, in June 2015, Electrica participated with the paper entitled "Impact of distributed generation on distribution networks".

Electrica participated in May 2015, along with CNR-CME, as a co-organizer, in its conferences/ symposia: the symposium "Smart grids – Grids of the Future" and the symposium "Integrating renewable energy sources in the electro-energetic sector".

6.7 LEGAL DOCUMENTS REPORTED

Legal documents reported in 2015, according to art. 225 of Law 297/ 2004:

- S Filiala de Intretinere si Servicii Energetice „Electrica Serv" SA – C211/29.12.2015– valid until 31.12.2016 - Complex road transport services - value: RON 1,385 thousand
- S Filiala de Intretinere si Servicii Energetice „Electrica Serv" SA – C134/01.09.2015- valid until 31.12.2016 - Complex road transport services - value: RON 461 thousand
- S Filiala de Intretinere si Servicii Energetice „Electrica Serv" SA – C75/29.05.2015- valid until 31.08.2015 - Complex road transport services - value: RON 556 thousand
- S Filiala de Intretinere si Servicii Energetice „Electrica Serv" SA – C21/26.02.2015- valid until 31.05.2015 - Complex road transport services - value: RON 1,000 thousand

6.8 SUBSEQUENT EVENTS

In the period between the end of financial year 2015 and the date of this report, the following relevant events occurred:

- On 13 January 2016, the new Board of Directors elected by the General Meeting of Shareholders appointed the chairman of the Board, the committee's structure and their presidents. Please see section 6.1 for further details.
- On 19 January 2016, the Company announced that Electrica, acting as plaintiff, filed requests for summons for the annulment and suspension of certain orders issued by the ANRE president (please see section 1.2 Key events for further details)
- Electrica's Board of Directors acknowledged that Mr. Michael Boersma decided to recede from his capacity of Board of Directors member, during the February 10, 2016 meeting. Electrica's Board of Directors chairman, Mr. Cristian Bușu, asked the Nomination and Remuneration Committee to start proper procedures for identification of candidates that could take over the responsibilities of member in the Board of Directors.
- On 26 February 2016, the Company announced the agreement reached by the Board of Directors and Mr. Ioan Roșca, regarding the completion of his duties as CEO of Electrica until no later than June 2016.

The Company has sent current reports about all these events in order to inform investors and all interested parties.

6.9 KEY FACTORS, IMPORTANT MARKET DIRECTIONS AND TRENDS INFLUENCING ELECTRICA'S OPERATIONAL RESULTS

The Board of Directors acknowledges between key factors, important market directions and trends that it cannot control and those that it can control (although frequently to a limited extent).

The key factors, important market directions and trends that the Board of Directors cannot control are:

(i) the cost of electricity purchased,
(ii) the macroeconomic trends of Romania
(iii) the demand of electricity
(iv) the domestic general regulatory and legal framework in which the Company operates, including ANRE policies.

The key factors and the directions that the Board of Directors can control, at least partially, include the Company's capital investments and the operational costs.

The Board of Directors considers that on the medium and long term the growth of Romania's real GDP and the overall economy will have to a certain extend a positive impact on the electricity consumption in Romania, which will positively affect Electrica's activity.

In particular, the Board of Directors considers that, as long as Romania's economic growth will continue to exceed EU one, electricity consumption per capita in Romania is expected to continue to grow. On the other hand, a significant slowdown in the growth of GDP and that of the Romanian economy in general could have some negative effect on electricity consumption in Romania and, respectively, on Electrica activity.

APPENDIX 1 - CURRENT REPORT - STATUS OF COMPLIANCE WITH THE NEW BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE AS OF FEBRUARY 29TH 2016

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
Section A	**Responsibilities**			
A.1.	All companies should have internal regulation of the Board which includes terms of reference/ responsibilities for Board and key management functions of the company, applying, among others, the General Principles of this Section.	YES		ELSA CGC, adopted in February 2015 and published on the company's website, includes the Articles of Association of ELSA, the Charter of the BoD and of its committees. All the above mentioned documents encompass the terms of reference/the BoD's responsibilities, as well as those of the company's key management.
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		Such provisions are mentioned in ELSA's CGC, in the Articles of Association, in the Code of Ethics, as well as in the Charter of the Strategy, Restructuring and Corporate Governance committee.
A.3.	The Supervisory Board should have at least five members.	YES		ELSA's BoD comprises seven members since 14 December 2015.
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria:A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous 5 years;A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years;A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director;A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it; A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled byit, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/ executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it;A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director;A.4.8. Not to have been a non-executive director of the company for more than twelve years;A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.	YES		All the members of ELSA's BoD are non-executive.Four out of seven are independent members.All the independent members submitted a declaration of independence, when they were nominated as candidates by the shareholders. The declaration was made in accordance with the criteria included in the company's Articles of Association, which are similar with those detailed by the Code.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non- executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		The professional biography of each Board member is published on ELSA's website in the IR>AGA section.
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	NO	The need for such statements will be brought to BoD's attention within the first Board meetings of 2016. Further information on this matter will be provided by the company.	
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		The company has a General Secretariat, which functionally reports to the BoD.
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/ guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	YES		The A.8 provision was followed during the previous BoD's mandate (which ended on 14 December 2015). Further details on complying with this provision are presented in the 2015 Annual Report, chapter 6.2 - BoD and its committees' activity.
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		The A.9 provision was followed during the previous BoD's mandate. Further details on complying with this provision are presented in the 2015 Annual Report, chapter 6.2 - BoD and its committees' activity.
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES		Four out of seven members of the BoD are independent.
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	YES		The A.11 provision was followed during the previous BoD's mandate. Additionally, the Articles of Association and ELSA's CGC highlight the existence of this committee, its structure and responsibilities.The committee and its structure was established in the first meeting of the new BoD (elected on 14 December 2015), meeting which took place on 13 January 2016. The committee composition is: Mr. Bogdan Iliescu, Ms. Arielle Malard de Rothschild and Ms. Corina Popescu. Two members are independent.
Section B	**Risk management and internal control system**			
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		The B.1 provision was followed during the previous BoD's mandate. Additionally, the Articles of Association and ELSA's CGC highlight the existence of this committee, its structure and responsibilities. The committee and its structure was established in the first meeting of the new BoD (elected on 14 December 2015), meeting which took place on 13 January 2016. The committee composition is: Mr. Pedro Mielgo Alvarez, Ms. Arielle Malard de Rothschild and Mr. Bogdan Iliescu. Two members are independent.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
B.2.	The audit committee should be chaired by an independent non-executive member.	YES		The B.2 provision was followed during the previous BoD's mandate. Additionally, the Articles of Association and ELSA's CGC highlight the existence and the structure of this committee. In its meeting held on 13 January 2016, the new BoD elected Mr. Pedro Mielgo Alvarez, non-executive independent BoD member, as chairman of the Audit Committee.
B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	PARTIALLY	ELSA's Articles of Association mentions monitoring the efficacy of the internal control, internal audit and risk management systems within the company as part of the Audit Committee's responsibilities.Adding this provision to the Charter is an issue to be brought to the attention of the Audit Committee.	The annual directors' report, presented to the annual general meeting of shareholders, contains the BoD's comments on the internal controls and significant risk management system. ELSA initiated a project to amend the Charter and the CGC, which also comprises the BoD committees' charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	PARTIALLY	ELSA's Articles of Association mentions monitoring the efficacy of the internal control, internal audit and risk management systems within the company as part of the Audit Committee's responsibilities. Adding this provision to the Charter will be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	NO	Adding this provision to the Articles of Association will be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.6.	The audit committee should evaluate the efficiency of the internal control system and risk management system.	PARTIALLY	ELSA's Articles of Association mentions monitoring the efficacy of the internal control, internal audit and risk management systems within the company as part of the Audit Committee's responsibilities.Adding this provision to the Charter is an issue to be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
B.7.	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	PARTIALLY	In practice, the Audit Committee approves all the procedures, policies and codes concerning the internal audit. Additionally, it receives, assesses and endorses the reports of the internal audit team. Adding this provision to the Charter will be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		Provisions on this matter are included in the Audit Committee's Charter.
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		Provisions on this matter are included in ELSA's CGC.
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	NO	According to the internal regulations, the related parties transactions are approved by the BoD. Adding this provision to the Charter will be brought to the attention of the BoD.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD charter. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		The internal audit is conducted by the Internal Audit and Compliance Office.
B.12.	To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		The above mentioned office reports functionally to the BoD through the Audit Committee, while administratively reports to the CEO.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
Section C	**Fair rewards and motivation**			
C.1.	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	PARTIALLY	The remuneration system for the members of the BoD members was approved by the Ordinary General Meeting of Shareholders (OGMS) on 22 September 2014. The remuneration system and the remuneration limits for the CEO, as well as for the other executive managers with mandate from the BoD were approved by the OGMS on 9 July 2015.	NRC drafted and the BoD endorsed, in February 2016, a new proposal regarding the Remuneration policy of the BoD members, which was included on the GMS agenda convened on 31 March 2016.
Section D	**Building value through investors' relations**			
D.1.	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures. D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code; D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi- annual, annual), auditor reports and annual reports.	YES		

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	PARTIALLY	Information on the dividend policy distribution is provided in the 2014 IPO Prospectus. The annual cash distribution or dividend policy principles will be submitted to the BoD for analysis.	
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	NO	The policy with respect to forecasts will be submitted to the BoD for analysis.	
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		The rules of general meetings of shareholders are included within each convening notice, published in accordance with the legal requirements, approximately 45 days prior to the meeting.
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		The annual directors' report, presented to the annual general meeting of shareholders, contains the BoD's comments on the internal controls and significant risk management system. In practice, all the documents submitted for the approval of the GMS are endorsed by the BoD; this is clearly stated in the documents presented to the shareholders.
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	PARTIALLY	Electrica has been open towards allowing professionals, consultants, experts or analysts to participate in the meetings of shareholders. The agreement of the present shareholders was requested at the beginning of each meeting.A set of general rules and procedures will be submitted for discussion to the BoD.	

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on- quarter and year-on-year terms.	YES		
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES		Electrica holds quarterly teleconferences with analysts and investors.
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	PARTIALLY	Electrica has had an active presence within this area, including as a sponsor in various artistic, cultural, educational or scientific events. A CSR policy is under development.	Information on the supported areas or donations made in 2015 are presented in the annual report.

APPENDIX 2
INTERNAL AUDIT REPORT FOR 2015

The Annual Audit Plan for 2015, registered under no. 9900/25268/28.11.2014, endorsed by the Audit Committee and approved by the Board of Directors by the Decision no. 3/17.02.2015, provided for seven missions planned for 2015 in the following auditable areas: human resources, technical, international cooperation, legal and litigations, public relations, major project and patrimony. This plan was drawn up in view of identifying the efficiency of internal controls within ELSA. On the date of audit missions planning, the Audit & Compliance Office team was made of two internal auditors.

In 2015, upon the request of the Board of Directors, several ad-hoc missions were conducted, which resulted in the amendment of the Annual Internal Audit Plan for 2015. By Decision no. 26 of 16.09.2015, the Board of Directors approved the amendment of the Audit Plan for the period January-June 2015.

During the first half year 2015, 5 audit missions were conducted in the company, one Annual Internal Audit Plan and 4 ad-hoc missions in ELSA subsidiaries. The missions conducted in the first half year are:

- Management of employees and salary policies based on the mission Order no. 9900/488/12.01.2015, mission planned in the Annual Audit Plan,
- Achievement verification of services procurement procedure for: Rehabilitation of IT infrastructure of FISE Electrica Serv SA – working and multifunctional stations and "Integrated IT system to streamline operational activity", conducted based on the mission Order no. 9900/487/12.01.2015,
- Assessment and check up of the procedures achievement and of the procurement contracts for goods, services and works in the three electricity distribution subsidiaries: FDEE "Electrica Transilvania Nord" S.A., FDEE "Electrica Transilvania Sud" S.A., FDEE "Electrica Muntenia Nord" S.A. conducted based on the mission Order no. 9900/4636/03.03.2015,
- Assessment of employees, salary policies management in FDEE "Electrica Transilvania Nord" S.A., FDEE "Electrica Transilvania Sud" S.A., FDEE "Electrica Muntenia Nord" S.A., "Electrica Furnizare" S.A. and FISE "Electrica Serv" S.A. conducted based on the mission Order no. 9900/9479/04.05.2015,
- Analysis of contracts signed by Electrica S.A. and "Bostina & Asociatii" Limited Liability Professional Company during 2010–2014 period, according to the mission Order no. 9900/11707/29.05.2015.

In the second half of 2015 the following audit missions were conducted:

- Assessment of legal and litigations activity in FDEE "Electrica Transilvania Nord" S.A., FDEE "Electrica Transilvania Sud" S.A., FISE ELECTRICA SERV S.A., during the period 01.01.2014 - 30.10.2015, conducted based on the mission Order no. 9900/20472/29.09.2015.
- Verification of procurement procedures and of the project "Chirnogeni Wind Mills Park" in ELECTRICA SA, conducted based on the mission Order no. 9900/19389/31.08.2015.

These missions were performed by teams made of two internal auditors.

The internal audit report concluded as a result of the missions were acknowledged by the management of audited entities, endorsed by the Audit Committee and the implementation of their recommendations is consistently monitored by their follow up sheets. As a result of the audit missions and the acceptance of their recommendations by the audited entities and persons, the audited structures make up their own plans of measure to meet the recommendations.

The internal audit engagements have confirmed the positive impact of an internal audit on the activities carried out within the Company and its subsidiaries.

Since its dual listing on the Bucharest Stock Exchange and the London Stock Exchange and until the year end, the Operational Procedure of Internal Audit, Handbook of Internal Audit and Code of Ethics of the internal auditor were updated, in compliance with the national legislation and the International Standards for Internal Auditors' Professional Practice. All of these procedures have been endorsed by the Audit Committee and approved by the Board of Directors

SEPARATE FINANCIAL STATEMENTS

For the year ended
December 31, 2015

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	Note	Thursday, December 31, 2015	Wednesday, December 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	20	293,375,460	291,258,568
Intangible assets	21	1,498,663	677,666
Investments in subsidiaries	22	1,430,819,457	1,427,360,547
Deferred tax assets	15	7,249,634	7,205,689
Total non-current assets		**1,732,943,214**	**1,726,502,470**
Current assets			
Cash and cash equivalents	19	283,366,031	1,075,619,774
Deposits, treasury bills and government bonds	17	1,900,395,387	1,038,419,841
Trade receivables	16	77,531,461	87,695,766
Other receivables	18	13,056,225	15,390,676
Inventories		116,597	166,347
Prepayments		56,033	336,573
Income tax receivable	15	23,134,100	23,134,100
Total current assets		**2,297,655,834**	**2,240,763,077**
Total assets		**4,030,599,048**	**3,967,265,547**
EQUITY AND LIABILITIES			
Equity			
Share capital out of which:	24	3,459,399,290	3,814,242,000
Subscribed and paid in share capital	24	3,459,399,290	3,459,399,290
Inflation adjustment to share capital	24	-	354,842,710
Share premium	24	103,049,177	103,049,177
Treasury shares	24	(75,372,435)	(75,372,435)
Capital contributions in kind from shareholders		2,861,525	3,277,268
Revaluation reserves	24	769,261	828,548
Legal reserves	24	142,932,218	127,896,823
Retained earnings		292,266,081	(104,364,433)
Total equity		**3,925,905,117**	**3,869,556,948**
Liabilities			
Non-current liabilities			
Employee benefits	13	1,795,588	2,990,743
Total non-current liabilities		**1,795,588**	**2,990,743**
Current liabilities			
Trade payables	25	60,633,718	83,400,334
Other liabilities	26	7,632,190	8,663,437
Deferred revenue		497,084	384,428
Employee benefits	12,13	2,884,701	2,269,657
Provisions	27	31,250,650	-
Total current liabilities		**102,898,343**	**94,717,856**
Total liabilities		**104,693,931**	**97,708,599**
Total equity and liabilities		**4,030,599,048**	**3,967,265,547**

The accompanying notes are an integral part of these separate financial statements.

General Manager
Ioan Roşca

CFO
Iuliana Andronache

	Note	2015	2014
Revenues	8	383,708,120	244,517,469
Other operating revenues	9	1,533,233	4,462,492
Purchased electricity	9	(368,683,747)	(224,176,045)
Employee benefits	14	(16,636,893)	(16,699,072)
Depreciation and amortization	20,21	(20,241,737)	(13,252,249)
Impairment of investments in subsidiaries		-	(4,674,871)
Reversal of impairment/ (Impairment) of trade and other receivables, net	16,18	2,832,061	(2,469,481)
Other operating expenses	9	(23,289,218)	(29,317,714)
movement in provisions, net	27	(31,250,650)	30,777,355
Operating loss		**(72,028,831)**	**(10,832,116)**
Financial revenues	10	373,026,201	257,583,262
Financial expenses	10	(289,466)	(2,485,569)
Gain from disposals of shares held in other entities	10	-	31,809,478
Net finance income		**372,736,735**	**286,907,171**
Profit before tax		**300,707,904**	**276,075,055**
Income taxes – income/(expense)	15	156,580	(6,585,537)
Profit		**300,864,484**	**269,489,518**
Earnings per share			
Basic and diluted earnings per share	11	**0.89**	**0.97**

The accompanying notes are an integral part of these separate financial statements.

General Manager
Ioan Roşca

CFO
Iuliana Andronache

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

	Note	2015	2014
Profit		**300,864,484**	**269,489,518**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property, plant and equipment	20	-	986,367
Tax related to revaluation of the property, plant and equipment	15	-	(157,819)
Re-measurements of the defined benefit liability	13	703,969	(103,574)
Tax related to re-measurements of the defined benefit liability	15	(112,635)	16,572
Other comprehensive income, net of tax		**591,334**	**741,546**
Total comprehensive income		**301,455,818**	**270,231,064**

The accompanying notes are an integral part of these separate financial statements.

General Manager
Ioan Roşca

CFO
Iuliana Andronache

	Note	Subscribed and paid in share capital	Inflation adjustment to share capital	Share premium	Treasury shares	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Retained earnings	Total equity
Balance at December 31st 2014		**3,459,399,290**	**354,842,710**	**103,049,177**	**(75,372,435)**	**3,277,268**	**828,548**	**127,896,823**	**(104,364,433)**	**3,869,556,948**
Comprehensive income										
Profit		-	-	-	-	-	-	-	300,864,484	300,864,484
Other comprehensive in-come		-	-	-	-	-	-	-	591,334	591,334
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**301,455,818**	**301,455,818**
Transactions with owners of the Company										
Contributions and distribu-tions										
Land for which ownership rights were obtained	24	-	-	-	-	(415,743)	-	-	-	(415,743)
Dividends	24	-	-	-	-	-	-	-	(244,691,906)	(244,691,906)
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**(415,743)**	**-**	**-**	**(244,691,906)**	**(245,107,649)**
Other changes in equity										
Set up of legal reserves		-	-	-	-	-	-	15,035,395	(15,035,395)	-
Covering losses made in previous years		-	(354,842,710)	-	-	-	-	-	354,842,710	-
Release of revaluation re-serve to retained earnings due to depreciation and disposals of property, plant and equipment		-	-	-	-	-	(59,287)	-	59,287	-
Balance at December 31st 2015		**3,459,399,290**	**-**	**103,049,177**	**(75,372,435)**	**2,861,525**	**769,261**	**142,932,218**	**292,266,081**	**3,925,905,117**

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	Note	Subscribed and paid in share capital	Inflation adjustment to share capital	Share premium	Treasury shares	Capital contributions in kind from shareholders	Revaluation reserves	Legal reserves	Retained earnings	Total equity
Balance at December 31st 2013		**2,078,399,040**	**430,907,062**	**-**	**-**	**47,492,961**	**-**	**114,093,070**	**(317,248,563)**	**2,353,643,570**
Comprehensive income										
Profit		-	-	-	-	-	-	-	269,489,518	269,489,518
Other comprehensive income		-	-	-	-	-	828,548	-	(87,002)	741,546
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**828,548**	**-**	**269,402,516**	**270,231,064**
Transactions with owners of the Company										
Contributions and distri-butions										
Underwritings from the IPO, net	24	1,771,887,440	-	103,049,177	-	-	-	-	-	1,874,936,617
Acquisition of own shares treasury shares	24	-	-	-	(75,372,435)	-	-	-	-	(75,372,435)
Issue of ordinary shares in respect of land con-tributed by the share-holders	24	40,350,610	-	-	-	(44,215,693)	-	-	-	(3,865,083)
Dividends	24	-	-	-	-	-	-	-	(22,475,225)	(22,475,225)
Spin-off effect	23	(431,237,800)	(76,064,352)	-	-	-	-	-	(20,239,408)	(527,541,560)
Total transactions with owners of the Company		**1,381,000,250**	**(76,064,352)**	**103,049,177**	**(75,372,435)**	**(44,215,693)**	**-**	**-**	**(42,714,633)**	**1,245,682,314**
Other changes in equity										
Set up of legal reserves		-		-	-	-	-	13,803,753	(13,803,753)	-
Balance at December 31st 2014		**3,459,399,290**	**354,842,710**	**103,049,177**	**(75,372,435)**	**3,277,268**	**828,548**	**127,896,823**	**(104,364,433)**	**3,869,556,948**

The accompanying notes are an integral part of these separate financial statements.

	Note	2015	2014
Cash flows from operating activities			
Profit		**300,864,484**	**269,489,518**
Adjustments for:			
Depreciation	20	20,028,254	12,806,965
Amortisation	21	213,483	445,284
Impairment of investments in subsidiaries, net	22	-	4,674,871
Impairment / (Reversal of impairment) of trade and other receivables, net	18,20	(2,832,061)	2,469,481
Net finance income	10	(372,736,735)	(286,907,171)
Changes in provisions, net	27	31,250,650	(30,777,355)
Income tax – expense/(income)	15	(156,580)	6,585,537
		(23,368,505)	**(21,212,870)**
Changes in:			
Trade receivables		(23,028,726)	(48,019,061)
Other receivables		(631,077)	17,040,412
Trade payables		10,426,415	52,585,186
Other liabilities		(1,369,714)	(7,758,884)
Employee benefits		123,858	(1,629,302)
Cash used in operating activities		**(37,847,749)**	**(8,994,519)**
Interest paid		(38)	(34,807)
Net cash used in operating activities		**(37,847,787)**	**(9,029,326)**

(Continued on page 209)

	Note	2015	2014
Cash flows from investing activities			
Payments for purchases of property, plant and equipment		(22,560,889)	(31,416,511)
Payments for purchases of intangible assets		(1,034,480)	(325,147)
Proceeds from sale of other investments	23	-	140,920,000
Payments for purchase of treasury bills and government bonds		(4,093,998,000)	(1,194,250,628)
Proceeds from maturity of treasury bills and government bonds		3,240,481,000	295,598,291
Payments in deposits with initial maturity of 3 months or longer		(144,056,000)	(137,004,050)
Proceeds from deposits with initial maturity of 3 months or longer		136,704,000	-
Interest received		29,494,629	17,866,153
Dividends received	10	344,647,949	238,431,719
Net cash used in investing activities		**(510,321,791)**	**(670,180,173)**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	24	-	1,874,936,617
Re-purchase of treasury shares	24	-	(75,372,435)
Dividends paid	24	(244,084,165)	(22,475,225)
Cash transferred at spin off	23	-	(129,385,930)
Net cash from / (used in) financing activities		**(244,084,165)**	**1,647,703,027**
Net increase/(decrease) in cash and cash equivalents		**(792,253,743)**	**968,493,528**
Cash and cash equivalents at January 1st	19	1,075,619,774	107,126,246
Cash and cash equivalents at December 31st	**19**	**283,366,031**	**1,075,619,774**

The accompanying notes are an integral part of these separate financial statements.

General Manager
Ioan Roșca

CFO
Iuliana Andronache

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

1 Reporting entity

Electrica was originally incorporated as a company in 1998 by Government Decision no. 365/1998, following the restructuring of the former National Electricity Company (RENEL). On August 1st 2000, following the restructuring of the former National Electricity Company (CONEL) under the Government Decision no. 627/2000, the Company was allocated a new tax registration number, without changing the object of activity (distribution and supply of electricity in Romania). The registered office of the Company is 9, Grigore Alexandrescu Street, District 1, Bucharest, Romania. The Company has unique registration number 13267221 and Trade Register registration number J40/7425/2000.

As at December 31st 2015 the major shareholder of Electrica SA is the Romanian State, represented by the Ministry of Energy (48.78%), after the ownership dilution following an initial public offer. The next large shareholder is the European Bank for Reconstruction and Development with 8.66%.

As at December 31st 2015 and 2014, Electrica SA has the following shareholdings:

Subsidiary	Activity	Tax code	Head Office	% shareholding as at Dec 31st 2015	% shareholding as at Dec 31st 2014
Electrica Distributie Muntenia Nord SA	Electricity distribution in geographical area of Munte-nia Nord	14506181	Ploiesti	78.0000021%	78.0000021%
Electrica Distributie Transilvania Nord SA	Electricity distribution in geographical area of Transil-vania Nord	14476722	Cluj-Napoca	77.99999%	77.99999%
Electrica Distributie Transilvania Sud SA	Electricity distribution in geographical area of Transil-vania 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, con-struction)	17329505	Bucuresti	100%	100%
Servicii Energetice Munte-nia (In reorganization)	Services in the energy sector (maintenance, repairs, con-struction)	29384120	Bucuresti	100%	100%
Servicii Energetice Oltenia SA (In reorganization)	Services in the energy sector (maintenance, repairs, con-struction)	29389861	Craiova	100%	100%
Servicii Energetice Oltenia SA (In insolvency)	Services in the energy sector (maintenance, repairs, con-struction)	29386768	Bacau	100%	100%
Servicii Energetice Banat SA (In bankruptcy)*	Services in the energy sector (maintenance, repairs, con-struction)	29388211	Timisoara	100%	100%
Servicii Energetice Dobrogea SA (In bankruptcy)*	Services in the energy sector (maintenance, repairs, con-struction)	29388378	Constanta	100%	100%

**Electrica SA lost control over Servicii Energetice Banat in November 2014 and over Servicii Energetice Dobrogea in January 2015 as a consequence of starting the subsidiary's bankruptcy procedure (see Note 22).*

The Company's main activities

Currently, the core business of the Company, according to the Statute, annex to Government Decision no. 627/2000, consolidated, amended and supplemented, is the "Activities of business and management consulting." The Company also covers services on the balancing electricity market, trading and import-export.

According to the Commercial Code of the wholesale electricity market, the balancing market was introduced and began operating in Romania in July 2005. The purpose of this market is to allow the balance of the production and consumption of power in real time, using resources provided in a competitive system. Each participant at the wholesale market (producer, supplier, operator, eligible consumer) has the obligation to register at the Operator of the balancing market of CN Transelectrica SA as a Balance Responsible Party ("BRP") or to transfer his balancing responsibility to another licence holder registered as BRP. The Company operates as Balance Responsible Party for 110 license holders.

Initial public offering

The Government Decision no. 85/2013, amended and completed by Government Decision no. 477/2014 approved the privatization strategy of Electrica SA by initial public offer ("IPO"). The privatization strategy included the offer for sale of a 51% stake by issuance of new shares representing 105% of the existing share capital as at the date of the IPO. The shares were offered to both individual and institutional investors on the Romanian market, as well as to qualified investors on the US market and outside USA, and as Global Depository Receipts ("GDRs") on the UK market.

The IPO was organised between 11th and 27th June 2014 and entailed to an offering by the Company of 177,188,744 ordinary shares in the form of shares and in the form of GDRs, each GDR representing four shares. Following the IPO, the Company sold 142,007,744 shares and 8,795,250 GDRs, at the offer price of RON 11 per share and 13.66 USD per GDR. The allocation of shares and GDRs was concluded on June 27th 2014. The transfer of ownership rights to new shares and the collection of cash by the Company took place on July 2nd 2014. At the same date the increase in share capital was recorded in the Trade Register.

Starting July 4th 2014 the Company's shares are listed on the Bucharest Stock Exchange, and the GDRs are listed on the London Stock Exchange.

2 Basis of preparation

These individual financial statements have been prepared in accordance with the Minister of Public Finance Order no. 1286/2012 for approving the Accounting Regulations in accordance with International Financial Reporting Standards ("IFRS"), applicable to companies whose securities are admitted to trading on a regulated market, and related amendments ("OMPF 1286/2012"). In acceptance of OMPF 1286/2012, International Financial Reporting Standards are standards adopted under the procedure provided by the European Commission Regulation no. 1606/2002 of the European Parliament and of the Council of July 19th 2002 regarding the application of the international accounting standards.

They were authorized for issue by the Board of Directors on March 11th 2016. The financial statements will be submitted for shareholders' approval in the meeting scheduled on April 27th 2016.

3 Functional and presentation currency

These separate financial statements are presented in Lei (RON), which is the functional currency of the Company. All amounts are in RON, if not otherwise stated.

4 Use of judgements and estimates

In preparing these separate financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the separate financial statements is included below.

Commissions

Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Company.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve month period is

included in the following notes:
- Note 6 h) and j) – estimates regarding the useful lives of property, plant and equipment and of intangible assets;
- Notes 16 and 28 – assumptions and estimates about the recoverability of trade receivables;
- Note 20 - assumptions regarding the revalued amount of property, plant and equipment;
- Note 22 – assumptions and estimates regarding the valuation of shareholdings in the subsidiaries;
- Note 15 – recognition of deferred tax assets: availability of future taxable profit against which tax loss carried forward can be used;
- Notes 27 and 30 – recognition and measurement of provisions and contingencies;
- Note 13 – measurement of defined benefit obligations and other long-term employee benefits: key actuarial assumptions.
- Note 20 – determining whether an agreement contains a lease.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 20: Property, plant and equipment.

5 Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the land and buildings which are measured based on revaluation model.

6 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these separate financial statements.

(a) Revenue

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the company, and the amount of the revenue can be reliably measured. Revenue is recognized at the fair value of the services rendered or goods delivered, net of VAT, excises or other taxes related to the sale.

Rendering of services

Revenues related to services rendered are recognised in the period in which the services were rendered based on statements of work performed, regardless of when paid or received, in accordance with the accrual basis.

Sales of goods

Revenue from sale of goods is recognized when the goods are delivered and significant risks and rewards of ownership of the goods have passed to the buyer.

(b) Commissions

Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. If the Company acts in the capacity of an agent rather than as the principal in a transaction, then the income recognised is the net amount of commission earned by the Company.

(c) Finance income and finance costs

The Company's finance income and finance costs include:
- interest income;
- interest expense;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on financial assets (other than trade receivables).

Interest income or expense is recognised using the effective interest method.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date, as communicated by the National Bank of Romania. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that the future taxable profits will be available against which they can be used.

(g) Inventories

Inventories consist mainly of consumables and other inventories.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of the business, minus the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is based on the weighted average cost method. The cost of inventories includes all the acquisition costs and other expenses related to bringing the inventories to their current place and condition.

(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated initially at cost, which includes purchase price and other costs directly attributable to acquisition and bringing the asset to the location and condition necessary for their intended use. After initial recognition, land and buildings are measured at revalued amounts less any accumulated depreciation and any accumulated impairment losses since the most recent valuation.

The Company used the fair value as deemed cost for the tangible assets for the opening of the financial position.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.

When a building is revalued, the accumulated depreciation is eliminated against the gross carrying amount of that item, and the net amount is restated to the revalued amount of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Spare parts, stand-by and servicing equipment are classified as property, plant and equipment if they are expected to be used during more than one period or can be used only in connection with an item of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

Category	Useful lives
Buildings	60-70 (average 67 years)
Equipment	4-12 (average 7 years)
Vehicles, furniture and office equipment	3-10 (average 7 years)

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Intangible assets

(i) Recognition and measurement
Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.
The estimated useful lives of software and licenses are 3-5 years.
The amortisation method, the useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Assets held for distribution
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-distribution if it is highly probable that they will be recovered primarily through distribution rather than through continuing use.
Such assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs of distribution. Impairment losses on initial classification as held-for-distribution and subsequent gains and losses on re-measurement are recognised in profit or loss.

(k) Financial instruments
The Company classifies non-derivative financial assets into the following categories: loans and receivables and held to maturity investments and available-for-sale financial assets.
The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition
The Company initially recognises loans and receivables on the date when they are originated. Financial liabilities are initially recognised on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument.
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables
These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.
Loans and receivables comprise trade receivables, cash and cash equivalents and deposits, treasury bills and government bond.

Trade receivables
Trade receivables include mainly unsettled invoices issued until reporting date for the balancing electricity market settlements, late payment penalties and accrued revenue for the balancing electricity market settlements until the end of the year, but invoiced after the end of the year. Also trade receivables include invoices issued or to be issued to the subsidiaries for the rendered services.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits and deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the

Company in the management of its short-term commitments.

Held-to-maturity investments

Held-to-maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. Available-for-sale financial assets are initially recognized at fair value plus any directly attributable transaction costs.

After the initial recognition, they are measured at cost minus any impairment losses.

Financial assets available for sale for which there isn't an active market and it is not possible to reliably determine the fair value, are measured at cost and periodically tested for impairment.

Financial assets available for sale include investments in subsidiaries and investments in associates.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities include bank borrowings, bank overdrafts and trade payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified and presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(l) Impairment

(i) Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a company of financial assets.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and are reflected in an allowance account. The amounts are written off after the legal proceedings regarding the bankruptcy or liquidation of the customer are completed. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss, except for the property, plant and equipment measured at the revalued amount, in which case the impairment loss is recognised in other comprehensive income and decreases the revaluation reserve within equity to the extent that it reverses a previous revaluation surplus related to the same asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss other than on revalued assets is recognised in profit or loss. A reversal of an impairment loss on a revalued asset is recognised in profit or loss to the extent that it reverses an impairment loss on the same asset that was previously recognised as an expense in profit or loss. Any additional increase in the carrying amount of the asset is treated as a revaluation increase.

(m) Revaluation reserves

The difference between the revalued amount and the net carrying amount of property, plant and equipment is recognised as revaluation reserve included in equity.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised and accumulated in equity under the heading of revaluation reserve. However, the increase is recognised in profit and loss to the extent that it reverses a revaluation decrease of the same amount of the asset previously recognised in profit and loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognized in equity in revaluation reserves if there is any credit balance existing in the revaluation reserve in respect of that asset.

The revaluation reserve is transferred to retained earnings in an amount corresponding to the use of the asset (as the asset is depreciated) and upon disposal of the asset.

(n) Dividends

Dividends are recognized as a deduction from equity in the period in which their distribution is approved and recognised as a liability to the extent it is unpaid at the reporting date. Dividends are disclosed in the notes to financial statements when their distribution is proposed after the reporting date and before the date of the issuance of the financial statements.

(o) Capital contributions in kind from shareholders

These contributions from a shareholder (the Romanian State) represent pre-paid contributions of land for which the Company obtained title deeds in respect of future issuance of shares. The amounts recorded are based on the fair value of the land.

(p) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

(q) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes that, for a finance lease, it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

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

(ii) Leased assets
Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets and finance lease liability are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.
Assets held under other leases are classified as operating leases and are not recognised in the Company's individual statement of financial position.

(iii) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.
Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iv) Rent income
Rental income from property other than investment property is recognised as other income. Rental income is recognised on a straight-line basis over the term of the lease.

(r) Subsequent events
Events occurring after the reporting date December 31st 2015, which provide additional information about conditions prevailing at those reporting dates (adjusting events) are reflected in the separate financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting dates (non-adjusting events), when material, are disclosed in the notes to the separate financial statements. When the going concern assumption is no longer appropriate at or after the reporting period, the financial statements are not prepared on a going concern basis.

7 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1st 2015, and have not been applied in preparing these separate financial statements. None of the new standards is expected to have a significant impact on the Company's individual financial statements, except for „Equity Method in Separate Financial Statements (Amendments to IAS 27)". These amendments refer to the accounting of investments in subsidiaries, joint ventures and associates, either using the cost or, according to IFRS 9, or using the equity method, as described in IAS 28. The Company has not conducted the analysis in order to decide over the accounting method for investments in subsidiaries yet.

8 Revenue

	2015	2014
Supply energy in balancing market and day-ahead-market	**379,038,959**	**230,730,695**
Management and consultancy services for the sub-sidiaries	-	9,051,202
Revenues from services contracts with the subsidiar-ies related to the Automatic Meter Reading System (Note 20)	4,669,161	4,735,572
Total	**383,708,120**	**244,517,469**

9 Income and expenses

(a) Other income
Other income mainly include rent income and late payment penalties from customers.

(b) Purchased electricity
Electricity purchased include the cost of electricity purchased for settlements on balancing market and the day-ahead-market.

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

(c) Other operating expenses

	2015	2014
Rent	76,424	65,564
Repair and maintenance expenses	2,305,640	1,770,137
IT services	1,409,652	1,009,657
Postage and telecommunication	3,105,028	5,761,386
Penalties to the State for late payment of taxes	-	669,980
Other taxes and duties	495,698	1,590,988
Legal and consultancy fees	8,104,919	5,155,146
Bank commissions	501,554	1,932,248
Other	7,290,303	11,362,607
Total	**23,289,218**	**29,317,714**

10 Net finance income

	2015	2014
Interest income	26,379,877	19,090,471
Dividends Income	344,647,949	238,431,719
Foreign exchange gains	1,932,933	-
Other finance income	65,442	61,072
Total finance income	**373,026,201**	**257,583,262**
Interest expense	(38)	(34,807)
Interest cost for employee benefits (Note 13)	(93,404)	(147,286)
Foreign exchange losses	-	(1,801,036)
Other finance cost	(196,024)	(502,440)
Total finance costs	**(289,466)**	**(2,485,569)**
Gain from disposals of shares held in other entities	-	31,809,478
Net finance income	**372,736,735**	**286,907,171**

In 2015, the Company received a total amount of RON 344,647,949 as dividends from its subsidiaries (2014: RON 238,431,719).
On February 17th 2014 the Company sold part of the shares held in E.On Moldova Distributie and E.On Energie Romania to E.On following the exercise of call options by E.On. (see Note 23). The Company recognized this transaction as follows:

	Carrying amount
Sale price of share held in other entities	140,920,000
Carrying amount of share held in other entities	(109,110,522)
Gain from disposals of shares held in other entities	**31,809,478**

11 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

	2015	2014
Profit for the year attributable to the owners of the Company	300,864,484	269,489,518
Profit attributable to ordinary shareholders	**300,864,484**	**269,489,518**

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

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

	2015	2014
Issued ordinary shares at January 1st	**339,049,336**	**207,839,904**
Effect of shares issued in February	-	172,575
Effect of spin-off in April	-	(32,342,835)
Effect of shares issued in May	-	2,564,531
Effect of underwritings from the IPO in June	-	103,360,101
Effect of shares re-purchased in July	-	(3,445,297)
Weighted-average number of ordinary shares at December 31st*	**339,049,336**	**278,148,979**
Earnings per share		
Basic and diluted earnings per share (RON)	**0.89**	**0.97**

* The number of shares presented on the table above does not include the number of treasury shares.

12 Short-term employee benefits

	December 31st, 2015	December 31st, 2014
Personnel payables	1,509,846	1,164,359
Current portion of defined benefit liability and other long-term employee benefits	344,582	252,613
Social security charges	629,642	663,931
Tax on salaries	285,750	188,754
Termination benefits	114,881	-
Total	**2,884,701**	**2,269,657**

For details of the related employee benefit expenses, see Note 13.

In Romania, all employers and employees, as well as other persons, are contributors to the state social security system. The social security system covers pensions, allocations for children, temporary inability to work, risks of works and professional diseases and other social assistance services, unemployment benefits and incentives for employers creating new workplaces.

13 Post-employment and other long-term employee benefits

In accordance with Government Decisions no. 1041/2003 and no. 1461/2003, the Company provides benefits in kind in the form of free electricity to retired employees of the Company.
The Company also provides cash benefits to employees depending on seniority and years of service at retirement.
In 2015 and 2014, employee benefit obligations were computed by independent actuaries using the projected unit credit method with benefits calculated proportionally to period of service.

	December 31st, 2015	December 31st, 2014
Defined benefit liability	1,043,453	1,731,636
Other long-term employee benefits	1,096,717	1,511,720
Total	**2,140,170**	**3,243,356**
- Current portion*	344,582	252,613
- Non-current portion	1,795,588	2,990,743

**included in Personnel payables in Note 12*

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

(i) Movement in the defined benefit liability and other long-term employee benefits

The following tables shows a reconciliation from the opening balances to the closing balances for the defined benefit liability and other long-term employee benefits and its components. There are no plan assets.

Defined benefit liability	**2015**	**2014**
Balance at January 1st	**1,731,636**	**1,512,070**
Included in profit or loss		
Current service cost	38,417	70,506
Interest cost	45,575	76,064
	83,992	**146,570**
Included in other comprehensive income		
Re-measurements loss (gain)		
- Actuarial loss / (gain)	(703,969)	103,574
Other		
Benefits paid	**(68,206)**	**(30,578)**
Balance at December 31st	**1,043,453**	**1,731,636**

Other long-term employee benefits	**2015**	**2014**
Balance at January 1st	**1,511,720**	**1,415,839**
Included in profit or loss		
Current service cost	41,971	64,922
Actuarial loss /(gain)	(414,894)	18,684
Interest cost	47,829	71,222
Benefits paid	(89,909)	(58,947)
Balance at December 31st	**1,096,717**	**1,511,720**

(ii) Actuarial assumptions

The following were the principal actuarial assumptions at the respective reporting date:

(a) Macroeconomic assumptions:
• inflation. The actuaries used the Consumer Price Index (CPI) published by the Economist Intelligence Unit:

Year	**Valuation date December 31st, 2015**	**Valuation date December 31st, 2014**
2015	-	2.1%
2016	1.8%	3.2%
2017	2.5%	2.7%
2018	2.3%	2.5%
2019+	2.2%	-

• the discount rate used was the yield for Romanian government bonds maturing in 10 years at the reporting date of 4.75% for the year 2015 (2014: 4.5%);
• the electricity price per KWh used is 0.4847 RON at December 31st 2015 (2014: 0.464 RON/ KWh);
• the mortality rate published by the National Institute of Statistics was adjusted to allow for an anticipated decrease in mortality rates;
• taxes and social charges are those in force as at the reporting date.

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

(b) Company specific assumptions:

- salaries increase in line with the estimated inflation rates in the future periods;
- employees' turnover: turnover rates are based on statistical information regarding employees' mobility during 2003-2015. Considering historical retirement data, it is assumed that the personnel turnover rate decreases with the employees' age;
- jubilee and retirement bonuses based on seniority according to the collective labour contract, as follows:

Jubilee bonus based on years of service

Seniority	No. of gross monthly base salaries	
	December 31st, 2015	December 31st, 2014
20 years	0.8	0.8
30 years	1.6	1.6
35 years	2.4	2.4
40 years	3.2	3.2
45 years	4	4

Retirement bonus based on years of service in the Company

Vechime	No. of gross monthly base salaries	
	December 31st, 2015	December 31st, 2014
Between 8 and 10 years	1	1
Between 10 and 25 years	2	2
More than 25 years	3	3

In case the conditions related to years of service are met, the Company offers as benefit free electricity in quantity of 1,200 kWh per year to retired employees of the Company. In the event of pensioner's death, husband/wife is entitled to receive the same benefit until he/she will marry again.

Termination benefits

a. Termination benefits for individual lay-offs at the Company's initiative

In accordance with the Collective labour contract concluded between the Company and the Unions, when individual labour contract are terminated at the Company's initiative, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly base salaries
1 - 5 years	4
5 - 10 years	6
10 - 20 years	7
More than 20 years	10

b. Termination benefits for collective lay-offs at the Company's initiative

For collective lay-offs, according to the Collective labour contract, the Company will pay termination benefits to the employees depending on their period of service, as follows:

Seniority	No. of gross monthly base salaries
1 - 3 years	4
3 - 5 years	6
5 - 10 years	7
10 - 20 years	15
More than 20 years	20

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

Collective layoffs and termination benefits are only applicable subject to approval of a rectification of the budget, such that the approved salary fund for the year will not be affected by such measures.
The above mentioned stipulations do not apply to employees with individual labour contract concluded for a determined period. The above stipulations do not apply to employees that obtained other higher cumulative salary compensation rights, provided by legal regulations regarding the Company's reorganization and restructuring. Employees who are re-employed within the Company after layoff are not entitled to the above mentioned benefits.
The financial statements do not include any provision for liabilities relating to compensation payments because there isn't a present obligation in this regard.

c. Termination benefits for voluntary redundancies

According to the Collective labour contract from 13 August 2015 and to the Addendum on 1 October 2015, signed by the Company and the Union, in case the individual labour contracts are terminated as voluntary redundancy from the employee, the Company will pay termination benefits depending on their period to reach the standard retirement age, their period of service in the Company and their seniority. The number of gross monthly base salaries paid as termination benefits vary between 4 and 18.

14 Employee benefit expenses

	2015	2014
Average number of employees	138	139
Number of employees at December 31st	136	149

	2015	2014
Wages and salaries	12,819,916	13,288,226
Social security charges	2,598,117	3,140,154
Meal tickets	269,909	270,692
Termination benefits	948,951	-
Total	**16,636,893**	**16,699,072**

The termination benefits represent compensation for salary in case of employees' voluntary departure (see Note 13 c).
Management compensation is presented within Note 29 – Related parties.
In accordance with the changes in legislation, starting with October 2014 the social security contribution paid by the companies decreased by 5 percentage points from 20.8% to 15.8%. As a result the overall social charges paid by the Company decreased from 27.8% to 22.8%.

15 Income taxes

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. The Company considers that the accounting records for taxes due are adequate for all open tax years, based on assessment made by management taking into account various factors, including the interpretation of tax legislation and previous experience. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(i) Amounts recognised in profit or loss

	2015	2014
Deferred tax expense / (gains)	(156,580)	6,585,537
Total expense/ (gain) related to income tax	**(156,580)**	**6,585,537**

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

(ii) Amounts recognised in other comprehensive income

	2015			2014		
	Before tax	**Fiscal benefit (expense)**	**Net of tax**	**Before tax**	**Fiscal benefit (expense)**	**Net of tax**
Revaluation of property, plant and equipment	-	-	-	986,367	(157,819)	828,548
Re-measurement of defined benefit liability	703,969	(112,635)	591,334	(103,574)	16,572	(87,002)
Total	**703,969**	**(112,635)**	**591,334**	**882,793**	**(141,247)**	**741,546**

(iii) Reconciliation of effective tax rate

	2015		2014	
Profit before tax		**300,707,904**		**276,075,055**
Tax using Company's domestic tax rate	**16%**	**48,113,265**	**16%**	**44,172,009**
Non-deductible expenses	2%	4,655,583	1%	2,783,994
Non-taxable income	-18%	(55,143,672)	-14%	(38,149,075)
Deduction of legal reserves	0%	-	-1%	(2,208,600)
Current-year tax losses for which no deferred tax asset is recognised	1%	2,232,507	0%	-
Other tax effects	0%	(14,263)	0%	(12,791)
Income taxes – expense/(income)	**0%**	**(156,580)**	**2%**	**6,585,537**

Non-taxable income represents dividend income in the amount of RON 344,647,949 (2014: RON 238,431,719)

(iv) Movement in deferred tax balances

				Balance at December 31st 2015		
2015	**Net balance at January 1st 2015**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Deferred tax assets Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	2,953,090	(169,568)	-	2,783,522	-	2,783,522
Employee benefits	(386,508)	12,988	112,635	(260,885)	(260,885)	-
Tax loss carried forward	(9,772,271)	-	-	(9,772,271)	(9,772,271)	
Tax liabilities (assets) before set-off	**(7,205,689)**	**(156,580)**	**112,635**	**(7,249,634)**	**(10,033,156)**	**2,783,522**

				Balance at December 31st 2014		
2014	**Net balance at January 1st 2013**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Deferred tax assets Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant and equipment	2,812,489	(17,218)	157,819	2,953,090	-	2,953,090
Employee benefits	(359,163)	(10,773)	(16,572)	(386,508)	(386,508)	-
Tax loss carried forward	(16,385,799)	6,613,528	-	(9,772,271)	(9,772,271)	-
Tax liabilities (assets) before set-off	**(13,932,473)**	**6,585,537**	**141,247**	**(7,205,689)**	**(10,158,779)**	**2,953,090**

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

(v) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the 2015 tax loss, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom. Tax losses for which no deferred tax assets were recognised expire as follows:

	Tax losses	
Year when the tax loss was generated:	**2015**	**2014**
2015 (expiring in 2022)	13,953,169	-
Total	**13,953,169**	**-**

(vi) Income tax receivable

As at December 31st 2015 and 2014, income tax receivables include RON 16,915,950 which are under litigation with Autoritatea Nationala de Administrare Fiscala ("ANAF"). The Company has not recorded any impairment allowance for this amount as it is expected a favourable outcome.

16 Trade receivables

	December 31st, 2015	December 31st, 2014
Trade receivables, gross	745,268,376	758,094,020
Bad debt allowance	(667,736,915)	(670,398,254)
Total trade receivables, net	**77,531,461**	**87,695,766**

Receivables from related parties are presented in Note 29.

Trade receivables gross comprise:

	December 31st, 2015	December 31st, 2014
Electricity supply on the balancing market	83,032,806	94,359,475
Electricity receivables from clients in litigation, insol-vency and bankruptcy (Oltchim SA)	569,811,232	569,811,232
Late payment penalties from clients in litigation, insol-vency and bankruptcy (Oltchim SA)	88,968,313	88,968,313
Others	3,456,025	4,955,000
Total trade receivables, gross	**745,268,376**	**758,094,020**

A significant customer of the Company, until January 2012, was Oltchim SA (a state-controlled company), when the Company has transferred the contract with Oltchim to Electrica Furnizare SA. In January 2013 Oltchim became insolvent. Due to uncertainties regarding the recoverability of amounts owed by this customer, the Company recognized bad debt allowances to the total amount of receivables.
The movement in the bad debt allowance for trade receivables is as follows:

Bad debt allowance	**2015**	**2014**
Balance at January 1st	**670,398,254**	**667,928,773**
Impairment recognized	-	2,546,823
Impairment reversed	(2,661,339)	(77,342)
Balance at December 31st	**667,736,915**	**670,398,254**

For the ageing of trade receivables refer to Note 28.

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

17 Deposits, treasury bills and government bonds

	December 31, 2015	December 31, 2014
Deposits, treasury bills and government bonds denom-inated in RON with original maturity of more than three months	1,756,339,194	901,415,791
Deposits with maturity of more than three months	144,056,193	137,004,050
Total deposits, treasury bills and government bonds	**1,900,395,387**	**1,038,419,841**

Deposits, treasury bills and government bonds with original maturity of more than three months have an average interest rate (yield) of 0.93% at the following banks: Citibank Europe PLC Dublin, Raiffeisen Bank, BRD, Marfin Bank, ING Bank. The treasury bills and government bonds were classified as held to maturity investments.

18 Other receivables

	December 31st, 2015	December 31st, 2014
Interest receivable	60,425	3,175,177
Other receivables	27,285,805	26,676,226
Bad debt allowance	(14,290,005)	(14,460,727)
Total other receivables, net	**13,056,225**	**15,390,676**

Other receivables, net include loans granted by the Company to Electrica Serv (see Note 29).

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

Bad debt allowance	**2015**	**2014**
Balance at January 1st	**14,460,727**	**14,460,727**
Impairment recognized	795,686	
Impairment reversed	(966,408)	-
Balance at December 31st	**14,290,005**	**14,460,727**

19 Cash and cash equivalents

	December 31st, 2015	December 31st, 2014
Bank current accounts	11,205,203	1,544,632
Deposits with original maturities of less than 3 months	181,248,010	874,243,283
Cash in hand	47,403	19,508
Treasury bills and government bonds with origi-nal maturity of less than 3 months	90,865,415	199,812,351
Total cash and cash equivalents in the individ-ual statement of financial position and in the individual statement of cash flow	**283,366,031**	**1,075,619,774**

Cash and cash equivalents include treasury bills and government bonds denominated in RON of RON 90,865,415 (2014: RON 199,812,351) and an average interest rate (yield) of 0.56% p.a. (2014: 1.7% p.a.), at the following banks: Citibank Europe PLC Dublin, Raiffeisen Bank, BRD-CSG, Marfin Bank, ING Bank.

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

- Compensations between trade receivables and trade payables, especially related to the Company's subsidiaries, of RON 33,193,031 in 2015 (2014: RON 55,983,780)

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

20 Property, plant and equipment

The movements in property, plant and equipment in 2015 and 2014 were as follows:

	Land and land improvements	Buildings	Equipment	Vehicles, furniture and office equipment	Construction in progress	Total
Gross carrying amount						
Balance at January 1st 2014	**113,369,795**	**16,884,919**	**122,319,784**	**751,681**	**88,287,422**	**341,613,601**
Additions	9,265,658	-	396,256	-	34,996,860	44,658,774
Disposals	(33,638,211)	-	-	(8,127)	-	(33,646,338)
Revaluation recognized in other comprehensive in-come, net	449,420	536,947	-	-	-	986,367
Gross book value netted off against the accumulated de-preciation at revaluation	-	(663,294)	-	-	-	(663,294)
Revaluation of land contribution from the shareholders, net	(10,314,815)	-	-	-	-	(10,314,815)
Balance at December 31st 2014	**79,131,847**	**16,758,572**	**122,716,040**	**743,554**	**123,284,282**	**342,634,295**
Additions	-	-	892,742	-	25,130,148	26,022,890
Transfers from construction in progress	-	-	112,858,356	-	(112,858,356)	-
Disposals	(3,874,652)	-	(15,680)	(10,877)	-	(3,901,209)
Balance at December 31st 2015	**75,257,195**	**16,758,572**	**236,451,458**	**732,677**	**35,556,074**	**364,755,976**
Accumulated depreciation and impairment losses						
Balance at January 1st 2014	**-**	**459,012**	**25,640,787**	**674,852**	**12,465,531**	**39,240,182**
Depreciation	-	222,854	12,554,869	29,242	-	12,806,965
Disposals	-	-	-	(8,126)	-	(8,126)
Accumulated depreciation netted off against gross book value at revaluation	-	(663,294)	-	-	-	(663,294)
Balance at December 31st 2014	**-**	**18,572**	**38,195,658**	**695,967**	**12,465,531**	**51,375,727**
Depreciation	-	230,237	19,775,652	22,365	-	20,028,254
Disposals	-	-	(12,589)	(10,876)	-	(23,465)
Balance at December 31st 2015	**-**	**248,809**	**57,958,721**	**707,456**	**12,465,531**	**71,380,516**
Net carrying amounts						
Wednesday, January 1st, 2014	**113,369,795**	**16,425,907**	**96,678,997**	**76,829**	**75,821,891**	**302,373,419**
December 31st 2014	**79,131,847**	**16,740,000**	**84,520,382**	**47,587**	**110,818,751**	**291,258,568**
December 31st 2015	**75,257,195**	**16,509,763**	**178,492,737**	**25,221**	**23,090,543**	**293,375,460**

On December 31st 2015, the buildings and lands include the administrative offices of the Company and the corresponding land and the lands over which the Company has obtained title deeds and to be contributed to the share capital of the subsidiaries. The building is the administrative headquarters is of RON 16,360,119 of net book value and related land is worth RON 13,410,443 of net book at December 31st 2015.

Equipment and Construction in progress mostly include costs related to the implementation of the AMR system (Automatic Meter Reading). The Company has concluded four contracts for the implementation and development of the AMR system (Automatic Meter Reading) related to the electricity measuring and dispatch activity of the entire Group. In 2015 the Company put into operation a part of this investment, amounting to RON 112,581,009 (2014: RON 59,920,097). Another part of the investment, amounting to RON 21,524,137, is in the current assets as at December 31st 2015 (2014: RON 110,133,543). On December 31st 2015, the net capitalized amount regarding the system is RON 197,238,723.

Related to the AMR system the Company has concluded services agreements with the distribution subsidiaries. The main services provided relates to the direct data acquisition of subsidiaries by the personnel of the distribution subsidiaries using remote reading systems from electricity metering points, owned by the Company. The Company assessed whether the arrangement contains a lease and determined that does not contain a lease as distribution subsidiaries have no right to use specific assets, according to the contractual provisions.

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

Measurement of fair value

The following table shows the valuation techniques used in measuring fair values (Level 3) for the revaluation of land and buildings as of December 31st 2014, as well as the significant unobservable inputs used.

Category	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land	*Market approach* The fair value is estimated based on sell-ing price per square meter of land of similar characteristics (i.e. ownership, legal limitations, location, physical prop-erties, and best use). The market price is mainly based on recent transactions.	• Adjustment for liquidity, location, size	The estimated fair value would increase (decrease) if: • Adjustment for liquidity, location, size was lower (higher)
Buildings	*Market approach and discounted cash-flows (DCF) method* The market approach is based on the selling price per square meter for build-ings of similar characteristics, adjusted for liquidity, location, size etc. The valuation model based on the DCF method estimates the present value of net cash flows to be generated by a building taking into account occupancy rate and costs not paid by tenants. The discount rate estimation considers, inter alia, the quality of a building and its location.	• Occupancy rates (80-90%) • Discount rates (9.5% on average) • Costs not paid by tenants (average 10%) • Annual rent per sqm • Rental growth • Adjustment for liquidity, location, size	The estimated fair value would increase (decrease) if: • Occupancy rates were higher (lower) • Discount rates were lower (higher) • Costs not paid were lower (higher) • Annual rent per sqm was higher (lower) • Rental growth was higher (lower) • Adjustment for liquidity, location, size was lower (higher)

21 Intangible assets

Intangible assets include mainly intangible assets related licenses and costs of implementation of SAP ERP, as follows:

	Software and licenses	Intangible assets in progress	Total
Gross carrying amount			
Balance at January 1st 2014	**2,539,758**	**325,436**	**2,865,194**
Additions	-	325,147	325,147
Transfers from intangibles in progress	282,600	(282,600)	-
Balance at December 31st 2014	**2,822,358**	**367,983**	**3,190,341**
Additions	112,004	922,476	1,034,480
Transfers from intangibles in progress	1,290,459	(1,290,459)	-
Balance at December 31st 2015	**4,224,821**	**-**	**4,224,821**
Accumulated depreciation and impairment losses			
Balance at January 1st 2014	**2,067,391**	**-**	**2,067,391**
Depreciation	445,284	-	445,284
Balance at December 31st 2014	**2,512,675**	**-**	**2,512,675**
Depreciation	213,483	-	213,483
Balance at December 31st 2015	**2,726,158**	**-**	**2,726,158**
Net carrying amounts			
January 1st, 2014	**472,367**	**325,436**	**797,803**
December 31st 2014	**309,683**	**367,983**	**677,666**
December 31st 2015	**1,498,663**	**-**	**1,498,663**

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

22 Investments in subsidiaries

The situation regarding the investments in subsidiaries is presented as follows:

	December 31st, 2015		December 31st, 2014	
	Gross value	Bad debt allowance	Gross value	Bad debt allowance
Electrica Distributie Muntenia Nord SA	322,729,680	-	322,729,680	-
Electrica Distributie Transilvania Nord SA	336,460,800	-	336,460,800	-
Electrica Distributie Transilvania Sud SA	383,398,860	-	383,398,860	-
Electrica Furnizare SA	57,695,820	-	57,695,820	-
Electrica Serv SA	445,743,000	(144,849,133)	442,284,000	(144,849,043)
Servicii Energetice Banat SA	43,761,094	(43,761,094)	43,761,094	(43,761,094)
Servicii Energetice Dobrogea SA	23,822,124	(23,822,124)	23,822,124	(23,822,124)
Servicii Energetice Muntenia SA	29,640,430	-	29,640,430	-
Servicii Energetice Moldova SA	106,162,492	(106,162,492)	106,162,492	(106,162,492)
Servicii Energetice Oltenia SA	82,033,220	(82,033,220)	82,033,220	(82,033,220)
Total	**1,831,447,520**	**(400,628,063)**	**1,827,988,520**	**(400,627,973)**

	Investments in the subsidiaries, net value	
	Thursday, December 31st, 2015	Wednesday, December 31st, 2014
Electrica Distributie Muntenia Nord SA	322,729,680	322,729,680
Electrica Distributie Transilvania Nord SA	336,460,800	336,460,800
Electrica Distributie Transilvania Sud SA	383,398,860	383,398,860
Electrica Furnizare SA	57,695,820	57,695,820
Electrica Serv SA	300,893,867	297,434,957
Servicii Energetice Muntenia SA	29,640,430	29,640,430
Total investments in subsidiaries	**1,430,819,457**	**1,427,360,547**

According to the Government Decision no. 760/21.07.2010, at the beginning of 2012 Electrica Serv subsidiary was reorganized for the purpose of separating the non-profitable branches. Consequently, five new companies fully owned by Electrica SA were set-up, as follows: SC Servicii Energetice Banat SA, SC Servicii Energetice Dobrogea SA, SC Servicii Energetice Moldova SA, SC Servicii Energetice Oltenia SA and SC Servicii Energetice Muntenia SA.

In year 2013 the Company approved the liquidation of Servicii Energetice Moldova, Servicii Energetice Banat and Servicii Energetice Dobrogea. For Servicii Energetice Banat, Timis Court has decided the opening of the simplified insolvency procedure. The bankruptcy of Servicii Energetice Banat was declared in November 2014. On January the 22nd 2015, Constanţa Court decided the opening of the simplified insolvency procedure for Servicii Energetice Dobrogea. On January the 22nd 2016, Bacau Court decided the opening of the simplified insolvency procedure for Servicii Energetice Moldova.

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

Having in view the above-mentioned, during year 2012 the Company recognized Impairment of investments (amount to RON 173,745,710) representing the investments value in the following subsidiaries Servicii Energetice Moldova, Servicii Energetice Banat and Servicii Energetice Dobrogea. During year 2013 the Company increased the Impairment of investments with RON 82,033,220, representing the value of investments in Servicii Energetice Oltenia. The Company did not adjusted the carrying amount of the investments in Servicii Energetice Muntenia as long this amount is deemed to be recoverable, taking into account the significant asset base of this company and the fact that its net assets have positive value.

As regarding Electrica Serv, the Company recognized Impairments, based on the valuation report prepared by an independent valuator and having as purpose the assessment of the recoverable value of the shares in Electrica Serv SA. The valuator used the discounted cash flows (DCF) method. The model envisages both the asset exploitation potential, based on the current activity and the assets outside exploitation.

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

23 Spin-off

Based on the Extraordinary General Shareholders decision dated March 20th 2014 and the resolution of the Bucharest Court dated April 10th 2014, the Company recognised the spin-off of the Company's shareholdings to a new company - „Societatea de Administrare a Participatiilor in Energie SA" - wholly owned by the Ministry of Energy, Small and Medium-sized Enterprises and Business Environment. The spin-off referred to the transfer of the shares held by the Company in 10 entities (Enel Distributie Muntenia, Enel Energie Muntenia, Enel Distributie Banat, Enel Distributie Dobrogea, Enel Energie, E.On Moldova Distributie, E.On Energie, Electrica Soluziona, Hidro Tarnita and BRM). The investments included equity accounted investees and other investments and were classified as assets held for distribution as at December 31st 2013.

Assets held for distribution	Carrying amount at December 31st 2013	Percentage ownership interest
Enel Distributie Muntenia	77,139,794	23.57%
Enel Energie Muntenia	10,519,062	23.57%
Enel Distributie Banat	100,527,111	24.87%
Enel Distributie Dobrogea	85,763,375	24.90%
Enel Energie	58,498,737	36.99%
E.On Distributie	166,080,960	27.00%
E.On Energie	8,590,613	3.78%
Electrica Soluziona	49,000	49.00%
Hidro Tarnita	57,500	50%
BRM	40,000	
Total assets held for distribution	**507,266,152**	

The balance sheet items transferred at spin-off are as follows:

	Carrying amount
Assets held for distribution	398,155,630
Cash and cash equivalents	129,385,930
Total	**527,541,560**
Share capital	507,302,152
Retained earnings	20,239,408
Total	**527,541,560**

On February 17th 2014 (before the spin-off) the Company sold part of the shares held in E.On Moldova Distributie and E.On Energie Romania to E.On following the exercise of call options by E.On. E.On paid the exercise price of RON 140,920,000 to the Company.

Cash received from transaction with E.ON less the directly attributable costs were transferred to Societatea de Administrare a Participatiilor in Energie SA (RON 129,385,930).

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

24 Capital and reserves

(a) Share capital and share premium

The issued share capital in nominal terms consists of 345,939,929 ordinary shares at December 31st 2015 (2014: 345,939,929) with a nominal value of RON 10 per share. 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 meetings of the Company.
Changes in the number of shares:

	2015	2014
Number of shares at January 1st	345,939,929	207,839,904
Shared issued during the year	-	181,223,805
Decrease in the number of shares due spin-off	-	(43,123,780)
Number of shares at December 31st	**345,939,929**	**345,939,929**

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 shareholders which are not yet registered with the Trade Register at year end are recognized as pre-paid capital contributions from shareholders.
Between 11th and 27th June 2014 the Company organised an IPO, which entailed to an offering of 142,007,744 shares and 8,795,250 GDRs, each GDR representing four shares (see also Note 1). The subscriptions amounted to RON 1,556,094,600 and USD 120,143,115. On 2 July 2014 the increase of share capital by 177,188,744 ordinary shares was recorded in the Trade Register. Consequently, the Company recognized an increase of share capital of RON 1,771,887,440 and a share premium of RON 171,128,062. The transaction costs of RON 68,078,885 thousand were deducted from the share premium.
Until December 31st 2003, the statutory share capital in nominal terms was restated according to IAS 29 "Financial Reporting in Hyperinflationary Economies" with a corresponding adjustment to retained earnings.
The General Meeting's of Shareholders decision no. 1/27.04.2015 approved the use of the amount known as "Inflation adjustment to share capital" to cover the accounting loss reported according to OMVFP 1286/2012.

(b) Treasury shares

In July 2014 the Company purchased 5,206,593 ordinary shares and 421,000 Global Depositary Receipts, equivalent to 1,684,000 shares. The total amount paid for acquiring the shares and Global Depositary Receipts was RON 75,372,435.

(c) Revaluation reserves

The reconciliation between opening and closing revaluation reserve is as follows:

	2015
Balance at January 1st	828,548
Release of revaluation reserve to retained earnings due to depreciation and disposals of property, plant and equipment	(59,287)
Balance at December 31st	**769,261**

(d) Legal reserves

The Legal reserves are set up as 5% of the gross profit, until the total legal reserves reach 20% of the paid-up nominal share capital of the Company, according to the legislation. These reserves are deductible for income tax purposes and are not distributable.

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

(e) Dividends

The dividends distributed by the Company in 2015 and 2014 (from the statutory profits of preceding years) were as follows:

	2015	2014
Distributed dividends	244,691,906	22,475,225

The dividends per share paid to the owners of the Company were: RON 0.7217 per share (2014: RON 0.108 per share).
Out of the dividends declared by the Company of RON 244,691,906 the dividends paid were RON 244,084,165, the remaining difference represents dividends unclaimed by the shareholders from the Depositary.

25 Trade payables

	December 31st, 2015	December 31st, 2014
Electricity suppliers	35,737,272	73,665,026
Non-current assets suppliers	18,995,707	3,547,546
Other suppliers	5,900,739	6,187,762
Total	**60,633,718**	**83,400,334**

Electricity suppliers are mainly related parties, as detailed in Note 29. Other suppliers include suppliers of services, materials, consumables etc.

26 Other liabilities

	December 31st, 2015		December 31st, 2014	
	Current	Non-current	Current	Non-current
Payables to the State budget	5,840,517	-	8,386,846	-
Other liabilities	1,791,673	-	276,591	-
Total	**7,632,190**	**-**	**8,663,437**	**-**

Other liabilities include mainly guarantees and sundry creditors. Other non-current liabilities refer mainly to an instalment transaction for a liability representing late payment of the invoices for electricity supply.

27 Provisions

	Litigations and other risks
Balance at December 31st 2015	-
Provisions raised	31,250,650
Balance at December 31st 2015	**31,250,650**

Provisions refer mainly to litigations with the National Agency for Fiscal Administration (ANAF), referring to late payment penalties claimed by ANAF. The company recognized a RON 31,250,650 provision related to the unfavourable sentence 1029/17.04.2015.

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

28 Financial instruments - fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and 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.

December 31st, 2015	Note	Carrying amount			
		Receivables and loans	Held-to-maturity investments	Other financial liabilities	Total
Financial assets not measured at fair value					
Trade receivables	16	77,531,461	-		77,531,461
Other receivables	18	12,821,074	-		12,821,074
Deposits, treasury bills and government bonds	17	-	1,900,395,387		1,900,395,387
Cash and cash equivalents	19	283,366,031	-		283,366,031
Total		**373,718,566**	**1,900,395,387**		**2,274,113,953**
Financial liabilities not measured at fair value					
Trade payables	25			60,633,718	60,633,718
Total				**60,633,718**	**60,633,718**

December 31st, 2014	Note	Carrying amount			
		Receivables and loans	Held-to-maturity investments	Other financial liabilities	Total
Financial assets not measured at fair value					
Trade receivables	16	87,695,766	-		87,695,766
Other receivables	18	12,209,901	-		12,209,901
Deposits, treasury bills and government bonds	17	-	1,038,419,841		1,038,419,841
Cash and cash equivalents	19	1,075,619,774	-		1,075,619,774
Total		**1,175,525,441**	**1,038,419,841**		**2,213,945,282**
Financial liabilities not measured at fair value					
Trade payables	25			83,400,334	83,400,334
Total				**83,400,334**	**83,400,334**

(b) Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk.

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, cash and cash equivalents, bank deposits and treasury bills and government bonds.

The Company has a high credit risk mainly from State-owned companies. Until 2012, the Company had a concentration of credit risk with Oltchim SA, company that became insolvent (see Note 16). Currently, the Company consider that credit risk exposure has significantly diminished.

Cash, bank deposits, treasury bills and government bonds are placed in financial institutions, which are considered to have minimal risk of default.

The carrying amount of financial assets represents the maximum credit exposure.

Trade receivables

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

Impairment

The ageing of trade receivables was as follows:

	December 31st, 2015		December 31st, 2014	
	Gross value	**Bad debt allowance**	**Gross value**	**Bad debt allowance**
Neither past due nor impaired	41,487,637	-	83,382,090	-
Past due 1-90 days	27,556,241	-	743,587	-
Past due 90-180 days	8,088,743	-	498,036	-
Past due 180-360 days	399,034	(194)	3,072,053	-
Past due 1-2 years	474,206	(474,206)	3,804,652	(3,804,652)
Past due 2-3 years	104,441	(104,441)	34,542,103	(34,542,103)
Past due more than 3 years	667,158,074	(667,158,074)	632,051,499	(632,051,499)
Total	**745,268,376**	**(667,736,915)**	**758,094,020**	**(670,398,254)**

Bad debt allowance related to Oltchim SA.

	Net trade receivables	
	Thursday, December 31st, 2015	**Wednesday, December 31st, 2014**
Neither past due nor impaired	41,487,637	83,382,090
Past due 1-90 days	27,556,241	743,587
Past due 90-180 days	8,088,743	498,036
Past due 180-360 days	398,840	3,072,053
Total	**77,531,461**	**87,695,766**

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities. The Company also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables.

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

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments.

Financial liabilities	Carrying value	Contractual cash flowse	
		Total	**less than 1 year**
Thursday, December 31st, 2015			
Trade payables	60,633,718	60,633,718	60,633,718
Total	**60,633,718**	**60,633,718**	**60,633,718**
Wednesday, December 31st, 2014			
Trade payables	83,400,334	83,400,334	83,400,334
Total	**83,400,334**	**83,400,334**	**83,400,334**

(iii) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates– will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the functional currency of the Company. The functional currency of the Company is the Romanian Leu (RON).

The currencies in which these transactions are primarily denominated are RON and EUR. The Company also has deposits and bank accounts denominated in foreign currency (EUR). The Company's policy is to use the local currency in its transactions as far as practically possible. The Company does not use derivative or hedging instruments.

Exposure to currency risk

The summary quantitative data about the Company's exposure to currency risk is as follows:

	December 31st, 2015	**December 31st, 2014**
	EUR	EUR
In RON	EURO	EURO
Cash and cash equivalents	10,241,023	10,137,641
Deposits (deposits, treasury bills and government bonds)	**139,580,825**	**136,704,050**
Net statement of financial position exposure	**149,821,848**	**146,841,691**

The following significant exchange rates have been applied during the year:

	Average rate		**Year-end spot rate**	
RON	**2015**	**2014**	**2015**	**2014**
EUR 1	4.4450	4.4446	4.5245	4.4821

Sensitivity analysis

A reasonably possible strengthening (weakening) of the EUR against RON at December 31st would have affected the measurement of financial instruments denominated in a foreign currency and profit before tax, and affected equity, respectively, by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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

	Profit before tax	
Effect	**Strengthening**	**Impairment**
December 31st, 2015		
EUR (5% movement)	7,491,092	(7,491,092)
December 31st, 2014		
EUR (5% movement)	7,342,085	(7,342,085)

Interest rate risk

The Company does not have significant long-term bank loans.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

	December 31st, 2015	December 31st, 2014
Fixed-rate instruments		
Financial assets		
Bank deposits (cash and cash equivalent)	181,248,010	874,243,283
Deposits, treasury bills and government bonds	1,900,395,387	1,038,419,841
	2,081,643,397	**1,912,663,124**

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

29 Related parties

(a) Main shareholders

As at December 31st 2015, the Romanian State, represented by the Ministry of Energy, Small and Medium-sized Enterprises and Business Environment holds 48.78% of the Company's share capital. The next large shareholder is the European Bank for Reconstruction and Development with 8.66%.

Management and administrators' compensation

	2015	2014
Management compensation	**1,483,880**	**821,012**

In 2014 management compensations included only one manager with mandate contract for Electrica SA, however starting with August 2015 two more managers were included in the disclosure above, and starting October 2015 one more manager was included. As at December 31st 2015 the Company has four managers with mandate contracts.

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

	2015	2014
Members of Board of Directors	863,361	915,885
Representatives in the General Meeting of Shareholders	-	8,389
Total	**863,361**	**924,274**

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

Until December 14th 2015 the Board of Directors of Electrica SA comprised 5 members and afterwards 7 members. The decrease in the remuneration of the members of the Board of Directors is due to the limits imposed by the shareholders within the August 22nd 2014 General Meeting of Shareholders.

No loans were granted to managers or administrators in 2015 and 2014.

(c) Transactions with the subsidiaries

(i) Balance of receivables and payables from / to subsidiaries:

	Receivables balance from:		Payables balance to:	
	December 31st, 2015	December 31st, 2014	December 31st, 2015	December 31st, 2014
Electrica Furnizare	5,321,472	14,177,389	830,343	1,624,698
Electrica Muntenia Nord Distributie	4,392,453	13,807,379	1,522,087	201,646
Electrica Transilvania Nord Distributie	3,696,938	7,428,076	638,824	940,609
Electrica Transilvania Sud Distributie	2,244,875	6,860,197	390,440	200,318
Electrica Serv	10,429,579	10,962,160	370,089	1,307,532
Servicii Energetice Banat	214,006	214,006	-	-
Servicii Energetice Moldova	147,305	147,305	-	-
Servicii Energetice Dobrogea	105,426	105,426	-	-
Servicii Energetice Muntenia	2,952	320,026	-	-
Servicii Energetice Oltenia	320,025			
Total	**26,875,031**	**54,021,962**	**3,751,784**	**4,274,803**

Receivables and payables from/to electricity distribution and supply subsidiaries mainly include, receivables/ payables from electricity supply, mainly from settlements on the balancing market.

Receivables from the subsidiary Electrica Serv are mainly represented by loans granted by the company to Electrica Serv, being at maturity and which were not received. The Company estimates that in the following period this amounts will be received, taking into account the improvement of Electrica Serv financial position.

(ii) Transactions with the subsidiaries:

	Sales in 2015	Sales in 2014	Purchases in 2015	Purchases in 2014
Electrica Furnizare	59,726,555	71,166,230	13,513,298	21,029,810
Electrica Muntenia Nord Distributie	42,850,446	28,736,574	16,176,868	1,916,777
Electrica Transilvania Nord Distributie	25,151,596	20,380,439	10,415,814	1,062,056
Electrica Transilvania Sud Distributie	16,497,151	15,177,388	9,379,110	1,738,183
Electrica Serv	807,297	3,928,571	1,796,940	2,970,456
Total	**145,033,045**	**139,389,203**	**51,282,030**	**28,717,283**

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

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

In 2015 the Company had sale and purchase transactions mainly with the following companies:

	Net Receivables balance at December 31st, 2015	Payables balance at December 31st, 2015	Sales 2015	Purchases 2015
Transelectrica	1,376,440	23,719,925	6,075,370	317,210,185
CET Braila	3,656,056	-	-	-
Complexul Energetic Oltenia	-	-	-	197,326
OPCOM	-	31,496	-	56,692
CET Grivita	2,161	22,176	79,641	194,727
ANRE	-	-	-	188,235
ANCOM	-	-	-	131,402
ICPE	396,998	4,748	386,225	79,648
Others	28,346	20,444	217,622	223,042
TOTAL	**5,460,001**	**23,798,789**	**6,758,858**	**318,281,257**

The transactions with Transelectrica represent the energy imbalances from the balancing market. The transactions with Transelectrica have significantly increased in 2015 mostly due to an increase in the number of costumers for which the Company is responsible with rebalancing.

In 2014 the Company had sale and purchase transactions mainly with the following companies controlled by state:

	Net Receivables balance at December 31st, 2014	Payables balance at December 31st, 2014	Sales 2014	Purchases 2014
Transelectrica	669,015	18,900,021	12,530,551	162,058,079
OPCOM	-	12,524	117,127	30,650
Complexul Energetic Oltenia	-	5,802,674	-	-
Electrocentrale Oradea	-	-	552,615	617,797
Others	382,917	28,742	911,047	1,006,441
TOTAL	**1,051,932**	**24,743,961**	**14,111,340**	**163,712,967**

Transactions refer mainly to purchase and sales on the balancing market.

30 Contingencies

(a) Litigation and claims

The Company is involved in various litigations; the most significant are the followings:

- The Company was sued by Termoelectrica, claiming the payment of RON 25,047,353 representing penalties related to certain invoices, for the period April 1st, 2007 – March 31st, 2008. The court rejected the application based on cause, so Termoelectrica appealed the decision. Until the date of the financial statements, the court has not issued a response. The Company expects a favourable outcome for this case and in consequence, no provisions were registered.
- The Company was sued by Hidroelectrica, which requires the payment of RON 5,444,761 and other damages, representing the damages claimed for the sale of electricity at a price estimated by the defendant as below the cost of energy production in some cases and, at a price which led to unrealized benefits, in other cases.

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

(b) Fiscal environment

Tax audits are frequent in Romania, consisting of detailed verifications of the accounting records of tax payers. Such audits sometimes take place after months, even years, from the date liabilities are established. Consequently, companies may be found liable for significant taxes and fines. Moreover, tax legislation is subject to frequent changes and the authorities demonstrate inconsistency in interpretation of the law. Income tax returns may be subject to revision and corrections by tax authorities, generally for a five year period after they are completed.
The management of the Company believes that adequate provisions were recorded for all significant tax obligations.

(c) Transfer prices

According to the fiscal legislation, the fiscal assessment for a transaction with affiliates is based on the market price concept for that transaction. Based on this concept, the transfer prices must be adjusted in order to reflect the market prices established between the entities having no affiliation relation and which act independently, based on "normal market conditions".
Likely, verifications of the transfer prices may be done in the future by the fiscal authorities, in order to establish if these prices are respecting the principle of the "normal market conditions" and that the tax base for Romanian taxpayer is not distorted.

31 Commitments

Guarantees and pledges

At December 31st, 2015 the Company has outstanding bank letters of guarantee as follows:

Bank	Beneficiary	Value	Currency	Issue Date	Expiry Date
ING Bank BV	Transelectrica	27,000,000	RON	10/10/2013	10/10/2016
BCR	OPCOM	300,000	RON	3/23/2015	3/31/2016

Contractual commitments

The Company has the following contractual commitments as at December 31st 2015:

	Amount
Purchase of property, plant and equipment and intangible assets	14,842,000

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Independent Auditors' Report
(free translation[1])

To the shareholders of
Societatea de Distributie si Furnizare a Energiei Electrice Electrica S.A.

Report on the Individual Financial Statements

1 We have audited the accompanying individual financial statements of Societatea de Distributie si Furnizare a Energiei Electrice Electrica S.A. ("the Company"), which comprise the individual statement of financial position as at 31 December 2015, the individual statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Individual Financial Statements

2 Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the Order of the Vice-prime minister, Minister of Public Finance no. 1286/2012 for the approval of accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market, and related amendments ("OVMPF no. 1286/2012"), and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3 Our responsibility is to express an opinion on these individual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the individual financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the individual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the individual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

Fiscal registration code RO12997279
Trade Registry no.J40/4439/2000
Share Capital 2,000 RON

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policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the individual financial statements give a true and fair view of the individual financial position of the Company as at 31 December 2015, and of its individual financial performance and its individual cash flows for the year then ended, in accordance with OVMPF no. 1286/2012.

Other Matters

7 This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for the report on the individual financial statements and the report on administrators' report, or for the opinion we have formed.

Report on Administrators' Report

The Administrators are responsible for the preparation and presentation of the Administrators' Report in accordance with OVMPF no. 1286/2012, articles 10-12 of the accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market, and for such internal control as Administrators determine is necessary to enable the preparation and presentation of Administrators' Report that is free from material misstatement, whether due to fraud or error.

The Administrators' Report presented from page 1 to 55 is not part of the individual financial statements.

Our opinion on the individual financial statements does not refer to the Administrators 'Report.

In connection with our audit of the individual financial statements as at and for the year ended 31 December 2015, we have read the Administrators' Report attached to the individual financial statements, and based on this we report that:

a) in the Administrators' Report we have not identified information which is not in accordance, in all material respects, with the information presented in the accompanying individual financial statements;

b) the Administrators' Report identified above includes, in all material respects, the information required by the OVMPF no. 1286/2012, articles 10-12 of the accounting regulations conforming to International Financial Reporting Standards, applicable to companies whose securities are traded on a regulated market.

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In addition, based on our knowledge and understanding of the entity and its environment acquired during our audit of the individual financial statements as at and for the year ended 31 December 2015, we have not identified historical financial information included in the Administrators' Report, and information included in the section *"Description of the main characteristics of internal control and risk management systems related to the financial reporting"* of the Administrators' Report that contains a material error.

The Administrators' Report includes financial forecasts based on assumptions regarding potential future events or future actions of the management, and also includes operational data. Financial forecasts and operational data are not included within the scope of the audit of the financial statements and, as a result, our report does not refer to such information included in the Administrators' Report.

For and on behalf of KPMG Audit S.R.L.:

Mikael Olsson	**KPMG Audit S.R.L.**
	KPMG Audit SRL
registered with the Chamber of Financial Auditors of Romania under no 662/2001	registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 11 March 2016

STATUS OF COMPLIANCE

with the new Bucharest Stock Exchange Corporate Governance Code as of February 29th 2016

CURRENT REPORT - STATUS OF COMPLIANCE WITH THE NEW BUCHAREST STOCK EXCHANGE CORPORATE GOVERNANCE CODE AS OF FEBRUARY 29TH 2016

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
Section A	**Responsibilities**			
A.1.	All companies should have internal regulation of the Board which includes terms of reference/ responsibilities for Board and key management functions of the company, applying, among others, the General Principles of this Section.	YES		ELSA CGC, adopted in February 2015 and published on the company's website, includes the Articles of Association of ELSA, the Charter of the BoD and of its committees. All the above mentioned documents encompass the terms of reference/the BoD's responsibilities, as well as those of the company's key management.
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		Such provisions are mentioned in ELSA's CGC, in the Articles of Association, in the Code of Ethics, as well as in the Charter of the Strategy, Restructuring and Corporate Governance committee.
A.3.	The Supervisory Board should have at least five members.	YES		ELSA's BoD comprises seven members since 14 December 2015.
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice and according to the following criteria:A.4.1. Not to be the CEO/executive officer of the company or of a company controlled by it and not have been in such position for the previous 5 years;A.4.2. Not to be an employee of the company or of a company controlled by it and not have been in such position for the previous five (5) years;A.4.3. Not to receive and not have received additional remuneration or other advantages from the company or from a company controlled by it, apart from those corresponding to the quality of non-executive director;A.4.4. Is not or has not been an employee of, or has not or had not any contractual relationship, during the previous year, with a significant shareholder of the company, controlling more than 10% of voting rights or with a company controlled by it; A.4.5. Not to have and not have had during the previous year a business or professional relationship with the company or with a company controlled byit, either directly or as a customer, partner, shareholder, member of the Board/ Director, CEO/ executive officer or employee of a company having such a relationship if, by its substantial character, this relationship could affect his/her objectivity;A.4.6. Not to be and not have been in the last three years the external or internal auditor or a partner or salaried associate of the current external financial or internal auditor of the company or a company controlled by it;A.4.7. Not to be a CEO/executive officer in another company where another CEO/executive officer of the company is a non-executive director;A.4.8. Not to have been a non-executive director of the company for more than twelve years;A.4.9. Not to have family ties with a person in the situations referred to at points A.4.1. and A.4.4.	YES		All the members of ELSA's BoD are non-executive.Four out of seven are independent members.All the independent members submitted a declaration of independence, when they were nominated as candidates by the shareholders. The declaration was made in accordance with the criteria included in the company's Articles of Association, which are similar with those detailed by the Code.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non- executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		The professional biography of each Board member is published on ELSA's website in the IR>AGA section.
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	NO	The need for such statements will be brought to BoD's attention within the first Board meetings of 2016. Further information on this matter will be provided by the company.	
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		The company has a General Secretariat, which functionally reports to the BoD.
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/ guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	YES		The A.8 provision was followed during the previous BoD's mandate (which ended on 14 December 2015). Further details on complying with this provision are presented in the 2015 Annual Report, chapter 6.2 - BoD and its committees' activity.
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		The A.9 provision was followed during the previous BoD's mandate. Further details on complying with this provision are presented in the 2015 Annual Report, chapter 6.2 - BoD and its committees' activity.
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES		Four out of seven members of the BoD are independent.
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	YES		The A.11 provision was followed during the previous BoD's mandate. Additionally, the Articles of Association and ELSA's CGC highlight the existence of this committee, its structure and responsibilities.The committee and its structure was established in the first meeting of the new BoD (elected on 14 December 2015), meeting which took place on 13 January 2016. The committee composition is: Mr. Bogdan Iliescu, Ms. Arielle Malard de Rothschild and Ms. Corina Popescu. Two members are independent.
Section B	**Risk management and internal control system**			
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		The B.1 provision was followed during the previous BoD's mandate. Additionally, the Articles of Association and ELSA's CGC highlight the existence of this committee, its structure and responsibilities. The committee and its structure was established in the first meeting of the new BoD (elected on 14 December 2015), meeting which took place on 13 January 2016. The committee composition is: Mr. Pedro Mielgo Alvarez, Ms. Arielle Malard de Rothschild and Mr. Bogdan Iliescu. Two members are independent.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
B.2.	The audit committee should be chaired by an independent non-executive member.	YES		The B.2 provision was followed during the previous BoD's mandate. Additionally, the Articles of Association and ELSA's CGC highlight the existence and the structure of this committee. In its meeting held on 13 January 2016, the new BoD elected Mr. Pedro Mielgo Alvarez, non-executive independent BoD member, as chairman of the Audit Committee.
B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	PARTIALLY	ELSA's Articles of Association mentions monitoring the efficacy of the internal control, internal audit and risk management systems within the company as part of the Audit Committee's responsibilities.Adding this provision to the Charter is an issue to be brought to the attention of the Audit Committee.	The annual directors' report, presented to the annual general meeting of shareholders, contains the BoD's comments on the internal controls and significant risk management system. ELSA initiated a project to amend the Charter and the CGC, which also comprises the BoD committees' charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	PARTIALLY	ELSA's Articles of Association mentions monitoring the efficacy of the internal control, internal audit and risk management systems within the company as part of the Audit Committee's responsibilities. Adding this provision to the Charter will be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	NO	Adding this provision to the Articles of Association will be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.6.	The audit committee should evaluate the efficiency of the internal control system and risk management system.	PARTIALLY	ELSA's Articles of Association mentions monitoring the efficacy of the internal control, internal audit and risk management systems within the company as part of the Audit Committee's responsibilities.Adding this provision to the Charter is an issue to be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
B.7.	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	PARTIALLY	In practice, the Audit Committee approves all the procedures, policies and codes concerning the internal audit. Additionally, it receives, assesses and endorses the reports of the internal audit team. Adding this provision to the Charter will be brought to the attention of the Audit Committee.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD committees charters. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		Provisions on this matter are included in the Audit Committee's Charter.
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		Provisions on this matter are included in ELSA's CGC.
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	NO	According to the internal regulations, the related parties transactions are approved by the BoD. Adding this provision to the Charter will be brought to the attention of the BoD.	ELSA initiated a project to amend the Articles of Association and the CGC, which also comprises the BoD charter. During his exercise, the requirements which are not currently fulfilled (partially or completely) will be taken into consideration.
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		The internal audit is conducted by the Internal Audit and Compliance Office.
B.12.	To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		The above mentioned office reports functionally to the BoD through the Audit Committee, while administratively reports to the CEO.

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
Section C	**Fair rewards and motivation**			
C.1.	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	PARTIALLY	The remuneration system for the members of the BoD members was approved by the Ordinary General Meeting of Shareholders (OGMS) on 22 September 2014. The remuneration system and the remuneration limits for the CEO, as well as for the other executive managers with mandate from the BoD were approved by the OGMS on 9 July 2015.	NRC drafted and the BoD endorsed, in February 2016, a new proposal regarding the Remuneration policy of the BoD members, which was included on the GMS agenda convened on 31 March 2016.
Section D	**Building value through investors' relations**			
D.1.	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures. D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code; D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi- annual, annual), auditor reports and annual reports.	YES		

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	PARTIALLY	Information on the dividend policy distribution is provided in the 2014 IPO Prospectus. The annual cash distribution or dividend policy principles will be submitted to the BoD for analysis.	
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	NO	The policy with respect to forecasts will be submitted to the BoD for analysis.	
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		The rules of general meetings of shareholders are included within each convening notice, published in accordance with the legal requirements, approximately 45 days prior to the meeting.
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		The annual directors' report, presented to the annual general meeting of shareholders, contains the BoD's comments on the internal controls and significant risk management system. In practice, all the documents submitted for the approval of the GMS are endorsed by the BoD; this is clearly stated in the documents presented to the shareholders.
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	PARTIALLY	Electrica has been open towards allowing professionals, consultants, experts or analysts to participate in the meetings of shareholders. The agreement of the present shareholders was requested at the beginning of each meeting.A set of general rules and procedures will be submitted for discussion to the BoD.	

No.	Provisions of BSE Corporate Governance Code	Compliance YES / NO / PARTIALLY	Reason for non-compliance	Additional information
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on- quarter and year-on-year terms.	YES		
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	YES		Electrica holds quarterly teleconferences with analysts and investors.
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	PARTIALLY	Electrica has had an active presence within this area, including as a sponsor in various artistic, cultural, educational or scientific events. A CSR policy is under development.	Information on the supported areas or donations made in 2015 are presented in the annual report.

DECLARATION OF THE MANAGEMENT

We confirm to the best of our knowledge that the consolidated financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the financial position of the Group, its financial performance and cash flows for the year ended December 31st, 2015, and that the Directors' report gives a true and fair view of the development and performance of the business of the Group, together with a description of the main risks and uncertainties associated with the expected development of the Group.

CRISTIAN BUȘU
non-executive director, Chairman of the Board of Directors

MICHAEL BOERSMA
non-executive director

ARIELLE MALARD DE ROTHSCHILD
non-executive director

PEDRO MIELGO ALVAREZ
non-executive director

CORINA POPESCU
non-executive director

BOGDAN ILIESCU
non-executive director

IOANA DRAGAN
non-executive director

IULIANA ANDRONACHE
General Manager