

AB INTER RAO LIETUVA

CONSOLIDATED AND COMPANY'S
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2017,
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED
BY THE EUROPEAN UNION PRESENTED
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT



UAB „Ernst & Young Baltic“
Subačiaus g. 7
LT-01302 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Inter RAO Lietuva AB

Report on the Audit of the Company's and Group's Financial Statements

Opinion

We have audited the accompanying separate financial statements of AB INTER RAO Lietuva, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of AB INTER RAO Lietuva and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Company's and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company/Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on Audit of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters

Impairment assessment of goodwill and licenses

Goodwill and licenses are accounted at cost less accumulated impairment (goodwill) and less accumulated amortization and impairment (licenses) and amount to EUR 4,336 thousand in the statement of financial position of the Group as of 31 December 2017 (Note 4). The Group performed an impairment test of these assets based on the value in use estimation as disclosed in Notes 2 and 4 to the accompanying financial statements and as a result no impairment was identified. The annual impairment test was significant to our audit as it involves management's judgment in making the assumptions related to cash flows forecasts, as well as the discount rate, used in the value in use estimations as disclosed in Note 4. Furthermore, the goodwill and licenses represent approximately 9% of the total assets of the Group as of 31 December 2017.

Impairment assessment of investment to Sp. z o.o. IRL Polska

As disclosed in Note 1 to the financial statements, the Company has an investment into subsidiary Sp. z o.o. IRL Polska with the acquisition cost value of EUR 2,392 thousand and accumulated impairment recognised as a result of impairment test performed by the management of EUR 485 thousand as of 31 December 2017. Management's assessment of the recoverable amount of investment in Sp. z o.o. IRL Polska was significant to our audit as it requires estimation and judgement around assumptions used as disclosed in Note 1. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting potential impairment charges, thus this audit area is considered a key audit risk.

How the matter was addressed in the audit

We considered the assumptions and methods used by the management to determine the recoverable amount of the cash generating unit for the purpose of impairment assessment of goodwill and licences. Our audit procedures included, among others, the following:

- We involved valuation specialists to assist us with the consideration of the discount rate and calculation model used by the management in the impairment test;
- We considered other significant assumptions used by the management in the estimation of cash flows forecasts, compared cash flows comprising components to actual and planned levels;
- We tested the sensitivity in the available headroom of the cash generating unit (CGU) considering if a reasonably expected change in the assumptions (as disclosed in Note 4) could cause the carrying amount to exceed its recoverable amount and also assessed the historical accuracy of management's estimates.
- Finally, we considered the adequacy of the Group's disclosures included in Note 4 about the assumptions used in the impairment test and the outcome of the test, including sensitivity disclosures.

We considered the assumptions and methods used by the management to determine the recoverable amount of the investment to Sp. z o.o. IRL Polska. Our audit procedures included, among others, the following:

- We considered the "exit" approach (i.e. estimation of the amount of the net assets shareholder may expect to recover in case the subsidiary would be closed) used by the management in the impairment assessment.
- We discussed with the management the subsidiary's performance and its outlook. We considered the subsidiary's balance sheet structure for any potential material undisclosed liabilities and values of assets and their recoverability as included in the estimated "exit" value by the management.
- We compared the carrying value of the Company's investment in subsidiary with its estimated "exit" value.
- Finally, we considered the adequacy of the Company's disclosures included in Note 1 related to the impairment assessment.

Other information

Other information consists of the information included in the Company's and Group's Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Consolidated Annual Report corresponds to the financial statements for the same financial year and if the Consolidated Annual Report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's and Group's Annual Report corresponds to the financial information included in the financial statements for the year ended 31 December 2017; and
- The Company's and Group's Annual Report was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania and the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's and Group's internal control.

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made by the shareholder we have been chosen to carry out the audit of Company's and Group's financial statements the first time in 2009. Our appointment to carry out the audit of Company's financial statements and Group's consolidated financial statements in accordance with the decision made by shareholder has been renewed annually and the period of total uninterrupted engagement is 8 years.

Adaptation to the audit report submitted to the audit committee

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company, the Group and the Audit Committee.

Non audit services

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of financial statements.

The partner in charge of the audit resulting in this independent auditor's report is Inga Gudinaite.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335



Inga Gudinaite
Auditor's licence
No. 000366

8 February 2018

Statements of financial position

	Notes	Group		Company	
		As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
ASSETS					
Non-current assets					
Intangible assets					
Goodwill		716	716	-	-
Operating license		3,619	4,832	-	-
Other intangible assets		1	26	-	23
Total intangible assets	4	4,336	5,574	-	23
Property, plant and equipment					
Land		612	654	-	-
Buildings and structures		2,726	2,891	-	-
Office premises		698	773	698	773
Machinery and equipment		15,297	16,214	-	-
Other property, plant and equipment		38	42	19	34
Total property, plant and equipment	5	19,371	20,574	717	807
Investment property	2.7	135	135	135	135
Interest in a joint venture and subsidiaries	1, 6	93	111	10,442	10,927
Other non-current financial assets	7	585	83	71	39
Derivative financial instruments	14	24	-	24	18
Deferred income tax asset	21	-	-	155	1
Total non-current assets		24,544	26,477	11,544	11,950
Current assets					
Inventories and prepayments		303	647	125	598
Accounts receivable					
Trade receivables	8, 26	14,409	12,925	12,450	10,050
Other receivables from subsidiaries and joint venture	26	-	-	1,485	2,287
Accrued income and other receivables	9	1,567	1,537	10	4
Total accounts receivable		15,976	14,462	13,945	12,341
Prepaid income tax		47	74	47	45
Other current financial assets	7	1,697	1,204	542	30
Derivative financial instruments	14	675	1,629	691	1,637
Cash and cash equivalents	10	5,191	7,211	3,026	5,681
Total current assets		23,889	25,227	18,376	20,332
Total assets		48,433	51,704	29,920	32,282

(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

Statements of financial position (cont'd)

	Notes	Group		Company	
		As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
EQUITY AND LIABILITIES					
Equity					
Share capital	1	5,800	5,800	5,800	5,800
Legal reserves	11	910	910	579	579
Cash flow hedge reserve	14	43	(22)	42	122
Currency translation reserve	2.2, 11	(22)	(133)	-	-
Retained earnings		11,242	12,468	7,198	10,217
Total equity		17,973	19,023	13,619	16,718
Liabilities					
Non-current liabilities					
Non-current borrowings	12	7,150	10,450	-	-
Financial lease obligations	13	654	691	-	-
Derivative financial instruments	14	78	216	16	10
Deferred income tax liability	21	1,322	1,202	-	-
Total non-current liabilities		9,204	12,559	16	10
Current liabilities					
Current portion of non-current borrowings	12	3,300	3,300	-	-
Other financial debts	12	3,795	1,251	3,795	1,251
Current portion of financial lease obligations	13	37	35	-	-
Derivative financial instruments	14	593	275	457	129
Trade payables	15, 26	10,299	12,233	9,808	12,138
Income tax payable		21	-	-	-
Advances received		73	206	73	199
Other current liabilities	16	3,138	2,822	2,152	1,837
Total current liabilities		21,256	20,122	16,285	15,554
Total equity and liabilities		48,433	51,704	29,920	32,282

The accompanying notes are an integral part of these financial statements.

General Manager	Giedrius Balčiūnas		8 February 2018
Chief Accountant	Edita Vagonienė		8 February 2018

Statements of comprehensive income

	Notes	Group		Company	
		2017	2016	2017	2016
Sales	3,17	179,378	178,880	141,787	138,932
Cost of sales	18	(161,024)	(159,937)	(128,143)	(123,866)
Gross profit		18,354	18,943	13,644	15,066
General and administrative expenses	19	(7,443)	(8,004)	(5,424)	(4,901)
Profit from operations		10,911	10,939	8,220	10,165
Income from other activities		8	9	15	17
Finance income	20	179	657	171	1,632
Finance expenses	20	(579)	(740)	(63)	(93)
Share of result of joint venture	6	(19)	(18)	-	-
Profit before tax		10,500	10,847	8,343	11,721
Income tax	21	(1,526)	(1,591)	(1,162)	(1,544)
Net profit		8,974	9,256	7,181	10,177
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Net result on cash flow hedges	14	77	1,128	(94)	58
Income tax effect	14	(12)	(169)	14	(9)
Effect of currency exchange	2.2, 11	111	(90)	-	-
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		176	869	(80)	49
Total comprehensive income for the year, net of tax		9,150	10,125	7,101	10,226
Basic and diluted earnings per share (EUR)	22	0.45	0.46		

The accompanying notes are an integral part of these financial statements.

General Manager	Giedrius Balčiūnas		8 February 2018
Chief Accountant	Edita Vagonienė		8 February 2018

Statements of changes in equity



Group

Notes	Equity attributable to equity holders of the parent					Total
	Share capital	Legal reserve	Cash flow hedge reserve	Currency translation reserve	Retained earnings	
Balance as at 31 December 2015	5,800	831	(981)	(43)	19,391	24,998
Net profit for the year	-	-	-	-	9,256	9,256
Other comprehensive income, net of tax	14	-	959	(90)	-	869
Total comprehensive income	-	-	959	(90)	9,256	10,125
Transfer to reserves	11	79	-	-	(79)	-
Dividends declared	23	-	-	-	(16,100)	(16,100)
Balance as at 31 December 2016	5,800	910	(22)	(133)	12,468	19,023
Net profit for the year	-	-	-	-	8,974	8,974
Other comprehensive income, net of tax	14	-	65	111	-	176
Total comprehensive income	-	-	65	111	8,974	9,150
Dividends declared	23	-	-	-	(10,200)	(10,200)
Balance as at 31 December 2017	5,800	910	43	(22)	11,242	17,973

Company

Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Total
Balance as at 31 December 2015	5,800	579	73	16,140	22,592
Net profit for the year	-	-	-	10,177	10,177
Other comprehensive income, net of tax	14	-	49	-	49
Total comprehensive income	-	-	49	10,177	10,226
Dividends declared	23	-	-	(16,100)	(16,100)
Balance as at 31 December 2016	5,800	579	122	10,217	16,718
Net profit for the year	-	-	-	7,181	7,181
Other comprehensive income, net of tax	14	-	(80)	-	(80)
Total comprehensive income	-	-	(80)	7,181	7,101
Dividends declared	23	-	-	(10,200)	(10,200)
Balance as at 31 December 2017	5,800	579	42	7,198	13,619

The accompanying notes are an integral part of these financial statements.

General Manager	Giedrius Balčiūnas		8 February 2018
Chief Accountant	Edita Vagonienė		8 February 2018

Statements of cash flows

	Notes	Group		Company	
		2017	2016	2017	2016
Cash flows from (to) operating activities					
Net profit		8,974	9,256	7,181	10,177
Adjustments for non-cash items:					
Income tax expenses	21	1,523	1,591	1,159	1,544
Depreciation and amortisation	4, 5	2,458	2,479	116	141
Allowance for doubtful accounts receivable	8	14	2	14	(5)
Share of net result of joint venture	6	18	18	-	-
Dividend (income)	20	-	-	-	(1,000)
Interest (income) expenses	20	577	738	63	89
Change in fair value of derivatives not designated as hedging instruments	14	452	(594)	452	(594)
Goodwill impairment	4	-	1,000	-	-
Impairment of investment to subsidiary	1	-	-	485	-
Change in accrued expenses		439	306	-	-
		14,455	14,796	9,470	10,352
Changes in working capital:					
Decrease (increase) in inventories and prepayments and other receivables from subsidiaries and joint venture		344	(450)	1,275	99
(Increase) decrease in accounts receivable and other current assets		(1,168)	1,247	(2,197)	2,628
(Decrease) increase in trade payables		(1,934)	1,125	(2,330)	1,084
Income tax (paid)		(1,419)	(3,815)	(1,354)	(3,646)
(Decrease) increase in other current liabilities		(211)	(193)	235	(302)
Net cash flows from operating activities		10,067	12,710	5,099	10,215
Cash flows from (to) investing activities					
(Acquisition) of non-current assets		(17)	(11)	(3)	(8)
(Increase) decrease in other non-current assets		(502)	(25)	(32)	2
Dividends received		-	-	-	1,000
Net cash flows from (to) investing activities		(519)	(36)	(35)	994


(cont'd on the next page)

The accompanying notes are an integral part of these financial statements.

Statements of cash flows (cont'd)

	Group		Company	
	2017	2016	2017	2016
Cash flows from (to) financing activities				
Dividends (paid)	27	(2,040)	(2,040)	(3,220)
Loans repaid	27	(8,916)	(5,616)	(17,926)
Interest (paid)		(577)	(63)	(89)
Financial lease (payments)		(35)	-	-
Net cash flows (to) financing activities		(11,568)	(7,719)	(21,235)
Net increase (decrease) in cash and cash equivalents		(2,020)	(2,655)	(10,026)
Cash and cash equivalents at the beginning of the year		7,211	5,681	15,707
Cash and cash equivalents at the end of the year		5,191	3,026	5,681

The accompanying notes are an integral part of these financial statements.

General Manager	Giedrius Balčiūnas		8 February 2018
Chief Accountant	Edita Vagonienė		8 February 2018

Notes to the financial statements

1 General information

AB INTER RAO Lietuva (hereinafter, "the Company") is a public limited liability company registered in the Republic of Lithuania. Its registered office is located at:

A.Tumėno str. 4, Vilnius
Lithuania

The Company was registered on 21 December 2002. On 22 October 2012 the Company changed its legal status from private limited liability company to public limited liability due to the listing on the Warsaw stock exchange. Since 18 December 2012 the Company's shares are traded on the Warsaw Stock Exchange on the Main trade list.

The Company's core line of business is supply of electricity. The Company holds the following licenses and permissions:

- 1) A license No. L1-NET-14 of an independent electricity supplier entitling to supply electricity in Lithuania;
- 2) Unlimited-term permission No. LE-0020 for electricity export to Russia and Belarus;
- 3) Unlimited-term permission No. LI-0030 for electricity import from Russia and Belarus to Lithuania.

The subsidiary SIA INTER RAO Latvia is included in electricity trading registry in the Republic of Latvia. The subsidiary OU INTER RAO Eesti holds a termless license No. 7.2-3/12-042 of an independent electricity supplier in Estonia. The subsidiary Vydmantai wind park, UAB holds a termless permit to produce electricity No. LG - 0238. In 2014 the Energy Regulatory Authority of the Republic of Poland has granted the Group's company Sp z o.o. IRL Polska the license for electricity trading which took effect on 9 January 2014.

As at 31 December 2017 and 2016 the shareholders of the Company were as follows:

	31 December 2017		31 December 2016	
	Number of shares held	Interest held	Number of shares held	Interest held
RAO Nordic Oy, company code 1784937-7, Tammasaarekatu 1, Helsinki, Finland	10,200,000	51%	10,200,000	51%
UAB Scaent Baltic, company code 300661378, Jogailos str. 9, Vilnius, Lithuania	5,800,000	29%	5,800,000	29%
Other shareholders	4,000,000	20%	4,000,000	20%
Total	20,000,000	100%	20,000,000	100%

As of 31 December 2017 the number of employees of the Group and the Company was 43 and 25, respectively (as of 31 December 2016 – 42 and 25, respectively).

The ultimate parent company is PJSC Inter RAO, company code 2320109650, address Bolshaya Pirogovskaya st. 27, building 2, Moscow 119435, Russian Federation.

As at 31 December 2017 and 2016 the Company's share capital was comprised of 20,000,000 ordinary shares with the par value of EUR 0.29 each. The share capital was fully paid as at 31 December 2017 and 2016. The Company did not hold its own shares in 2017 and 2016. As at 31 December 2017 and 2016, the subsidiaries and the joint venture did not hold any shares of the Company.

The management of the Company approved these financial statements on 8 February 2018. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require a new set of financial statements to be prepared.

AB INTER RAO LIETUVA, company code 126119913, A.Tumėno str. 4, Vilnius, Lithuania
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2017
(all amounts are in EUR thousand unless otherwise stated)

1 General information (cont'd)

As at 31 December 2017 the Group consisted of the Company and the following directly controlled subsidiaries and joint venture (hereinafter, the Group):

Company	Company code	Directly and indirectly held effective attributable interest	Investment value (cost less impairment)	Profit (loss) for 2017	Equity As at 31 December 2017	Registration address	Activity
OU INTER RAO Eesti - subsidiary	11879805	100 %	32	(18)	421	Peterburi tee 47, Tallinn, Estonia	Trade of electricity
SIA INTER RAO Latvia - subsidiary	40103268639	100 %	3	90	(444)	Gustava Zemgala gatve 76, Riga, Latvia	Trade of electricity
Sp. z o.o. IRL Polska - subsidiary	0000436992	100 %	1,907	(97)	1,909	Twarda 18 00-105, Warsaw, Poland	Trade of electricity
UAB Alproka – joint venture	125281684	49.99 %	-	(38)	185	Verkių Str. 25C, Vilnius, Lithuania	Operations with real estate
Vydmantai wind park, UAB - subsidiary	302666616	100 %	8,500	1,423	13,026	A.Tumėno Str. 4, Vilnius, Lithuania	Generation of electricity

As at 31 December 2016 the Group consisted of the Company and the following directly and indirectly controlled subsidiaries and joint venture (hereinafter, the Group):

Company	Company code	Directly and indirectly held effective attributable interest	Investment value (cost less impairment)	Profit (loss) for 2016	Equity As at 31 December 2016	Registration address	Activity
OU INTER RAO Eesti - subsidiary	11879805	100 %	32	57	467	Peterburi tee 47, Tallinn, Estonia	Trade of electricity
SIA INTER RAO Latvia - subsidiary	40103268639	100 %	3	75	(534)	Gustava Zemgala gatve 76, Riga, Latvia	Trade of electricity
Sp. z o.o. IRL Polska - subsidiary	0000436992	100 %	2,392	(13)	1,895	Twarda 18 00-105, Warsaw, Poland	Trade of electricity
UAB Alproka – joint venture	125281684	49.99 %	-	(36)	223	Verkių Str. 25C, Vilnius, Lithuania	Operations with real estate
Vydmantai wind park, UAB - subsidiary	302666616	100 %	8,500	(23)	11,434	A.Tumėno Str. 4, Vilnius, Lithuania	Generation of electricity

Changes in 2017

In 2017 the Company estimated the recoverable value of investment into Sp. z o.o. IRL Polska using the "adjusted net assets" approach as the market value of the investment was not available (Note 2.4) and recorded the impairment in amount of EUR 485 thousand under general and administrative expenses (Note 19) in the statement of comprehensive income.

Changes in 2016

No changes during 2016.

2 Accounting policies

The principal accounting policies adopted in preparing the Group's and the Company's financial statements for the year 2017 are as follows:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

These financial statements are prepared based on a historical cost basis except for derivative financial instruments, which are measured at fair value.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Amendments were not applicable for the Group/Company as it does not have deferred tax assets for unrealized losses.
- **IAS 7: Disclosure Initiative (Amendments)**
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The Group/Company has applied the amendments and included mandatory disclosures in the financial statements (Note 24).

2 Accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

Standards issued but not yet effective

The Group/Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

- **IFRS 9 Financial Instruments: Classification and Measurement**
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group/Company has not yet evaluated the impact of the implementation of this standard.
- **IFRS 15 Revenue from Contracts with Customers**
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Based on the analyses performed, the Group/Company does not expect significant impacts on its Financial Statements (except for extended disclosure requirements) as the Group/Company does not have long-term contracts with multi-element arrangements, no take-or-pay agreements, no sales incentives are provided, no material contract costs are generally incurred or upfront payments made, contract modifications are rare etc.
- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. According to management, application of the standard will not have a significant impact to the Group/Company (as described above).
- **IFRS 16: Leases**
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Group/Company has not yet evaluated the impact of the implementation of this standard.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group/Company has not yet evaluated the impact of the implementation of this standard.

2 Accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. The Group/Company has no share based payment transactions, therefore these amendments will not have any impact on the financial statements of the Group/Company.
- **IAS 40: Transfers to Investment Property (Amendments)**
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Group/Company has not yet evaluated the impact of the implementation of this standard.
- **IFRS 9: Prepayment features with negative compensation (Amendment)**
The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. The Group/Company has not yet evaluated the impact of the implementation of this standard.
- **IAS 28: Long-term interests in Associates and Joint Ventures (Amendments)**
The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Group/Company has not yet evaluated the impact of the implementation of this standard.
- **IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration**
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Group/Company has not yet evaluated the impact of the implementation of this standard.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. These amendments will not have any impact on the financial statements of the Group/Company:

2 Accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.
- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The Group/Company has not yet evaluated the impact of the implementation of this standard.

The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The adoption of these amendments will not affect the Group's/Company's financial statements.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The Group/Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.2. Measurement and presentation currency

The amounts shown in these financial statements (including comparatives) are presented in the local currency of the Republic of Lithuania, Euro (EUR), rounded to EUR thousand, unless otherwise stated.

The functional currency of the Company and its subsidiaries operating in Lithuania is Euro. The functional currency of subsidiaries in Latvia and Estonia is Euro. The functional currency of the subsidiary in Poland is Zloty. Items included in the financial statements of this subsidiary are translated into the financial statements presentation currency as described below.

Transactions in foreign currencies are initially recorded in the functional currency as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position.

The assets and liabilities of foreign subsidiary are translated into Euro at the reporting date using the rate of exchange as at the reporting date, and its statement of comprehensive income is translated at the weighted average exchange rates for the year. The exchange differences arising on this translation are recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised in profit (loss).

2 Accounting policies (cont'd)

2.2. Measurement and presentation currency (cont'd)

Non-current receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future are considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognized in the separate financial statements of the subsidiary in relation to these monetary items are reclassified to other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised in profit (loss).

2.3. Principles of consolidation

The consolidated financial statements of the Group include UAB INTER RAO Lietuva and its subsidiaries as well as joint venture. The financial statements of the subsidiaries and joint venture are prepared for the same reporting year, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control.

Subsidiaries are consolidated from the date from which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests, if any, are shown separately in the statement of financial position and the statement of comprehensive income.

Total comprehensive income of a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

Acquisitions and disposals of non-controlling interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the non-controlling interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

Interest in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the equity method.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 Accounting policies (cont'd)

2.3. Principles of consolidation (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill impairment is assessed annually. Once recognized, impairment losses are not reversed. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4. Investments (in the Company's separate accounts)

Interest in a joint venture

The Company has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Company accounts for its interest in the joint venture at cost less impairment.

Interests in subsidiaries

Investments in subsidiaries are measured at cost less impairment in the statement of financial position of the Company. Accordingly, the investment is initially recognised at cost, being the fair value of the consideration given subsequently adjusted for any impairment losses. The carrying value of the investment is tested for impairment when events or changes in circumstances indicate that the carrying value may exceed the recoverable amount (higher of the two: fair value less costs to sell and value in use) of the investment. If such indications exist, the Company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its estimated recoverable amount, the investment is written down to its recoverable amount. Impairment loss is recognised in the statement of comprehensive income as general and administrative expense for the period.

2.5. Intangible assets other than goodwill

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

The useful lives of all intangible assets are assessed to be finite.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their expected useful lives (years). The wind farm operating license validity term is indefinite, although as per management estimate its useful life is associated with the favourable fixed feed-in tariff expiring in 2020.

The amortisation period of the wind farm operating license 9.5 years

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

2 Accounting policies (cont'd)

2.6. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment and investment property comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

The Group has leased plots of land on which it operates wind turbines. Those lease arrangements are classified as finance leases of the land. The initial cost of land leased is equal to the present value of future lease payments. For these purposes the applicable lease period was estimated at 20 years and the discount rate applied was 4.8%. Depreciation of leased land is calculated over the minimum lease period, because the lease period represents useful life of leased land.

Depreciation is computed on a straight-line basis over the following estimated useful lives (years):

Land lease	20
Office premises	15
Buildings and structures	8 – 20
Machinery and equipment (wind power plants)	20
Vehicles	5 – 10
Other fittings, fixtures, tools and equipment	3 – 6
Investment property (buildings and structures)	17

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

2.7. Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group/Company as an owner occupied property becomes an investment property, the Group/Company accounts for such property in accordance with the policy adopted for property, plant and equipment up to the date of change in use. For a transfer from property, plant and equipment to investment property, any differences between fair value of the property at that date and its previous carrying amount are recognised in the revaluation reserve.

As of 31 December 2017 and 2016 the management has assessed that the carrying value of the investment property (apartments) is equal to its fair value as included in the financial statements.

2.8. Financial assets

The Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2 Accounting policies (cont'd)

2.8 Financial assets (cont'd)

Financial assets at fair value through profit and loss

The category of financial assets at fair value through profit and loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process. The Group and the Company does not have any material held-to-maturity investments

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in financial assets at fair value through profit or loss, held-to-maturity investments and loans and receivables categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealized gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the profit (loss). The Group and the Company does not have any material available-for-sale financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

2.9. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group and the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group and the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2 Accounting policies (cont'd)

2.10. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group and the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.11. Inventories

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost of inventory is determined by the first-in, first-out (FIFO) method. Unrealisable inventory is fully written-off.

2.12. Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term equal to or less than 3 months.

2.13. Derivative financial instruments

The Group engages in swap contract for interest rate and the Group and the Company engages in forward contract for electricity price risk management purposes. Derivative financial instruments are initially recognized at cost. Subsequent to initial recognition and measurement, outstanding swaps and other derivative financial instruments are carried in the statement of financial position at the fair value. Fair value is derived from quoted market prices (level 1 in fair value hierarchy), or using the discounted cash flow method applying effective interest rate (level 2 in fair value hierarchy). The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value, and financial liabilities for contracts with a negative fair value.

Gain or loss from changes in the fair value of outstanding forward contracts, swaps and other derivative financial instruments, which are not classified as hedging instruments, are recognized as profit or loss in the statement of comprehensive income as they arise.

2.14. Hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. The Group and the Company use cash flow hedge.

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially in other comprehensive income and the ineffective portion is recognized in the statement of comprehensive income (profit or loss). The gains or losses on effective cash flow hedges recognized initially in equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income (revenue caption for the electricity forward contracts) or included in the initial measurement of the cost of the related asset or liability.

2 Accounting policies (cont'd)

2.14 Hedge accounting (cont'd)

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income (profit or loss) for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the statement of comprehensive income (profit or loss).

In 2017 and 2016 the Group has entered into interest swap agreement with a purpose to hedge against a possible fluctuation/increase of EURIBOR on the loan taken from a bank, i. e. effectively switching the interest into a fixed rate (Note 14). In 2017 and 2016 the Group and the Company have entered into electricity forward contracts with a purpose to hedge against a possible fluctuation of electricity prices (Note 14).

2.15. Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. The Group capitalises borrowing costs for all qualifying assets where construction was commenced on or after 1 January 2009. However, there were no borrowing costs matching the capitalisation criteria in 2017 and 2016.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings (except for the capitalized part) using the effective interest method.

2.16. Financial and operating leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use an asset.

Financial lease

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease. The Group recognises financial leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate implicit in the financial lease agreement, when it is possible to determine it, in other cases, Group's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over a period longer than lease term, unless the Group, according to the lease contract, obtains ownership at the end of the lease term.

Operating lease

Leases where the lessor retains all significant risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.17. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the Republic of Lithuania, the Republic of Latvia, the Republic of Estonia and the Republic of Poland.

The standard income tax rate in Lithuania is 15%, in the Republic of Latvia – 15% (0% starting 1 January 2018, though dividends paid are taxable as explained further), in the Republic of Poland – 19%, in the Republic of Estonia – 0% (though dividends paid are taxable as explained further).

2 Accounting policies (cont'd)

2.17 Income tax (cont'd)

Starting from 1 January 2014 the tax loss carry forward that is deductible cannot exceed 70% of the current financial year taxable profit in Lithuania. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Tax losses in the Republic of Poland may be carried forward to the following five tax years to offset profits from all sources that are derived in those years. Up to 50% of the original loss may offset profits in any of the five tax years. Losses may not be carried back.

Tax losses in the Republic of Latvia incurred in or before 2007 may be carried forward eight years. Tax losses incurred in 2008 and subsequent years may be carried forward until 1 January 2018.

As the object of taxation in Estonia and Latvia (starting 1 January 2018) is dividends, not profit, there are no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared. The tax rate in Estonia for 2017 and 2016 was 20/80 of the amount distributed as the net dividend (in Latvia same rate is applicable starting 1 January 2018). If all retained earnings of Estonian subsidiary would be distributed as dividends, tax liability in amount of EUR 60 thousand would arise (there is no distributable profit accumulated in Latvian subsidiary).

Deferred taxes are calculated using the liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2.18. Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Sale of electricity is recognised at the time of delivery, based on the value of the volume supplied. Physical electricity sales and purchase contracts are accounted for on accrual basis as they are contracted with the Group's expected purchase, sale or usage requirements.

Physical electricity sales and purchases are done through the power exchange (Nord Pool). The sales and purchases are netted on the Company and the Group level on an hourly basis and posted either as revenue or cost, according to whether the Company and the Group is a net seller or a net buyer during any particular hour.

Revenue from sales of produced electricity is recognised on accrual basis when transfer of risks and rewards has been completed based on actually transmitted volume of electricity produced.

Electricity grid services related income are recognised in the statement of comprehensive income in net amount by applying the agent accounting principle as:

- The entity has not the primary responsibility for including electricity grid services into invoices issued to the customers;
- The entity has no latitude in establishing prices, either directly or indirectly.

Revenue from services is recognised when services are rendered.

Dividend income is recognised when the dividends are declared.

Interest income or expense are recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. It is included in finance income or expenses in the profit (loss).

2 Accounting policies (cont'd)

2.19. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each reporting date.

For financial assets carried at amortised cost, whenever it is probable that the Company and the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

Other assets (excluding goodwill)

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted for in the same caption of the statement of comprehensive income as the impairment loss.

2.20. Use of judgments and estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation and amortisation (Notes 2.5, 2.6, 4 and 5), fair value of the investment property (Note 2.7), impairment evaluation of goodwill and licences, including allocation of Group assets to cash generating units (Notes 2.3 and 4), impairment evaluation of investments to subsidiaries (Note 1), the land lease classification and measurement (Note 5 and 13) and the net revenue presentation (Note 2.18). The management also made a judgement regarding the provision for the wind power plants dismantling, which was considered not material taking into account the passage of time and expected value of the cost to dismantle. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

At the date of the preparation of these financial statements, the underlying assumptions and estimates were not subject to a significant risk that the carrying amounts of assets and liabilities will have to be adjusted significantly as a result of changes in estimates in the subsequent financial year.

2.21. Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits are probable.

2.22. Subsequent events

Subsequent events that provide additional information about the Group's and the Company's position at the date of statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3 Segment information

For management purposes, the Group is organized into business units based on type of activities and has two reportable segments:

- Purchase and sales of electricity;
- Production and sales of electricity.

The segment of purchase and sales of electricity includes operations of UAB INTER RAO Lietuva, SIA INTER RAO Latvia, OU INTER RAO Eesti and Sp. z o.o. IRL Polska. The Group and the Company have entered into contracts for the purpose of the receipt and delivery of electricity in accordance with the entity's expected purchase, sale or usage requirements. Furthermore, the Group and the Company also perform trading sales of electricity on the power exchange.

The segment of production and sales of electricity includes operations of Vydmantai wind park, UAB. Electricity is produced by wind turbines and sold to AB Lietuvos energijos gamyba.

For management purposes, the Company is organized into a single business unit - purchase and sales of electricity, therefore this note does not include any disclosures on operating segments on the Company's level as they are the same as information provided by the Company in these financial statements.

No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on operating profit or loss and is measured consistently with profit from operations in the consolidated financial statements.

Finance income and expenses are allocated to individual segments as the underlying instruments are managed for each separate segment separately.

Transfer prices between operating segments are based on the prices set by the management, which management considers being similar to transactions with third parties.

Operating Segments

The following tables present revenue, expenses, profit and certain asset and liability information regarding the reportable operating segments:

Group Year ended 31 December 2017	Electricity purchases and sales	Electricity production and sales	Total Segments	Unallocated Items	Consolidated
Revenue					
External customers	173,848	5,530	179,378	-	179,378
Total revenue	173,848	5,530	179,378	-	179,378
Results					
Depreciation and amortisation	121	2,337	2,458	-	2,458
Interest expenses	63	514	577	-	577
Income tax expenses	1,233	293	1,526	-	1,526
Share of loss of the joint venture	-	-	-	(19)	(19)
Segment operating profit/profit from operations	8,666	2,245	10,911	-	10,911
Segment assets	22,489	25,897	48,386	47	48,433
Segment liabilities	17,536	11,581	29,117	1,343	30,460

Segment assets and liabilities are presented after elimination of intercompany assets and liabilities within the segment, which are eliminated on consolidation.

Other disclosures

Interest in a joint venture	-	-	-	93	93
Capital expenditure	17	-	-	-	17

Capital expenditure consists of additions of property, plant and equipment, intangible assets, investment properties and assets from the acquisition of subsidiaries.

3 Segment information (cont'd)

Group Year ended 31 December 2016	Electricity purchases and sales	Electricity production and sales	Total Segments	Unallocated items	Consolidated
Revenue					
External customers	173,974	4,906	178,880	-	178,880
Total revenue	173,974	4,906	178,880	-	178,880
Results					
Goodwill impairment	-	1,000	1,000	-	1,000
Depreciation and amortisation	141	2,338	2,479	-	2,479
Interest income	-	15	15	-	15
Interest expenses	89	649	738	-	738
Income tax expenses	1,545	49	1,594	(3)	1,591
Share of loss of the joint venture	-	-	-	(18)	(18)
Segment operating profit/profit from operations	10,265	674	10,939	-	10,939
Segment assets	24,054	27,576	51,630	74	51,704
Segment liabilities	16,368	15,111	31,479	1,202	32,681

Segment assets and liabilities are presented after elimination of intercompany assets and liabilities within the segment, which are eliminated on consolidation.

Other disclosures

Interest in a joint venture	-	-	-	111	111
Capital expenditure	11	-	-	-	11

Capital expenditure consists of additions of property, plant and equipment, intangible assets, investment properties and assets from the acquisition of subsidiaries.

	31 December 2017	31 December 2016
Reconciliation of liabilities		
Segment operating liabilities	29,117	31,479
Deferred tax liabilities	1,322	1,202
Current tax payable	21	-
Group total liabilities	30,460	32,681
Reconciliation of assets		
Segment operating assets	48,386	51,630
Prepaid income tax	47	74
Group total assets	48,433	51,704

3 Segment information (cont'd)

Geographical information

The following table presents the Group's and the Company's geographical information on revenue based on the location of the customers:

	Group		Company	
	2017	2016	2017	2016
Lithuania*	133,800	128,988	128,270	124,082
Latvia	13,058	8,089	-	210
Estonia**	19,661	25,990	12,691	13,662
Poland	12,033	14,835	-	-
Russia	458	626	458	626
Scandinavia	368	352	368	352
Total revenue	179,378	178,880	141,787	138,932

*Includes also sales by Lithuanian company to the power exchange, presented on the net basis.

**Represents trading sales on the power exchange.

Revenue from each single customer exceeding 10% of the Group's and the Company's revenue in 2017 amounted to EUR 27 million (2016 amounted to EUR 38 million and EUR 23 million). Revenue from each single customer exceeding 10% of the Group's electricity production and sales segment revenue in 2017 amounted to EUR 6 million (2016 amounted to EUR 5 million).

The major part of the Group's and Company's non-current assets is located in Lithuania. Non-current assets consist of property, plant and equipment, investment property, intangible assets, non-current financial and other assets.

4 Intangible assets

Group	Goodwill	Operating license	Other intangible assets	Total
Cost				
Balance as at 31 December 2015	2,875	11,397	95	14,367
Write-offs and disposals	-	-	(6)	(6)
Balance as at 31 December 2016	2,875	11,397	89	14,361
Balance as at 31 December 2017	2,875	11,397	89	14,361
Accumulated amortization and impairment				
Balance as at 31 December 2015	1,159	5,352	39	6,550
Amortization for the period	-	1,213	30	1,243
Write-offs and disposals	-	-	(6)	(6)
Impairment	1,000	-	-	1,000
Balance as at 31 December 2016	2,159	6,565	63	8,787
Amortization for the period	-	1,213	25	1,238
Balance as at 31 December 2017	2,159	7,778	88	10,025
Net book value as at 31 December 2015	1,716	6,045	56	7,817
Net book value as at 31 December 2016	716	4,832	26	5,574
Net book value as at 31 December 2017	716	3,619	1	4,336

The above intangible assets were identified during the purchase price allocation as a result of the business combination in 2011, when the Company acquired wind power plant business operating under the entity Vydmantai wind park UAB.

Operating license is a license to produce wind generated electricity with an embedded favourable fixed feed-in tariff applied until 2020 (the license itself has no validity term although the benefit associated is temporal).

Amortization expenses and impairment expenses of intangible assets are included into the general and administrative expenses caption (Note 19) in the statement of comprehensive income.

4 Intangible assets (cont'd)

Goodwill and licences impairment

For the purpose of the impairment test, the goodwill and licences as at 31 December 2017 and 2016 were allocated to the following cash generating unit (CGU) – wind energy generation and sales business unit – Vydmantai wind park, UAB.

The recoverable amount of the cash generating unit was determined based on the value in use calculation using discounted cash flow projections based on the 17 years financial forecasts prepared by the management. The pre-tax discount rate of 9.5 % (post tax – 8.1%) in 2017 and 2016 was applied. Defined period forecast represents the estimated useful life of wind power plants, a fixed feed-in tariff was applied to forecast revenue until 2020 (inclusive), and the expected market price is applied starting 2021. The following significant assumptions were used for the assessment of the value in use in 2017 and 2016:

- 1) the quantity of electricity produced, which further depends on (i) the availability of wind turbines (it is expected that availability will not fluctuate significantly over the first half of the forecasted period and in the remaining period will decrease due to a normal wear and tear of the equipment, regular maintenance of which is performed) and (ii) the efficiency of wind turbines, depending on the wind speed (efficiency level in a long run is forecasted at the slightly lower than historical level due to a rather high level of unpredictability);
- 2) the electricity sales price - revenues are expected to remain rather stable until 2020 due to a feed-in tariff applied, which ensures the sales of electricity at a stable price, in the following years, electricity will be sold at market price, which is expected to be initially lower than the feed-in tariff and to increase over the period by 1.5% growth rate annually. Such forecasts are based on the Group's management estimate, since the Group is one of the most experienced players in this market and there is no reliable long-term external prognosis;
- 3) discount rate – based on the objective market, industry and specific for CGU circumstances (also considering a component of higher risk in respect of electricity price related uncertainties).

As a result of the analysis above, no impairment was recognised in 2017. In 2016 an additional goodwill impairment of EUR 1,000 thousand was recognised, mainly impacted by the more conservative approach on the electricity sales price forecast comparing to the previous years' estimate. The goodwill impairment also was recognised in previous years and accumulated impairment balance is EUR 2,159 thousand as of 31 December 2017 and 2016.

The management strongly believes that in the long run (considering historical trends) the availability and efficiency levels of turbines will impact the quantities of the generated electricity in the way that the quantities will be stable in the first half of the forecasted period and will gradually decrease in the remaining period due to natural ageing of equipment without other significant changes. Therefore sensitivity analysis for this element was not performed.

The discount rate is derived from weighted average cost of capital (post tax) – WACC (8.1% as at 31 December 2017 and 2016). Considering decreased level of interest rates in world markets, it is not expected to change upwards in the near future, therefore sensitivity analysis was not performed. As well there is no expected downwards change in discount rate, which would result in positive impact.

Electricity price after 2020 cannot be forecasted accurately at the moment, however, if more conservative approach would be used, i.e. the prices of electricity starting 2021 would be reduced by 10% (in comparison to the currently management used estimate) and further increased by 1.5% each year through the remaining period of the forecast and all the rest of the assumptions remained constant, the carrying amount of the CGU would be equal to the recoverable amount calculated. In case even lower electricity prices would be used to forecast cash flows, additional impairment would occur if constant discount rate and other key assumptions remain constant.

At the time of preparing these financial statements the management of the Group did not expect any significant changes in the assumptions used, including the electricity prices and discount rate, within the next 12 months of the date of the statement of financial position.

5 Property, plant and equipment

Movement of property, plant and equipment in 2017 and 2016 is presented below:

Group	Land*	Buildings and structures	Office premises	Machinery and equipment	Other property plant and equipment	Total
Cost						
Balance as at 31 December 2015	873	3,850	1,132	21,424	139	27,418
Additions	-	-	-	-	11	11
Write-offs and disposals	-	-	-	-	(41)	(41)
Balance as at 31 December 2016	873	3,850	1,132	21,424	109	27,388
Additions	-	-	-	-	17	17
Write-offs and disposals	-	-	-	-	(22)	(22)
Balance as at 31 December 2017	873	3,850	1,132	21,424	104	27,383
Accumulated depreciation						
Balance as at 31 December 2015	177	795	283	4,292	83	5,630
Depreciation for the period	42	164	76	918	25	1,225
Write-offs and disposals	-	-	-	-	(41)	(41)
Balance as at 31 December 2016	219	959	359	5,210	67	6,814
Depreciation for the period	42	165	75	917	21	1,220
Write-offs and disposals	-	-	-	-	(22)	(22)
Balance as at 31 December 2017	261	1,124	434	6,127	66	8,012
Net book value as at 31 December 2015	696	3,055	849	17,132	56	21,788
Net book value as at 31 December 2016	654	2,891	773	16,214	42	20,574
Net book value as at 31 December 2017	612	2,726	698	15,297	38	19,371

*Land balance represents capitalised financial land lease.

5 Property, plant and equipment (cont'd)

Company	Other property plant and equipment		Total
	Office premises		
Cost			
Balance as at 31 December 2015	1,132	116	1,248
Additions	-	8	8
Write-offs and disposals	-	(41)	(41)
Balance as at 31 December 2016	1,132	83	1,215
Additions	-	3	3
Write-offs and disposals	-	(22)	(22)
Balance as at 31 December 2017	1,132	64	1,196
Accumulated depreciation			
Balance as at 31 December 2015	283	65	348
Depreciation for the period	76	25	101
Write-offs and disposals	-	(41)	(41)
Balance as at 31 December 2016	359	49	408
Depreciation for the period	75	18	93
Write-offs and disposals	-	(22)	(22)
Balance as at 31 December 2017	434	45	479
Net book value as at 31 December 2015	849	51	900
Net book value as at 31 December 2016	773	34	807
Net book value as at 31 December 2017	698	19	717

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2017 amounts to EUR 1,220 thousand and EUR 93 thousand, respectively (2016 amounts to EUR 1,225 thousand and EUR 101 thousand, respectively). These amounts are included into the general and administrative expenses in the statement of comprehensive income except for the amount of EUR 1,123 thousand in 2017 (EUR 1,123 thousand in 2016), which is included in the cost of sales in the Group's statement of comprehensive income.

Land was leased under finance lease agreements (Note 13) in 2017 and 2016. In 2013 the lease contract of buildings and structures was refinanced by a long term loan and buildings and structures, machinery and equipment of the subsidiary Vydmantai wind park UAB are pledged to the bank to secure the loans received by the Group (Note 12).

There were no material fully depreciated property, plant and equipment in the Group and the Company as at 31 December 2017 and 2016.

6 Interest in a joint venture

As at 31 December 2017 and 2016 the Company has a 49.99% interest in UAB Alproka, a jointly controlled entity, which is engaged in the development of real estate projects (also see Note 1).

UAB Alproka is a private entity, not listed. The following table illustrates summarized financial information (unaudited) of the Group's investment into UAB Alproka, which is accounted for using the equity method:

	As at 31 December 2017	As at 31 December 2016
Joint venture's statement of financial position		
Current assets	201	233
Non-current assets	5	4
Current liabilities	(21)	(14)
Non-current liabilities	-	-
Equity	185	223
Share of joint venture's equity	93	111
Joint venture's revenue and profit		
Revenue	4	83
Profit (loss)	(38)	(36)

7 Other non-current and current financial assets

Other non-current financial assets:

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Non-current receivables	336	44	-	-
Non-current guarantees	208	-	30	-
Available-for-sale investments	41	39	41	39
	585	83	71	39

Other current financial assets:

As at 31 December 2017 and 2016 other current financial assets of the Group comprise of EUR 1,000 thousand deposit in Swedbank AB. Monthly deposit with automatic extension is placed and accounted for in current assets. Deposit is mandatory guarantee under the credit agreement, which is disclosed under Note 12.

As at 31 December 2017 the Group and the Company accounted for under other current financial assets security deposits paid in total amount of EUR 542 thousand.

8 Trade receivables

As at 31 December 2017 and 2016 the Group's and the Company's trade receivables consisted of receivables for supplied electricity.

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Trade receivables, gross	14,434	12,936	12,468	10,054
Less: allowance for doubtful trade receivables	(25)	(11)	(18)	(4)
	14,409	12,925	12,450	10,050

Increase in trade receivables in 2017 is mainly related to increased sales comparing to prior year.

8 Trade receivables (cont'd)

The Group and the Company as at 31 December 2017 had EUR 25 thousand and EUR 18 thousand, respectively, of doubtful receivables (2016 had EUR 11 thousand and EUR 4 thousand).

Group	Trade receivables past due but not impaired				Total
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 60 days	More than 60 days	
2017	13,808	415	108	103	14,434
2016	12,718	166	28	24	12,936

Company	Trade receivables past due but not impaired				Total
	Trade receivables neither past due nor impaired	Less than 30 days	30 – 60 days	More than 60 days	
2017	11,891	373	108	96	12,468
2016	9,856	161	28	9	10,054

Trade receivables are non-interest bearing and are generally collectible on 2-30 days terms.

9 Accrued income and other receivables

As at 31 December 2017 the other receivables of the Group mainly consisted of accrued income amounting to EUR 1,522 thousand (2016 – EUR 1,264 thousand), which represent earned but not invoiced electricity sales revenues.

There were no past due other receivables of the Group and the Company as at 31 December 2017 and 2016.

10 Cash and cash equivalents

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Cash at bank	5,124	7,211	3,026	5,681
Cash in transit	67	-	-	-
	5,191	7,211	3,026	5,681

The significant decrease in Group's and Company's cash at bank is mainly related to increase in trade receivables balance and decrease in trade payables balance.

11 Reserves

Legal reserve

Legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital.

As at 31 December 2017 and 2016 the Company's legal reserve was fully formed.

In 2016 the Company's subsidiary Vydmantai wind park, UAB made a transfer to legal reserve in the amount of EUR 79 thousand, no such transfer was done in 2017.

Cash flow hedge reserve

This reserve represents the effective part of the change in fair value of the derivative financial instruments (interest rate swaps and electricity forward contracts), used by the Group and the Company to secure the cash flows from interest rate and electricity price change risk, at the reporting date. The reserve is accounted for according to the requirements of IAS 39 (Note 14).

12 Borrowings

As at 31 December the financial debts consist of:

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Non-current borrowings	7,150	10,450	-	-
Current portion of non-current borrowings	3,300	3,300	-	-
Other current financial debts (a)	3,795	1,251	3,795	1,251
	14,245	15,001	3,795	1,251

Vydmantai wind park, UAB has loan agreement with Swedbank AB, according to which all land lease rights, buildings and structures, machinery and equipment, funds in bank accounts and 100 % of Vydmantai wind park, UAB shares are pledged. Interest rate applied is 6 months EURIBOR + 2.45 %. The loan is denominated in EUR and the final repayment date is 30 June 2020.

(a) The Company entered into loan agreements with the shareholders RAO Nordic Oy and UAB Scaent Baltic in 2017 and in 2016. The loans which were outstanding as at 31 December 2016 were repaid in 2017 and new loans withdrawn in 2017. The interest rates are equal to average interest rate of loans by commercial banks of the Republic of Finland granted to new business (non-financial corporations) over 1 million EUR. The loans are denominated in EUR and the final repayment date is 31 March 2018. Interest rate applicable as at 31 December 2017 was 1.3% (at 31 December 2016 was 1.8%).

Future loan payments under the above mentioned loan contracts as at 31 December 2017 and 2016 are as follows:

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Within one year	7,095	4,551	3,795	1,251
From one to five years	7,150	10,450	-	-
After five years	-	-	-	-
Total borrowings	14,245	15,001	3,795	1,251

13 Financial lease

The Group leases land under financial lease contracts with the net book value of EUR 612 thousand as at 31 December 2017 (EUR 654 thousand as at 31 December 2016). For the financial reporting purpose, the judgmental period of 20 years from the inception date as lease term (representing usage of wind farm) was used by the management. The interest rate applied is 4.8%.

Future minimal lease payments under the above mentioned financial lease contracts as at 31 December 2017 and 2016 are as follows:

	As at 31 December 2017	As at 31 December 2016
Within one year	70	70
From one to five years	279	279
After five years	615	685
Total financial lease obligations	964	1,034
Interest	(273)	(308)
Present value of financial lease obligations	691	726
Financial lease obligations are accounted for as:		
- current	37	35
- non-current	654	691

Financial lease obligations are denominated in EUR.

14 Derivative financial instruments

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Derivative financial instruments, non-current part – assets (hedge)	-	-	-	18
Derivative financial instruments, non-current part – assets (non-hedge)	24	-	24	-
Derivative financial instruments, current part – assets (hedge)	115	245	115	245
Derivative financial instruments, current part – assets (non-hedge)	512	594	512	594
Accounts receivable for derivative financial instruments	48	790	63	798
Derivative financial instruments, non-current part - liabilities (hedge)	(78)	(216)	(16)	(10)
Derivative financial instruments, current part - liabilities (hedge)	(185)	(257)	(48)	(111)
Derivative financial instruments, current part - liabilities (non-hedge)	(394)	-	(394)	-
Accounts payable for derivative financial instruments	(14)	(18)	(15)	(18)
Total derivative financial instruments	28	1,138	241	1,516

As at 31 December 2017 and 2016, the Group's company Vydmantai wind park, UAB had an interest rate swap agreement for purpose of future cash flow hedge on loan taken (Note 12). On 29 June 2012 the Group has concluded interest rate swap agreement for the period from 17 July 2012 to 17 October 2020. The Group's company pays a fixed interest rate at 1.65 % and receives a floating interest rate at 6-month EURIBOR on a notional amount set in the agreement.

In 2017 and 2016 the Group's companies AB INTER RAO LIETUVA and OU INTER RAO Eesti signed electricity forward contracts for the purposes of future cash flow hedge. The forward contracts are for 2017, 2018 and 2019 years.

The fair value of derivative financial instruments is measured by management at each reporting date. The change in fair value of the effective part of interest rate swap and electricity forward contracts is recognised in other comprehensive income and the change in fair value of the non-effective part of interest rate swap and electricity forward contracts as well as change in fair value or hedging result of other derivative financial instruments not designated as hedge are recognised directly in finance income (costs) in the statement of comprehensive income.

14 Derivative financial instruments (cont'd)

The fair values of interest rate swap contract designated to hedge interest rate risk and electricity forward contracts of the Group are presented below:

	As at 31 December 2017		As at 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate swap contract				
Fair value (level 2)	-	263	-	462
Electricity forward contracts				
Fair value (level 1)	651	394	839	11

The fair values of electricity forward contract of the Company are presented below:

	As at 31 December 2017		As at 31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Electricity forward contracts				
Fair value (level 1)	651	458	857	121

The following table summarizes amounts recognised in other comprehensive income during the period and in the finance costs in the statement of comprehensive income:

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Recognised:				
Gain (loss) on interest rate swap contract	199	167	-	-
Gain (loss) on electricity forward contracts	(571)	1,555	(543)	653
Recognised in the statement of comprehensive income as financial income (expenses):				
Derivatives not designated as hedging instruments	145	594	145	594
Realized part of electricity forward contracts not designated as hedging instruments	(594)	-	(594)	-
Recognised in other comprehensive income:				
Gain (loss) on interest rate swap contract (effective part)	199	167	-	-
Gain (loss) on electricity forward contracts (effective part)	(122)	961	(94)	58
Income tax effect	(12)	(169)	14	(9)

15 Trade payables

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
Payables to electricity suppliers	10,096	12,011	9,632	11,978
Payables to other suppliers	203	222	176	160
	10,299	12,233	9,808	12,138

Trade payables are non-interest bearing and are normally settled on 20-day terms.

16 Other current liabilities

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
VAT payable	2,234	2,134	1,767	1,596
Employment related liabilities	154	215	129	186
Security deposits received	230	-	230	-
Other current liabilities	520	473	26	55
	3,138	2,822	2,152	1,837

17 Sales

	Group		Company	
	2017	2016	2017	2016
Revenue from sales of electricity	173,852	173,977	141,787	138,932
Revenue from produced electricity sales	5,526	4,903	-	-
	179,378	178,880	141,787	138,932

The increase in revenue of the Group and the Company comparing to 2016 is mostly due to increase in electricity sales volume.

18 Cost of sales

	Group		Company	
	2017	2016	2017	2016
Cost of purchase of electricity*	157,528	156,436	126,497	122,161
Transmission network service cost	1,646	1,705	1,646	1,705
Depreciation on wind park	1,081	1,081	-	-
Other expenses**	769	715	-	-
	161,024	159,937	128,143	123,866

* Cost of purchased electricity also includes the fees paid during the year and accrued as at the balance sheet date for not acquired agreed quantity of electricity.

** Other expenses mainly comprise maintenance of wind park and land lease amortisation.

The increase in cost of sales of the Company comparing to 2016 is mostly due to increase in electricity purchase prices.

19 General and administrative expenses

	Group		Company	
	2017	2016	2017	2016
Wages, salaries and social security	2,679	2,542	2,161	2,049
Depreciation and amortization	1,335	1,356	117	141
Support (charity)	1,176	1,146	1,154	1,130
Electricity selling expenses	610	275	304	275
Consulting services expenses	400	361	188	188
Transport expenses	354	306	323	295
Goodwill impairment loss (Note 4)	-	1,000	-	-
Professional services expenses	232	374	201	338
Business trips	35	48	35	48
Repair and maintenance	38	35	34	31
Tax expenses	94	67	48	47
Bank services	22	20	18	16
Rent	45	46	21	9
Trainings and seminars	25	23	25	23
Representation expenses	56	65	56	63
Impairment of investment (Note 1)	-	-	485	-
Other general and administrative expenses	342	340	254	248
	7,443	8,004	5,424	4,901

20 Finance income and expenses

	Group		Company	
	2017	2016	2017	2016
Finance income				
Fair value change of derivatives not designated as hedging instruments	143	594	143	594
Dividends income	-	-	-	1,000
Other	36	63	28	38
	179	657	171	1,632
Finance expenses				
Interest expenses	577	738	63	89
Other	2	2	-	4
	579	740	63	93

21 Income tax

	Group		Company	
	2017	2016	2017	2016
Components of income tax expenses				
Current year income tax expenses	1,418	1,476	1,302	1,455
Deferred income tax expenses (benefit)	108	115	(140)	89
Income tax expenses charged to statement of comprehensive income	1,526	1,591	1,162	1,544

21 Income tax (cont'd)

As at 31 December 2017 and 2016 the deferred income tax asset and liability was accounted for at 15 % and consisted of:

Group	As at 31 December 2017	As at 31 December 2016
Deferred income tax asset		
Tax deductible goodwill recognized upon merger including impairment a)	1,251	1,379
Electricity derivative contracts	59	-
Cash flow hedge	10	40
Less: valuation allowance	-	-
Deferred income tax asset, net of valuation allowance	1,320	1,419
Deferred income tax liability		
Equity method	(14)	(17)
Intangible assets b)	(543)	(725)
Electricity derivative contracts	(98)	(124)
Depreciation differences	(1,987)	(1,755)
Deferred income tax liability	(2,642)	(2,621)
Deferred income tax, net	(1,322)	(1,202)

Presented in the statement of financial position as follows:

Deferred income tax asset	-	-
Deferred income tax liability	(1,322)	(1,202)

Company

	As at 31 December 2017	As at 31 December 2016
Deferred income tax asset		
Impairment of investment in joint venture and subsidiary (Note 1)	183	111
Electricity derivative contracts	69	18
Less: valuation allowance	-	-
Deferred income tax asset, net of valuation allowance	252	129
Deferred income tax liability		
Electricity derivative contracts	(97)	(128)
Deferred income tax liability	(97)	(128)
Deferred income tax, net	155	1

Presented in the statement of financial position as follows:

Deferred income tax asset	155	1
Deferred income tax liability	-	-

a) As a result of the merger of Vydmantai wind park, UAB and UAB IRL Wind in 2013 in accordance with tax legislation the Group company Vydmantai wind park, UAB qualifies for recognition of tax deductible goodwill, which may be amortized per 15 years starting the merger date, the amount of such goodwill was estimated as EUR 12,477 thousand. Difference between the tax and financial goodwill created a deferred tax asset (which was assessed as recoverable) in the amount of EUR 1,614 thousand which was recognized in the statement of comprehensive income upon merger. The change represents amortisation of tax goodwill during the year and impact of financial goodwill impairment, if any.

b) Due to intangible assets (related to Vydmantai wind park, UAB) identified during the acquisition, a deferred income tax liability amounting to EUR 1,729 thousand was recognized. The decrease in deferred income tax liability in 2017 comparing to 2016 represents the amortisation of the related intangible assets during 2017.

21 Income tax (cont'd)

The changes of temporary differences before and after tax effect in the Group were as follows:

Group	Balance as at	Recognised in		Balance as at
	31 December 2016	other comprehensive income	Recognised in profit or loss	31 December 2017
Equity method	(111)	-	19	(92)
Electricity derivative contracts	(828)	122	449	(257)
Intangible assets	(4,832)	-	1,213	(3,619)
Tax deductible goodwill recognized upon merger	9,194	-	(856)	8,338
Depreciation differences	(11,697)	-	(1,548)	(13,245)
Cash flow hedge	263	(199)	-	64
Total temporary differences	(8,011)	(77)	(723)	(8,811)
Deferred income tax, net	(1,202)	(12)	(108)	(1,322)

Group	Balance as at	Recognised in		Balance as at
	31 December 2015	other comprehensive income	Recognised in profit or loss	31 December 2016
Equity method	(129)	-	18	(111)
Electricity derivative contracts	727	(961)	(594)	(828)
Intangible assets	(6,045)	-	1,213	(4,832)
Tax deductible goodwill recognized upon merger	9,050	-	144	9,194
Depreciation differences	(10,151)	-	(1,546)	(11,697)
Cash flow hedge	430	(167)	-	263
Total temporary differences	(6,118)	(1,128)	(765)	(8,011)
Deferred income tax, net	(918)	(169)	(115)	(1,202)

The reported amount of income tax expenses attributable to the year can be reconciled to the amount of income tax expenses that would result from applying statutory income tax rate to pre-tax income as follows:

	Group		Company	
	2017	2016	2017	2016
Profit (loss) before tax	10,500	10,847	8,343	11,721
Income tax expenses computed at 15%	1,575	1,627	1,251	1,758
Permanent differences	(49)	(36)	(89)	(214)
Income tax expenses charged to statement of comprehensive income	1,526	1,591	1,162	1,544

There is no deferred income tax asset not recognized in financial statements of the Group as at 31 December 2017 with no expiry date (at 31 December 2016 it amounted to EUR 84 thousand).

22 Basic and diluted earnings per share (EUR)

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average number of ordinary shares issued and paid during the year. The Group has no diluting instruments; therefore, basic and diluted earnings per share are equal.

Calculation of basic and diluted earnings per share is presented below:

Group	2017	2016
Net profit attributable to the shareholders	8,974,000	9,256,000
Number of shares, opening balance	20,000,000	20,000,000
Number of shares, closing balance	20,000,000	20,000,000
Weighted average number of shares	20,000,000	20,000,000
Basic and diluted earnings per share (EUR)	<u>0.45</u>	<u>0.46</u>

23 Dividends per share (EUR)

Company	2017	2016
Approved dividends (EUR)*	10,200,000	16,100,000
Number of shares (units)**	20,000,000	20,000,000
Approved dividends per share (EUR)	<u>0.51</u>	<u>0.81</u>

* The year when the dividends are approved.

** At the date when dividends are approved.

24 Financial assets and liabilities and risk management

Credit risk

The Group and the Company has a fairly significant concentration of trading counterparties. Trade receivables from the main three customers of the Group and the Company amounted to approximately 1/4 of the total Group's and Company's trade receivables as at 31 December 2017 (1/3 of the total Group's and Company's trade receivables as at 31 December 2016). The Group's and the Company's procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history, which mainly are the state owned and financially stable private entities, and the majority of transactions is carried out through the market intermediary - electricity exchange Nord Pool.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Therefore, the Group's and the Company's management considers that its maximum exposure is reflected by the amount of trade receivables and other financial assets less realisation allowance, recognised at the reporting date, if any.

Interest rate risk

As at 31 December 2017 and 2016 the Group had borrowings which were subject to variable rates related to EURIBOR and created interest rate risk (Note 12).

As at 31 December 2017 and 2016 the Group manages its interest rate risk by having entered into an interest rate swap contract, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount (Note 14). Since 17 July 2012, the Group's loan turned to be with fixed interest (hedged by interest rate swap), therefore the Group does not face interest rate risk.

As at 31 December 2017 and 2016 the Group had material financial lease obligations with fixed interest rates; therefore, they did not create interest rate risk.

24 Financial assets and liabilities and risk management (cont'd)

Liquidity risk

The Group and the Company manages its business in such a way which allows avoiding significant increases in working capital requirements. This is achieved primarily through the thorough management of payment dates for electricity purchased from suppliers and sold to the clients. The Group and the Company aims to maintain the longest possible gap between the dates when it receives the payment for the electricity sold and is obliged to pay for the electricity purchased. In cases when the Group or the Company forecasts possible increase in the level of required working capital it always has a possibility to take a credit line from the bank (this option has been discussed with the bank and it is possible to open a required credit line within the term of 1 month). All the excessive cash is deposited in the bank accounts.

The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as at 31 December 2017 and 2016 were 1.11 and 1.25, respectively. The Company's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as at 31 December 2017 and 2016 were 1.12 and 1.31 respectively.

The tables below summarise the maturity profile of the Group's financial liabilities as at 31 December 2017 and 2016, based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Non-current interest bearing borrowings, other financial liabilities and financial lease obligations	-	4,714	2,613	7,463	494	15,284
Derivative financial instruments (liabilities)	-	159	434	78	-	671
Trade payables	-	10,299	-	-	-	10,299
Other current liabilities	-	750	-	-	-	750
Balance as at 31 December 2017	-	15,922	3,047	7,541	494	27,004

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Non-current interest bearing borrowings, , other financial liabilities and financial lease obligations	-	2,184	2,685	10,963	534	16,366
Derivative financial instruments (liabilities)	-	82	193	216	-	491
Trade payables	-	12,233	-	-	-	12,233
Other current liabilities	-	473	-	-	-	473
Balance as at 31 December 2016	-	14,972	2,878	11,179	534	29,563

24 Financial assets and liabilities and risk management (cont'd)

The tables below summarise the maturity profile of the Company's financial liabilities as at 31 December 2017 and 2016 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Other financial debts	-	3,807	-	-	-	3,807
Trade payables	-	9,808	-	-	-	9,808
Derivative financial instruments (liabilities)	-	125	332	16	-	473
Other current liabilities	-	256	-	-	-	256
Balance as at 31 December 2017	-	13,996	332	16	-	14,344

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Other financial debts	-	1,255	-	-	-	1,255
Trade payables	-	12,138	-	-	-	12,138
Derivative financial instruments (liabilities)	-	46	83	10	-	139
Other current liabilities	-	55	-	-	-	55
Balance as at 31 December 2016	-	13,494	83	10	-	13,587

Change in liabilities arising from financial activities

Group	As at 31 December 2016	Cash flow	Dividends declared and converted to loan (Note 27)	Change in fair value	Interests	As at 31 December 2017
Non-current borrowings	13,750	(3,814)	-	-	514	10,450
Interest rate swap contracts	462	-	-	(199)	-	263
Electricity forward contracts	(828)	-	-	571	-	(257)
Financial lease	726	(35)	-	-	-	691
Other financial debts	1,251	(5,679)	8,160	-	63	3,795
Total	15,361	(9,528)	8,160	372	577	14,942

Company	As at 31 December 2016	Cash flow	Dividends declared and converted to loan (Note 27)	Change in fair value	Interests	As at 31 December 2017
Electricity forward contracts	(736)	-	-	543	-	(193)
Other financial debts	1,251	(5,679)	8,160	-	63	3,795
Total	515	(5,679)	8,160	543	63	3,602

Foreign exchange risk

Import and export activities expose the Group and the Company to foreign exchange risk. The Group and the Company is not using financial instruments intended to control the risk of foreign exchange except for focusing on trade in the euro; therefore, the Group and the Company is not exposed to significant foreign exchange risk.

24 Financial assets and liabilities and risk management (cont'd)

Fair value of financial instruments

The Group's and the Company's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings and financial lease.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- (a) The carrying amount of current trade and other accounts receivable, current accounts payable and current borrowings approximates fair value (level 3);
- (b) The fair value of non-current borrowings is based on the quoted market price for the similar issues or on the current rates available for borrowings with the same maturity profile (level 2). The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

Fair value of the Group's derivative financial instrument (interest rate swap) is defined as level 1 and fair value of electricity forwards in the Group and the Company are defined as level 1 (Note 14). The interest rate swap is valued using discounted cash flow or present value calculation method and pricing is based on market observable inputs. Electricity forward value is based on market value.

There were no movements of financial instruments between the levels during 2017 and 2016.

25 Capital management

The primary objectives of the Group's and the Company's capital management are to ensure that the Group and the Company comply with externally imposed capital requirements and that the Group and the Company maintain healthy capital ratios in order to support the business and to maximize shareholders' value. The Group's and Company's capital consists of share capital in the amount of EUR 5.8 million, retained earnings and legal reserve.

The Group and the Company manage capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders and/or return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2017 and 2016.

In addition, companies registered in Lithuania are obliged to upkeep their equity at not less than 50 % of share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2017 and 2016 the Company was in line with this regulation. There were no other externally imposed capital requirements on the Company and the Group.

Group companies registered in Latvia are obliged to keep its equity at no less than zero, as imposed by the Law on Companies of the Republic of Latvia. The Group's subsidiary SIA INTER RAO Latvia did not comply with this requirement as at 31 December 2017 and 31 December 2016. The Group's management does not expect any negative consequences to the Group and believes that the losses will be covered from SIA INTER RAO Latvia future profit from operations.

26 Related party transactions

Parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group are as follows:

PJSC Inter RAO (ultimate parent);
 RAO Nordic Oy (one of the shareholders);
 UAB Scaent Baltic (one of the shareholders);
 SIA INTER RAO Latvia (subsidiary);
 OU INTER RAO Eesti (subsidiary);
 Sp z o.o. IRL Polska (subsidiary);
 Vydmantai wind park, UAB (subsidiary);
 UAB Alproka (joint venture);
 Other related parties include:
 UAB Scaent Baltic Group companies (the same shareholder);
 Other shareholders;
 Management.

2017

Group		Purchases	Sales	Declared dividends	Receivables	Payables
PJSC Inter RAO	a)	102,945	458	-	37	9,164
Oy RAO Nordic	b)	138	-	5,202	-	1,419
UAB Scaent Baltic	c)	21	-	2,958	-	2,390
Other related parties	d)	-	-	2,040	-	-
		103,104	458	10,200	37	12,973

2016

Group		Purchases	Sales	Declared dividends	Receivables	Payables
PJSC Inter RAO	a)	104,100	681	-	88	11,651
Oy RAO Nordic	b)	388	-	8,211	91	816
UAB Scaent Baltic	c)	32	-	4,669	-	453
Other related parties	d)	66	-	3,220	-	7
		104,586	681	16,100	179	12,927

26 Related party transactions (cont'd)

2017		Purchases	Sales	Declared dividends	Receivables and prepayments	Payables
Company						
PJSC Inter RAO	a)	102,945	458	-	37	9,164
Oy RAO Nordic	b)	138	-	5,202	-	1,419
UAB Scaent Baltic	c)	21	-	2,958	-	2,390
SIA INTER RAO Latvia	e)	-	-	-	1,203	-
OU INTER RAO Eesti	e)	-	106	-	296	-
Vydmantai wind park, UAB		-	18	-	2	-
Other related parties	d)	-	-	2,040	-	-
		103,104	582	10,200	1,538	12,973
2016						
2016		Purchases	Sales	Declared dividends/(received)	Receivables and prepayments	Payables
Company						
PJSC Inter RAO	a)	104,100	681	-	88	11,651
Oy RAO Nordic	b)	388	-	8,211	91	816
UAB Scaent Baltic	c)	32	-	4,669	-	453
SIA INTER RAO Latvia	e)	-	211	-	1,434	-
OU INTER RAO Eesti	e)	-	148	-	851	84
Vydmantai wind park, UAB		-	19	(1,000)	2	-
Other related parties	d)	66	-	3,220	-	7
		104,586	1,059	15,100	2,466	13,011

- a) The Group and the Company performs electricity purchase and sales transactions with PJSC Inter RAO.
b) The main part of the payables to Oy RAO Nordic in 2017 and 2016 consists of the loan (Note 12).
c) The main part of the payables to UAB Scaent Baltic in 2017 and 2016 consists of the loan (Note 12).
d) In 2017 and 2016 the Company paid dividends to other shareholders.
e) Transactions with subsidiaries mainly represents assistance in electricity prices hedging and trading through power exchange, as well as short term working capital support.

The Company has an agreement with PJSC Inter RAO, according to which the Company is obliged to buy certain minimum amount of electricity in 2018.

Payables and receivables between related parties are non-interest bearing. Receivables and payables payment terms between the related parties are up to 15-30 days, except for the dividends and loans, which are repaid in accordance to the legal or contractual requirements, respectively.

Outstanding balances at the year-end are unsecured and settlement occurs in cash, unless agreed otherwise. There have been no guarantees provided or received for any related party receivable or payable and no allowance has been made for the receivables from related parties by the Group and by the Company. The balances outstanding with related parties of the Group and the Company were not overdue as at 31 December 2017 and 2016.

Management remuneration and other benefits

The Group's management includes each of the Group companies managing director, deputy director and director of commerce. Amounts of salaries and bonuses calculated during the years 2017 and 2016 for the management of the Group were as follows: EUR 697 thousand and EUR 566 thousand, respectively.

The Company's management includes managing director, deputy director and director of commerce. Amounts of salaries and bonuses calculated during the years 2017 and 2016 for the management of the Company were as follows: EUR 564 thousand, and EUR 482 thousand, respectively.

No other guarantees were issued to the Group's and Company's management and no other amounts were paid or calculated and no assets were disposed of.

27 Non-monetary transactions



In April 2017 the general shareholders meeting decided to pay EUR 10,200 thousand dividends to the shareholders. EUR 8,160 thousand dividends payable were accounted for as loans payable to Oy RAO Nordic and UAB Scaent Baltic, part of which was repaid during 2017 (Note 12 and Note 24).

In April 2016 the general shareholders meeting decided to pay EUR 16,100 thousand dividends to the shareholders. EUR 12,880 thousand dividends payable were accounted for as loans payable to Oy RAO Nordic and UAB Scaent Baltic, part of which was repaid during 2016 (Note 12).

During 2017 the following amount of Group's and Company income tax were set off against other taxes: EUR 49 thousand.

28 Subsequent events

There were no subsequent events, which could materially influence the financial statements for the year ended as of 31 December 2017.

<u>General Manager</u>	<u>Giedrius Balčiūnas</u>		<u>8 February 2018</u>
<u>Chief Accountant</u>	<u>Edita Vagonienė</u>		<u>8 February 2018</u>

I. General Information

Reporting period

Year ended 31st December 2017

Company and its contact details

Company name	AB INTER RAO Lietuva (hereinafter – IRL or „the Company“)
Company code	126119913
Legal form	Public company (joint-stock company)
Date of registration	21 st December 2002
Name of register of Legal Entities	State Enterprise Centre of Registers
Registered office	A.Tumėno str. 4, block B, LT-01109 Vilnius
Telephone number	+370 5 242 11 21
Fax number	+370 5 242 11 22
E-mail	info@interrao.lt
Internet address	www.interrao.lt

Main activities of the Group of INTER RAO Lietuva

The Group of INTER RAO Lietuva (hereinafter – “the Group”) is an independent supplier of electricity and, as such, may engage in various forms of electricity trading. Moreover, the Group is also present in electricity generation operations, as it owns a wind farm in Western Lithuania.

The Group is engaged in various forms of electricity trading: the purchase and sale of electricity under bilateral contracts with other electricity suppliers, as well as on the power exchange; supply of electricity to end-users; provision of balancing services for end-users and other wholesalers of electricity; sale and purchase of regulating and balancing electricity for the transmission system operators; cross-border electricity trading.

The Group has permission to import and export electricity to and from Lithuania, it is engaged in the import of electricity from Russia and, to a lesser extent, from Belarus, as well as in export to these countries. The Group is also active in cross-border electricity trading between Lithuania and other EU Member States, namely Latvia and Estonia.

The Group sells all of the electricity it cross-border from the third countries to the Lithuanian internal market on the power exchange since, in accordance with respective regulations, all electricity cross-border delivered to the Lithuanian internal electricity market has to be sold on the power exchange. Then the Group buys the electricity on the power exchange in a volume corresponding to its contractual obligations with clients. Sale and purchase orders are submitted for the same prices and trades are executed at the market price. Some portion of electricity is also sold through Nord Pool AS in Lithuania to other market participants. Trades on the power exchange are executed at the market price.

The price of electricity sold under bilateral contacts is the market price, adjusted for variances depending on the electricity trading or consumption pattern of the customer and contractual arrangements (e.g., fixed on annual or monthly basis or agreed in daily delivery schedules).

Apart from importing electricity, the Group also purchases the electricity from other wholesalers of electricity in Lithuania and Latvia under bilateral contracts based on various pricing arrangements, as well as on Nord Pool AS in Lithuania, Latvia and Estonia.

The Group is also present in the electricity trading market in Poland, where it started its operations in 2014 and is involved in buying and selling electricity on the Polish Power Exchange.

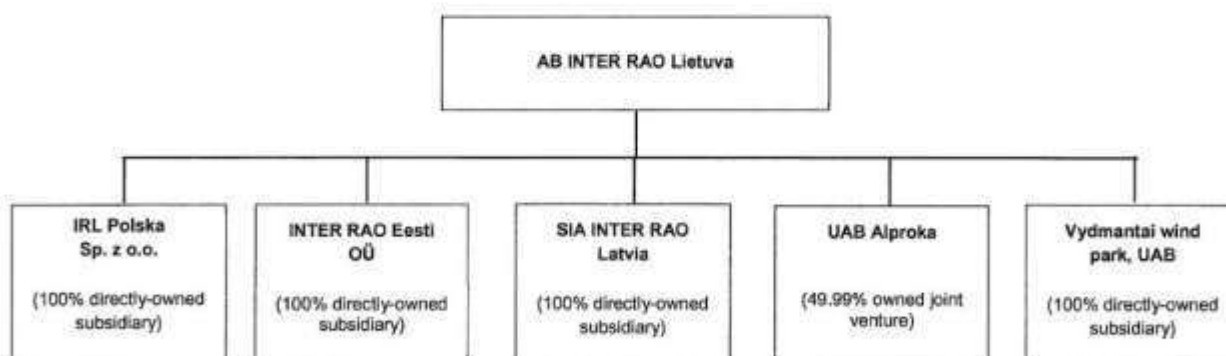
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The Group structure

As on 31st December 2017, the Group consisted of the Company and the following directly controlled subsidiaries and joint venture (hereinafter - the Group):

Company	Company code	Directly and indirectly held effective attributable interest	Equity as at 31 st December 2017	Registration address	Activity
INTER RAO Eesti OÜ - subsidiary	11879805	100%	421	Peterburi tee 47, Tallinn, Estonia	Trade of electricity
SIA INTER RAO Latvia - subsidiary	40103268639	100%	(444)	76 Gustava Zemgala Ave., Riga, Latvia	Trade of electricity
IRL Polska Sp. z o.o. - subsidiary	0000436992	100%	1,909	Twarda 18, 00-105, Warsaw, Poland	Trade of electricity
UAB Alproka – joint venture	125281684	49,99%	185	Verkių Str. 25C, Vilnius, Lithuania	Operations with real estate
Vydmantai Wind Park, UAB - subsidiary	302666616	100%	13,026	A.Tumėno Str. 4, Vilnius, Lithuania	Generation of electricity

The following chart sets out the Group' subsidiaries and interest in those subsidiaries, as well as the structure of the Group:



The Company and the Group does not have any branches or representative offices as of 31 December 2017.

The Group history and development

- 2002 The Company was incorporated as UAB Energijos realizacijos centras.
- 2003 The Company received its license as independent electricity supplier with permission to export electricity.
The Company signed sale-purchase agreements with INTER RAO UES and Lietuvos energija AB.
The Company began electricity trading activities by exporting electricity to Russia and Belarus.
- 2004 Permission to import electricity was granted to the Company.
- 2005 The Company began importing electricity to Lithuania.
RAO Nordic OY, a wholly owned subsidiary of INTER RAO UES, acquired 18% of the Company's share capital from UAB VB rizikos kapitalo valdymas.
- 2006 The Company acquired a 49.99% stake in UAB Alproka, a company engaged in real estate development in the Lithuanian seaside resort of Palanga.
- 2007 UAB Scaent Baltic acquired an 82% stake in the Company's share capital from Scaent Holdings Cooperatie UA and Bengtsbädd Förvaltning AB.
- 2008 RAO Nordic OY increased its shareholding in the Company by acquiring a 33% stake from UAB Scaent Baltic. The stake of RAO Nordic OY in the Company's share capital reaches 51%, while the stake of UAB Scaent Baltic decreases to 49%.
- 2009 The Company signed electricity sale-purchase agreements with the Belarusian company, Belenergo and the Latvian company, Latvenergo.
Cooperation regarding the sale of electricity with the largest electricity consumer in the Baltic States, Orlen Lietuva, was established. Delivery was initiated in 2010.
The Company changed its name to UAB INTER RAO Lietuva.
- 2010 The Company established two wholly-owned subsidiaries, one in Latvia (SIA INTER RAO Latvia) and the second in Estonia (INTER RAO Eesti OU).
SIA INTER RAO Latvia received its license for electricity trading in Latvia.
- 2011 SIA INTER RAO Latvia begins electricity trading operations.
The Company begins trading activities in the Estonian area of NordPool Spot.
The Company established a subsidiary UAB IRL Wind and in the same year UAB IRL Wind acquired the wind park in Vydmantai.
The Company begins operations in electricity generation from renewable energy sources by acquiring the wind park in Vydmantai.
The Company signs an agreement with INTER RAO UES on potential export of electricity generated in Baltiiskaya NPP under construction in Kaliningrad Oblast.
- 2012 Decision on public offering and listing of the Company's shares on the Warsaw Stock Exchange was made.

Business entity (IRL POLSKA sp. z o.o.) in Poland was established.

- 2013 AB INTER RAO Lietuva shareholders decided to distribute 27 million Litas as dividends.
- In July 2013, the Company has completed a merger of its two subsidiary companies UAB IRL Wind and Vydmantai wind park, UAB. Subsidiary companies were reorganised by merging UAB IRL Wind, which ceased its activities as a legal entity after the merger, into Vydmantai wind park, UAB which continued its activities after the merger.
- On 4th December 2013, the statutory capital of subsidiary company of AB INTER RAO Lietuva in Poland IRL Polska Sp.z o.o. was increased from PLN 2,000 thousand to PLN 10,000 thousand.
- 2014 On 3rd January 2014, the subsidiary company of AB INTER RAO Lietuva in Poland IRL Polska Sp.z o.o. was granted the license for trade in electricity in Poland. The term of the license is from 9th January 2014 till 9th January 2024.
- On 30th of April 2014, the General Annual Meeting of shareholders has adopted the decision to pay dividends to the shareholders of the Company in the amount of 13 million Litas.
- On 22nd of May 2014, IRL Polska Sp. z o.o. begins electricity trading operations.
- 2015 After Lithuania joined the euro zone, AB INTER RAO Lietuva shareholders fixed a nominal value of one share 0.29 EUR, share capital equal to 5.8 million EUR.
- AB INTER RAO Lietuva shareholders decided to distribute 11.2 million EUR as dividends.
- 2016 AB INTER RAO Lietuva shareholders decided to distribute 16.1 million EUR as dividends.
- 2017 On 30th of March 2017 by decision of Supervisory Council The Board of the Company was re-elected for a new office term of four years.
- On 28th of April 2017 new three members of the Supervisory Council, among them one independent member, were elected at the Annual General Meeting of Shareholders.
- AB INTER RAO Lietuva shareholders decided to distribute 10.2 million EUR as dividends.

Agreements with intermediaries of public trading in securities

Since 29th October 2012 the Company and UAB FMĮ Orion Securities (code 122033915), A. Tumėno str. 4, LT-01109 Vilnius, have an agreement on accounting of the Company's securities and services related to the accounting of securities.

Data about securities traded on regulated market

The following securities of the Company are included into the Main List of Warsaw stock exchange (symbol: IRL):

Types of shares	Number of shares	Nominal value (in EUR)	Total nominal value (in EUR)	Issue Code
Ordinary registered shares	20,000,000	0.29	5,800,000	LT0000128621

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In December 2012, the initial public offering of the Company's ordinary shares was completed on the Warsaw Stock Exchange. The total oversubscription for the Company's ordinary shares exceeded 26%. Given the ordinary share offer price of PLN 24.17 the value of the offering exceeded PLN 96.7 million. The Company's ordinary shares were included into the Main list of the Warsaw Stock Exchange.

Securities of the Group's subsidiaries are not traded publicly.

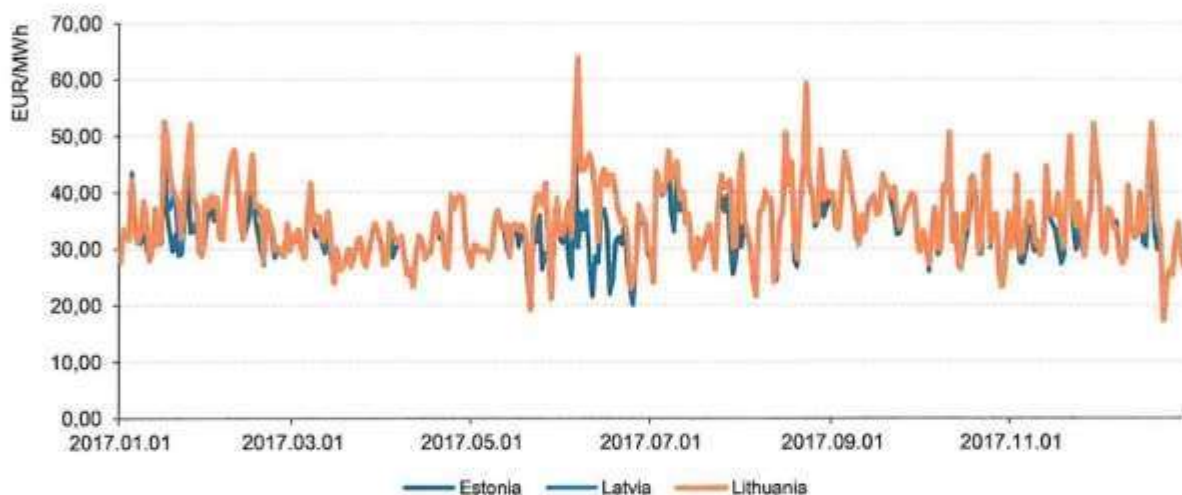
II. Financial Information

The Company's and the Group's sales in 2017 reached EUR 141.8 million and EUR 179.4 million and they were a bit higher (by 2.05% and 0.28%) respectively in comparison with the sales revenue in 2016.

Total revenue increased due to the higher amounts of electricity traded. The increase was also caused by a better meteorological conditions, which positively affected electricity generation and sale from the wind park owned by the Group. The increase in the amount of electricity traded was mainly influenced by increase in sales in Lithuanian market and Latvian subsidiary as companies signed more contracts with their clients.

Company's sales revenue in 2017 increased by 2.05 per cent, compared to 2016 due to same reasons – increase in sales in Lithuanian market and signed more contracts with clients.

Electricity price in NordPoolSpot exchange



During the period of 2017, the Company and the Group delivered electricity to all of its clients and fulfilled all of its contractual obligations of electricity sales at prices, agreed upon in the contracts. The Company and the Group fulfilled all of its contractual obligations to its Clients in 2017 without any delays and disturbances and remains as a trusted counterparty and reliable electricity supplier.

Due to the lower prices in the regional markets and higher amount of electricity traded, the Company's cost of sales increased by 3.45% and by 0.68% in the Group, comparing to the year 2016.

The Company's and the Group's EBITDA for the year 2017 was EUR 9.0 million and EUR 13.5 million. Company's EBITDA margin decreased from 8.6% in 2016 to 6.35% in 2017 and the Group's from 8.42% in 2016 to 7.55% in 2017.

During 2017 the Company and the Group fulfilled all of its contractual obligations to the Clients, and Groups client's base during the course of 2017 increased: from 1.191 in 2016 to 1.433 in 2017. The Company and the Group improved relationships with the largest electricity customers in the region, further developed electricity trading operations in Poland and Latvia.

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Wind park located in Vydmantai, owned by the Group over a year generated and sold 63.59 GWh, which was 12.72% more than in 2016. The increase in electricity production was mainly caused by a better wind conditions – the average wind speed in the area in 2017 was 6.38 m/s compared to 6.08 m/s during 2016.

The consolidated financial statements of the Group have been prepared according to the International Financial Reporting Standards as adopted by the European Union.

Key figures of IRL Group

Financial figures	2017	2016	2015
Sales (EUR thousand)	179,378	178,880	186,694
Gross profit (EUR thousand)	18,354	18,943	29,602
Gross profit margin (%)	10.23%	10.59%	15.86%
Operating profit (EUR thousand)	10,911	10,939	22,798
Operating profit margin (%)	6.08%	6.12%	12.21%
EBITDA (EUR thousand)	13,537	15,066	25,301
EBITDA profit margin (%)	7.55%	8.42%	13.55%
Net profit (EUR thousand)	8,974	9,256	18,819
Net profit margin (%)	5.00%	5.17%	10.08%
Number of shares (thousand)	20,000	20,000	20,000
Earnings per share (EUR)	0.45	0.46	0.94

Financial ratios	2017	2016	2015
Return on capital employed (%)	41%	37%	56%
Return on assets (%)	19%	18%	28%
Return on shareholders' equity (%)	50%	49%	75%
Gearing ratio	0.83	0.83	0.96
Net financial debt to equity	0.54	0.45	0.17
Equity to assets ratio	0.37	0.37	0.37
Current ratio	1.12	1.25	1.37
Rate of turnover of assets (%)	27%	29%	36%

Gross profit margin – Gross profit / Sales

Operating profit margin – Operating profit / Sales

EBITDA profit margin – EBITDA / Sales

Profit before taxes margin – Profit before taxes / Sales

Net profit margin – Net profit / Sales

Earnings per shares – Net profit / Number of shares

Return on capital employed – EBIT / (Total assets – Current liabilities)

Return on assets – Net profit / Total assets

Return on equity – Net profit / Total shareholders' equity

Gearing ratio – Total debt / Total shareholders' equity

Net financial debt to equity – (Financial borrowings – Cash and cash equivalents) / Total equity

Equity to assets ratio – Total equity / Total assets

Current ratio – Current assets / Current liabilities

Rate of turnover of assets – Total assets / Sales

EBITDA - Profit (loss) before income tax + Interest expenses + Depreciation and amortization + impairment

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These performance indicators are used to determine Group's progress in achieving its strategic and operational goals, and also to compare Group's finances and performance against other businesses within the industry.

Revenues

The total consolidated Group's sales revenue in 2017 was equal to EUR 179.4 million, approximately the same as in 2016. Total revenue increased due to the higher amount electricity traded, while the prices in the Nordpool system were lower if compared to the previous periods.

Sales revenues by operating segments, thous. EUR	2017	2016
Electricity purchases and sales	173,848	173,974
Electricity production and sales	5,530	4,906
Total	179,378	178,880

Group's revenue from sales of electricity in the 2017 amounted to EUR 173.9 million. Revenue from produced electricity sales accounted for EUR 5.5 million, which is a 12.72% more than the sales a year ago. The increase in electricity production was mainly caused by the better wind conditions in the area.

The tables below present data on the electricity trading activities of the Group for the 2017 and 2016 and the 4th quarter of 2017 and 2016, with a breakdown by each country for the periods indicated (S - sale, P - purchase).

	For 2017		For 2016	
	S	P	S	P
	<i>GWh</i>		<i>GWh</i>	
Lithuania*	3,698	404	3,452	270
Latvia	341	341	204	204
Estonia	322	435	486	628
Russia	92	3,131	116	3,019
Belarus	-	141	-	137
Poland	305	305	386	386
Total*	4,758	4,758	4,644	4,644

* Excluding equivalent trades on the power exchange

Differences between purchased and sold electricity total values is due to rounding

	For the 4th quarter of 2017		For the 4th quarter of 2016	
	S	P	S	P
	<i>GWh</i>		<i>GWh</i>	
Lithuania*	936	117	1,100	40
Latvia	88	88	70	70
Estonia	82	105	130	165
Russia	24	775	30	994
Belarus	-	45	-	70
Poland	64	64	84	84
Total*	1,194	1,194	1,423	1,423

* Excluding equivalent trades on the power exchange

The average annual electricity price in 2017 in Lithuanian Nord Pool Spot zone was equal to 35.13 EUR/MWh compared to 36.54 EUR/MWh in 2016, a 3.86% less than in 2016. The average weekly electricity price on the power exchange was fluctuating between 28.48 and 48.33 EUR/MWh in 2017.

Cost of sales

The Company's cost of purchase of electricity in 2017 increased by 3.55% and in the Group increased by 0.70% respectively if compared to 2016 and amounted to EUR 126.5 million and EUR 157.5 million. Cost of purchase of electricity constituted 98.72% and 97.83% of total cost of sales for the Company and for the Group respectively in 2017.

Transmission network service cost (*i.e.*, input fee) for the Company and for the Group stayed at almost the same level as a year ago and amounted to EUR 1.7 million.

Gross profit in 2017 decreased over the year by 9.44% and amounted to EUR 13.6 million for the Company and for the Group decreased by 3.11%, and amounted to EUR 18.4 million, if compared to EUR 15 million and EUR 18.9 million respectively in 2016. Gross profit margin in 2017 decreased to 9.62% for the Company and to 10.23% for the Group from 10.84% and 10.59% respectively in 2016, but stayed at the healthy levels.

General and administrative expenses

Total general and administrative expenses of the Company were higher and of the Group were lower in 2017 than total general and administrative expenses a year ago. In the Company it increased by 10.67% and amounted to EUR 5.4 million and in the Group it decreased by 7.01% and was equal to EUR 7.4 million. In 2016 Group recognized the impairment of goodwill of its subsidiary Vydmantai wind park, UAB. The Group did not recognize any impairment of goodwill in 2017, but a Company recognized the impairment of investment. This caused the increase in the Company's and the decrease in the Group's general and administrative expenses. The most significant costs' groups within the general and administrative expenses in the Company and the Group were wages, depreciation and amortization, charity, electricity selling expenses, impairment of investment and consulting services expenses.

The employment related expenses (wages, salaries and social security) for the Company and for the Group over the year increased by 5.47% and 5.39%.

Support (charity) related expenses for the Company and the Group in 2017 were approximately equal to the expenses for charity a year ago and amounted to EUR 1.15 million and EUR 1.18 million respectively (a 2.12% and 2.62% increase respectively). The Group constantly supports various organizations and initiatives as a part of its business mission. Support, provided by the Group, is concentrated on three main areas: communities, education and culture/sports.

Group recognized an additional goodwill impairment of wind park goodwill of EUR 1 million in 2016 (no impairment was recognized in 2017).

Earnings

Profit from operations for the Company and for the Group for year 2017 were equal to EUR 8.2 million and EUR 10.9 million, compared to the profit from operations of EUR 10.2 million and EUR 10.9 million in 2016. Operating profit margin for the Company and for the Group was equal to 5.80% and 6.08% compared to 7.32% and 6.12% a year ago.

Net result from financial and investing activities for the Company in 2017 was a 93% less than a year ago and amounted to EUR 0.11 million. In 2016 subsidiary Vydmantai wind park, UAB paid dividends (EUR 1 million). As in 2017 subsidiary did not distribute dividends, this caused the decrease in net result from financial and investing activities in the Company. Net consolidated result from financial and investing activities for the Group decreased by 315% compared to 2016 and amounted to EUR (0.4) million. Overall result for the Group from financial activities was mainly caused by year-on-year 21.76% lower interest expenses, which in 2017 totalled to EUR 0.58 million and finance income – fair value change of derivatives not designated as hedging instruments (EUR 0.2 million).

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As a result, profit before tax for the Company and for the Group in 2017 decreased and amounted to EUR 8.3 million and EUR 10.5 million respectively.

The net profit of the Company and the Group in 2017 amounted to EUR 7.2 million and EUR 9 million respectively.

The net profit margins for the Company and for the Group in 2017 decreased and were equal to 5.06% and 5.00% (compared to 7.33% and 5.17% year ago).

Investments

During 2017 the Group has not made any significant investments. In total EUR 17 thousand were invested into non-current assets compared to EUR 11 thousand in 2016.

Balance sheet and cash flow

During January-December 2017 total assets of the Company decreased by 7.32% and of the Group decreased by 6.33%. The most significant influence to the assets was caused by decrease of cash and cash equivalents in the Company and in the Group.

Total non-current assets of the Company decreased by 3.4% and of the Group decreased by 7.3%. The most significant change in assets in the Group was related to amortization of licenses held by subsidiary Vydmantai wind park as well as depreciation of wind power plant. Total non-current assets amounted to 39% of the total assets for the Company and to 51% of total assets for the Group.

During the year, shareholders' equity of the Company and of the Group decreased by 18.54% and 5.52% and amounted to 46% of the total equity and liabilities of the Company and to 37% of the total equity and liabilities of the Group. Decrease in equity was caused by dividends declared for the year 2016 and inferior results of the Company and the Group for the year of 2017. Total dividends distributed in 2017 reached EUR 10.2 million.

At the end of December 2017, total amount of borrowings, including financial liabilities related to finance lease and bank financing, amounted to EUR 3.8 million for the Company and EUR 14.9 million for the Group, if compared to previous year – 203.36% more for the Company and 5.03% less for the Group. Cash, cash equivalents amounted to EUR 3 million for the Company and EUR 5.2 million for the Group.

Net cash flow from operating activities for the Company and for the Group in 2017 were by 50.08% and 20.79% lower than a year ago and amounted to EUR 5.1 million and EUR 10.1 million respectively (compared to EUR 10.2 million and EUR 12.7 million a year ago).

During 2017 net cash flow from investing and financing activities amounted to negative EUR (7.8) million for the Company and negative EUR (12.1) million for the Group (compared to negative EUR (20.2) million for the Company and to negative EUR (25.2) million for the Group in 2016). Negative cash flow from financing activities is mainly related to the loans repaid and paid out dividends.

Information about related party transactions

Parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. The related parties of the Group are as follows:

- PJSC Inter RAO (ultimate parent);
- RAO Nordic Oy (one of the shareholders);
- UAB Scaent Baltic (one of the shareholders);
- SIA INTER RAO Latvia (subsidiary);
- INTER RAO Eesti OÜ (subsidiary);
- IRL Polska Sp z o.o. (subsidiary);
- Vydmantai wind park, UAB (subsidiary);

- UAB Alproka (joint venture);
Other related parties include:
- UAB Scaent Baltic Group companies (the same shareholder);
- Other shareholders;
- Management.

Detailed information about related party transactions is provided in Note 26 of INTER RAO Lietuva, AB Financial Statements for the year ended 31st December 2017.

The management of the Company has created an appropriate controlling procedures in the Group that includes ethical behaviour guidelines, ensures competence in accordance with the duties of the staff, and a clear vision of powers and responsibilities; the requirements for reporting and verification intra-group procedures, their monitoring and supervision in order to response a proper and time manner.

To support an effective internal control system, the Company's management is assisted by external and internal auditors, periodically evaluating the effectiveness of this system.

Other material information

No other material information need to be disclosed.

Recent events

No other material subsequent events occurred after the balance sheet date.

Research and development activities

There were no major research and development projects undertaken during 2017, except the on-going development and improvement of the Group provided services.

Risk management

The main risk factors associated with the activities of the Company are as follows:

- Changes in the regulatory environment.
- Changes in the price of electricity traded.
- Increase in price of imported electricity.
- Decrease in electricity demand.
- Failure to build or delay in building interconnections between electricity grids.
- Discontinuation or unfavourable changes in renewable energy support schemes.
- Decrease in volume of electricity generated by the wind park.
- Increased competition among independent electricity suppliers.
- Changes in currency exchange rates.

As of 31st December 2017 the total amount of borrowings of the Group amounted to EUR 14.9 million compared to EUR 15.7 million as of 31st December 2016.

As at 31st December 2017, the Group's fully owned subsidiary (Vydmantai wind park, UAB) had an interest rate swap agreement for purpose of future cash flow hedge. On 29th June 2012 the Group's company (IRL Wind, UAB) has concluded interest rate swap agreement for the period from 17th July 2012 to 17th October 2020. The Group's company pays a fixed interest rate at 1.65% and receives a floating interest rate at 6-month EURIBOR on a notional amount set in the agreement. After the reorganization of UAB IRL Wind and Vydmantai wind park, UAB was completed on 11th July 2013, all the assets and undertakings, including the interest rate swap agreement, of UAB IRL Wind were taken over by Vydmantai wind park, UAB. The notional amount of the transaction after reorganization was increased to EUR 23.3 million.

In 2016 the Company and the Group's fully owned subsidiary INTER RAO Eesti OÜ signed electricity derivative agreements for the purposes of future cash flow hedge. The derivative agreements are for 2017, 2018 and 2019 years.

The Group's and the Company's activities expose it to the following financial risks: market risk (including foreign exchange risk, and cash flow and interest rate risk), credit risk, liquidity risk. The Group's policy for treasury management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance of the Group.

The Company's financial risk management is carried out by the Company under policies approved by the Management Board. This unit identifies and evaluates financial risks in close co-operation with the Group's operating units. The Management Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

The Group's electricity trading is partially executed based on orders submitted by a team of traders on a daily basis in response to market conditions, upon consideration of the Group's contractual obligations and market demand. Electricity trading operations are executed using software provided by the electricity exchange (Nord Pool Spot AS) platform or platforms of clients/suppliers. In order to mitigate risks associated with electricity trading, the Group has introduced respective policies to supervise its traders' activity. Namely, each order for electricity purchase or sale is made by two employees: one employee inputs trading parameters, whereas the other (usually the commercial director) reviews and confirms them.

Apart from internal risk management procedures, trades made by the Group are checked by its counterparties, the power exchange and transmission system operators. Electricity trades made through Nord Pool Spot AS are checked by the power exchange itself for arithmetical accuracy and systematic errors, as well as for unusual activities. Furthermore, each day the Group is obliged to present to the transmission system operator its plan for deliveries of electricity for the following day. The transmission system operator checks whether the Group is able to deliver the planned volume of electricity and, if required, checks the availability of balancing services to be provided to the Group. Moreover, each day the Group is obliged to deliver to the Lithuanian transmission system operator plans for import and export of electricity from/to Russia or Belarus.

Regarding the management of credit risk, the Group is engaged in credit valuation and constant monitoring of its Clients. In such activities, the Group uses internally designed software which allows for the collection of information from Clients and prospective Clients, which is needed to evaluate Client's credit risk.

The Company implemented a process of internal controls. The process of the Company's internal controls implies control of business processes related to provision of electricity purchase and sale, and revenue assurance (customers' settlements and accounting, development and management of services, services provision), performance of IT systems (customer care and billing, infrastructure, network information, financial accounting, salary accounting, networks' interconnection) and the process of preparation of financial reports.

Plans and forecasts

The Company does not provide any specific plans or forecasts. The Group is engaged in electricity trading and plans expansion into other countries. The Group operates a wind park located in Vydmantai and plans to further develop activities in the renewable energy sector.

III. Information about Share Capital and Shareholders

Share Capital

In the end of 2017 the share capital of the Company amounts to EUR 5,800,000 and consisted of 20,000,000 ordinary registered shares with a nominal value EUR 0.29 each. On 20th July 2012, the General Meeting adopted a resolution to increase the share capital from LTL 1,000,000 to LTL 20,000,000, and to divide the share capital into 20,000,000 ordinary registered shares with a nominal value of LTL 1 each. Such an increase in share capital was made by converting 1,000 ordinary registered shares of the Company with a nominal value of LTL 1,000 into 1,000,000 ordinary registered shares with a nominal value of LTL 1 each, and by issuing 19,000,000 new ordinary registered shares of the Company from the retained earnings of the Company. After Lithuania joined the euro zone, on 30th April 2015 AB INTER RAO Lietuva shareholders decided to fix a nominal value of one share 0.29 EUR and share capital equal to 5.8 million EUR. Ordinary registered shares of the Company (ISIN code LT0000128621) are listed on the Main List of Warsaw Stock Exchange (symbol: IRL).

Shareholders

As of 31st December 2017 the Company had 3 shareholders whose shares were accounted in Lithuanian securities depository system. The shares of remaining shareholders were accounted in Polish securities depository system. Due to prevailing private information protection laws in Poland, Polish National Depository for Securities is not able to provide the Company with information about number of Company's shareholders whose shares are accounted in Polish securities depository system.

Shareholders, holding more than 5% of the share capital and votes, as of 31st December 2017:

Name of shareholder	Number of ordinary registered shares owned by the shareholder	Share of the share capital, %	Share of votes given by the shares owned by the right of ownership, %
RAO Nordic OY *	10,200,000	51.0	51.0
UAB Scaent Baltic *	5,800,000	29.0	29.0
Other shareholders	4,000,000	20.0	20.0
Total	20,000,000	100.00	100.00

*In addition, according to Art 26 Part 1 Item 2 of the Law on Securities of the Republic of Lithuania (agreement on implementation of long term management policy of the issuer), UAB Scaent Baltic indirectly holds voting rights directly held of RAO Nordic Oy, code 1784937-7, address Tammasaarekatu 1, FIN-00180, Helsinki, the Republic of Finland, and of RAO Nordic Oy indirectly holds votes of UAB Scaent Baltic under the agreement on implementation of long term management policy of the issuer between UAB Scaent Baltic and RAO Nordic Oy (hereinafter Shareholders' agreement).

As of 31st December 2017, 51% of the outstanding share capital of INTER RAO Lietuva, AB is held directly by RAO Nordic OY, a company organized and existing under the laws of the Republic of Finland, registration number 1784937-7, with its registered office at Tammasaarekatu 1, FIN-00180, Helsinki, the Republic of Finland. RAO Nordic OY is a wholly-owned subsidiary of PJSC Inter RAO, a company incorporated under Russian law, listed on MICEX-RTS under ticker 'IRAO'. PJSC Inter RAO is a diversified energy holding managing assets in Russia, several countries of the CIS and the EU. Its operations comprise electric power and heat generation, international power trading and electric industry engineering.

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As of 31st December 2017, 29% of the outstanding share capital of the Company is held directly by UAB Scaent Baltic, a company organized and existing under the laws of the Republic of Lithuania, registration number 300661378, with its registered office at Jogailos str. 9, LT-01116, Vilnius, the Republic of Lithuania.

As of 31st December 2017, free float represents 20% of the outstanding share capital.

As at 31st December 2017 the Company and its subsidiaries did not hold parent company shares.

Disclosure on acquisition of block of voting rights in the Company

On 7th January 2014, the Company made Announcement of the acquisition of block of voting right in the Company. As of 31st December 2017, the block of voting rights is held by:

Specification of voting rights held by Jonas Garbaravičius as of 31st December 2017						
	Number of shares (units)		Number of voting rights (units)		Number of voting rights (%)	
	Directly	Indirectly	Directly	Indirectly	Directly	Indirectly
Ordinary registered shares of AB INTER RAO Lietuva (ISIN code LT0000128621)	114,971		114,971	5,925,293	0.57	29.63

Specification of voting rights indirectly held by Jonas Garbaravičius as of 31st December 2017			
Name and other data about the person	The number of shares and voting rights held as of 31 st December 2017		
	Number of shares (units)	Number of voting rights (units)	Number of voting rights (%)
	directly	directly	directly
Voting rights held according to the Art 24 Part 1 Item 6 of the Law on Securities of the Republic of Lithuania (voting rights held by the company controlled by Jonas Garbaravičius)			
JG Investment Management UAB, code 303049386, address A. Tumėno str. 4-38, Vilnius, the Republic of Lithuania	8,000	8,000	0.04
UAB „East Europe Investment Group“, code 300606588, address A. Tumėno str. 4, Vilnius, the Republic of Lithuania	22,856	22,856	0.11
Voting rights held according to the Art 24 Part 2 of the Law on Securities of the Republic of Lithuania (voting rights held by other managers of the issuer)			
Vilma Juratė Balciuniene (spouse of the CEO of the issuer)	40,000	40,000	0.2
Vidas Cebatarionas (management board member of the issuer)	54,437	54,437	0.27
Voting rights held according to the Art 24 Part 1 Item 6 of the Law on Securities of the Republic of Lithuania (voting rights held by the company indirectly controlled by Garbaravičius family)			
UAB Scaent Baltic, code 300661378, address Jogailos str. 9, Vilnius, the Republic of Lithuania	5,800,000	5,800,000	29

In addition, according to Art 26 Part 1 Item 2 of the Law on Securities of the Republic of Lithuania (agreement on implementation of long term management policy of the issuer), Jonas Garbaravičius indirectly holds voting rights directly held of RAO Nordic Oy, code 1784937-7, address Tammasaarekatu 1, FIN-00180, Helsinki, the Republic of Finland, which concluded the Shareholders' agreement.

Treasury shares

During the financial year of 2017, the Company has not purchased any treasury (own) stock. As of 31st December 2017, the Company and its subsidiaries do not hold any treasury stocks of the Company.

Acquisition of treasury shares

For an adoption of a resolution on the acquisition of its own shares, a qualified $\frac{3}{4}$ majority of votes of shareholders participating at the General Meeting is required. Under Lithuanian law, the Company may acquire its own shares if all of the following conditions are met: (i) the acquisition of its own shares occurs within a specified period (no longer than eighteen months) after the adoption of a resolution by the General Meeting which specifies the conditions, purpose and terms for the acquisition of its own shares, including the maximum number of shares to be acquired, the manner in which these shares may be acquired and the price range within which the shares may be acquired; (ii) the total nominal value of the shares redeemed or taken as collateral does not exceed one-tenth of the share capital; and (iii) after the acquisition of its own shares, the Company's equity does not fall below the sum of the paid share capital, mandatory reserve and the reserve for acquisition of own shares; (iv) consideration of redeemed shares are paid from the reserve for acquisition of its own shares which was formed by the Company; (v) acquired shares are fully paid; (vi) acquisition of its own shares by the Company ensures equal possibilities for all shareholders to sell their held shares to the Company. Shares that were acquired infringing the above listed requirements (i)-(iv) must be sold within twelve months from the acquisition of these shares. If the shares are not sold during this period, then the corresponding portion of the share capital of the Company must be annulled. Upon acquisition of its own shares, the Company has no right to exercise property and non-property rights conferred by such shares.

Shareholders' rights

None of the shareholders of the Company have any special controlling rights. Rights of all shareholders are equal. One ordinary registered share of the Company gives one vote in the General Meeting of Shareholders.

Shareholders' agreements

In accordance with the Shareholders' Agreement (the agreement between RAO Nordic OY and UAB Scaent Baltic), neither RAO Nordic OY, nor UAB Scaent Baltic had the right to sell or otherwise transfer its ordinary shares in the Company or any part thereof to any third party or create any other third party rights to the Shares or any part thereof, except upon receiving the prior written consent of RAO Nordic OY and UAB Scaent Baltic.

Under the Shareholders' Agreement, RAO Nordic OY and UAB Scaent Baltic have agreed to vote their shares in order to elect four candidates nominated by RAO Nordic OY and one candidate nominated by UAB Scaent Baltic to the supervisory board. Under the Shareholders' Agreement, the shareholders undertook to cause the members of the supervisory board nominated by them to vote in order to elect two candidates nominated by UAB Scaent Baltic and three candidates nominated by RAO Nordic OY to the management board. Under the Shareholders' Agreement, the shareholders undertook to cause their nominated management board members to vote to elect a candidate nominated by UAB Scaent Baltic for CEO.

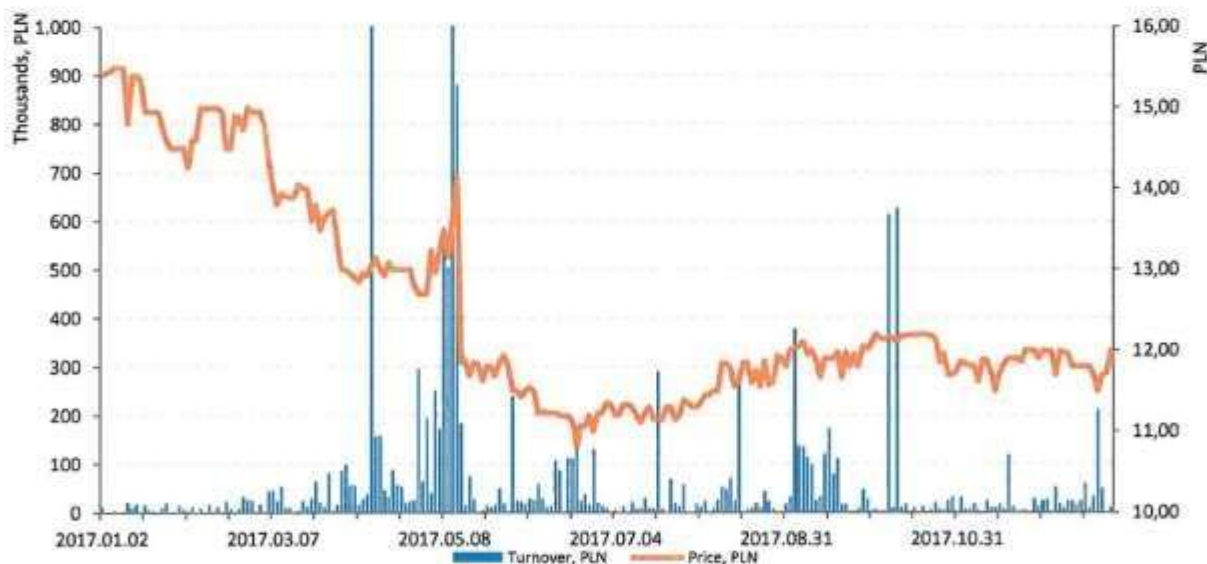
Information about trading in the Company's securities

Information about trading in the Company's shares on Warsaw stock exchange in 2012-2017:

Year	Currency	Opening price	Highest price	Lowest price	Last price	Average price	Turnover
2012	PLN	25.75	26.64	25.75	26.64	26.23	2,862,401
2013	PLN	26.93	31.3	21.01	23.92	27.12	43,529,719
2014	PLN	23.97	24.00	14.50	19.69	19.32	15,620,599
2015	PLN	19.39	19.85	15.00	18.60	17.56	8,650,069
2016	PLN	18.79	20.50	12.80	15.80	16.60	31,008,579
2017	PLN	15.40	15.50	10.81	11.99	12.54	14,889,302

The Company has market making agreement with UAB FMĮ ORION Securities. On 28 December 2015, additional agreement between UAB FMĮ ORION Securities and WSE came into force in order to satisfy new requirements of Liquidity Support Programme which participant the Company is.

IRL market capitalization as of 31st December 2017 reached PLN 240 million.



Dividends

According to the shareholders' agreement, RAO Nordic OY and UAB Scaent Baltic shall cause their respective nominees in the Supervisory Board and Management Board to support the distribution of no less than 70% of the relevant year net profit as dividends to shareholders.

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RAO Nordic OY and UAB Scaent Baltic shall vote their ordinary shares at the General Meeting to ensure such distribution of the net profit, unless the Management Board, in acting in the best interests of the Company by approving the annual investment program, decides that the Company should make investments with the relevant year's net profit.

Dividend per share declared by the Company for the financial years ended 31 December 2016, 2015, 2014, 2013 and 2012 was equal to EUR 0.51, EUR 0.81, EUR 0.56, EUR 0.19 and EUR 0.39 respectively.

Dividends for 2016, 2015, 2014, 2013 and 2012 amounted to EUR 10.2 million, EUR 16.1 million, EUR 11.2 million and EUR 3.77 million, EUR 7.82 million respectively.

	2016	2015	2014	2013	2012
Net profit, mEUR	10.18	16.12	11.20	1.16	16.8
Dividends declared, mEUR	10.2	16.1	11.2	3.77	7.82
Dividend pay-out ratio	100%	100%	100%	325%	46%

On 20th July 2012 RAO Nordic OY and UAB Scaent Baltic adopted resolution on the increase of the share capital from the Company's own funds from LTL 1,000,000 to LTL 20,000,000. As a consequence, the net profit for distribution for the financial year ending 31st December 2012, was reduced by the amount of the share capital increase. After Lithuania joined the euro zone in 2015, AB INTER RAO Lietuva shareholders fixed a nominal value of one share 0.29 EUR, share capital equal to 5.8 million EUR.

IV. Corporate Governance

The management bodies of the Company are as follows: General Shareholders Meeting, a collegial management body – Supervisory council, a collegial management body – Board, and single-person management body – Chief Executive Officer.

Members of Supervisory council



Evgeniya Popova

Chairwomen of the Supervisory Council at INTER RAO Lietuva (term: 2016.04.29 – 2020.04.29)

Head of Operational Analysis and Trading Activity Forecasting Department at PJSC Inter RAO

Education:

Moscow State Institute of International Relations qualification – Finance and Credit, and MBA at Kingston University and Academy of National Economy under the Government of the Russian Federation

Career over the last five years:

2011 – present: Head of Operational Analysis and Trading Activity Forecasting Department at PJSC Inter RAO



Danielis Kličmanas

Member of the Supervisory Council at INTER RAO Lietuva (term: 2016.04.29 – 2020.04.29)

Head of Mergers and Acquisitions of Starman/Cgates group

Education:

Master's degree at Vytautas Magnus University, qualification – Finance and Banking

Career over the last five years:

2015 - Head of Mergers and Acquisitions of Starman/Cgates group
2003 - 2014 Investment Manager of SEB bank, SEB Venture Capital



Evgeny Sarymsakov

Member of the Supervisory Council at INTER RAO Lietuva (term: 2016.04.29 – 2020.04.29)

Head of International Law Department of Legal Affairs Unit of PJSC Inter RAO

Education:

Master's Degree at Moscow State Institute of International Relations, qualification – International Law

Career over the last five years:

2012 – present: Head of International Law Department of Legal Affairs Unit of PJSC Inter RAO



Jonas Garbaravičius

Member of the Supervisory Council at INTER RAO Lietuva
(term: 2016.04.29 – 2020.04.29)
Partner at Rigel Capital Partners

Education:

Vytautas Magnus University

Career:

2017 – present: Member at YPO

2015 – present: Partner at Rigel Capital Partners

2013 – present: Owner of JG Investment Management, UAB

2013 – present: Co Founder / Supporting Shareholder at Children Hospital Support Foundation (Vaikų Ligoninės Paramos Fondas)

2013 – present: Co Founder / Supporting Shareholder at Public Organization "Šiaurės Jeruzalė" (Northern Jerusalem), project LitvakWorld.com

2012 – present: Board member at Vilnius City Opera

2012 – present: Member of the Supervisory Board at INTER RAO Lietuva

2011 – 2017: Member of the Management Board at Inter Green Renewables and Trading

2013 – 2015: Managing Partner at CEE Resources & Investments LLP

2007 – 2013: Chairman of the Board at Scaent Baltic



Rytis Davidovičius

Member of the Supervisory Council at INTER RAO Lietuva
(term: 2016.04.29 – 2020.04.29)
Director, Lewben Group, Lewben Asia Pacific

Education:

Bachelor degree, History and Political science at Vytautas Magnus University

Licence of consultant, Bank of Lithuania

Career over the last five years:

Since 2016 director, Lewben Group, Lewben Asia Pacific;

Since 2013 President, Lithuanian Rugby Federation, Lithuania;

2013 – 2016 CEO, JG Investment Management UAB, Lithuania;

2014 - 2016 Adviser of the Chairman of the Board, Orion Asset Management UAB, Lithuania.

2011 – 2014 CEO, Orion Asset Management UAB, Lithuania.



Vasily Kulikov

Member of the Supervisory Council at INTER RAO Lietuva
(term: 2016.04.29 – 2020.04.29)

Head of Risk management and internal control department
PJSC Inter RAO

Education:

Bachelor degree in Management at Non –State Educational Institution Modern University for the Humanities

Career over the last five years:

2014 – present: Head of Risk management and internal control department PJSC Inter RAO

2012 – 2014: Head of audit procurement activity department JSC Inter RAO Electric Power Plants



Victor Kolotievskiy

Member of the Supervisory Council at INTER RAO Lietuva
(term: 2016.04.29 – 2020.04.29)

Head of European Operations of the Trading Unit of PJSC
Inter RAO

Education:

National Research University “Moscow Power Engineering Institute” qualification – Engineer-Manager

The Moscow University of Finance and Law, qualification – Lawyer

Career over the last five years:

2012 – present: Head of European Operations of the Trading Unit of PJSC Inter RAO

Members of the Board



Karina Tsurkan

Chairwomen of the Board at INTER RAO Lietuva (term: 2017.03.30 – 2021.03.30)

Member of the Management Board, Head of the Trading Unit of PJSC Inter RAO UES ((OGRN): 1022302933630, Ul. Bolshaya Pirogovskaya d. 27, str. 2, Moscow 119435, Russian Federation)

Education:

Bachelor's degree at the International Independent University of Moldova
MBA degree at the University Consortium of Spain (IUP)

Career:

2012 – present: Chairman of the Board at INTER RAO Lietuva
2012 – present: Member of the Management Board, Head of the Trading Unit at Inter RAO
2011 – 2012: Head of the Geographic Division "Europe" at INTER RAO UES
2010 – 2011: Head of the Geographic Division "Moldova, Ukraine, Romania" at INTER RAO UES
2009 – 2010: Head of the Department of Management and Development, the Geographic Division "Europe" at INTER RAO UES
2008: Head of the Department of Foreign Economic Activity in East and West Europe, INTER RAO UES



Ilnar Mirsiyapov

Member of the Board at INTER RAO Lietuva (term: term: 2017.03.30 – 2021.03.30)

Member of the Management Board, Head of the Strategy and Investment Unit of PJSC Inter RAO UES ((OGRN): 1022302933630, Ul. Bolshaya Pirogovskaya d. 27, str. 2, Moscow 119435, Russian Federation)

Education:

Ph.D.
Moscow State Institute of International Relations
Almetyevsk State Oil Institute
Kutafin Moscow State Law Academy

Career:

2012 – present: Member of the Board at INTER RAO Lietuva
2010 – present: Head of the Strategy and Investment Unit at Inter RAO



Evgeny Miroshnichenko

Member of the Board at INTER RAO Lietuva (term: 2017.06.06 – 2021.03.30)
Member of the Management Board, Chief Financial Officer, PJSC Inter RAO UES ((OGRN): 1022302933630, Ul. Bolshaya Pirogovskaya d. 27, str. 2, Moscow 119435, Russian Federation)

Education:

State University of Management

Career:

2016 – present: Member of the Board at INTER RAO Lietuva
2016 – present: Member of the Management Board, Chief Financial Officer, PJSC Inter RAO
2010 - 2016 — Director of Strategic Development with the Strategy and Investments Unit, Deputy Head of the Unit, Head of the Strategy Department of the Strategy and Investments Unit, PJSC Inter RAO



Giedrius Balčiūnas

Member of the Board at INTER RAO Lietuva (term: 2017.03.30 – 2021.03.30)
Director General (CEO) at INTER RAO Lietuva

Career:

2012 – present: Member of the Board at INTER RAO Lietuva
2010 – present: Member of the Management Board at INTER RAO Eesti OÜ
2006 – present: Chairman of the Management Board at Alproka
2003 – present: Director General (CEO) at INTER RAO Lietuva
2011: Member of the Management Board at Vėjų spektras (Vydmantai Wind Park)



Vidas Čebatariūnas

Member of the Board at INTER RAO Lietuva (term: 2017.03.30 – 2021.03.30)
Director of Commerce of AB INTER RAO Lietuva

Education:

Master of Economic Analysis and Planning awarded by Vilnius University

Career:

2012 - present: Member of the Management Board at IRL Polska
2012 – present: Chairman of the Management Board at INTER RAO Latvia
2010 – present: Member of the Management Board at INTER RAO Eesti
2010 – 2013: Member of the Management Board at Scaent Baltic
2007 – present: Member of the Management Board at INTER RAO Lietuva
2005 – present: Director of Commerce at INTER RAO Lietuva
2011: Member of the Management Board at Vėjų spektras (Vydmantai Wind Park)

CEO

The general director (CEO) of the Company is Giedrius Balčiūnas. Term in the position: 2003.05.21 – unlimited

Chief accountant

Chief accountant of the Company is Edita Vagonienė. Term in the position: 2012.10.01 – unlimited

Audit committee

On 12th December 2013 the Company has formed an audit committee.

On 6th June 2017 the Company new members of audit committee were elected. The term of committee will end on 2020.04.29.

The members of the audit committee are the following: Mr Victor Kolotievskiy, Mr Vasily Kulikov and Mr Danielis Kličmanas.

Holdings in the Company by members of governing bodies, administration, and audit committee

Table below presents information about number of shares held in the Company by members of governing bodies, administration:

	Name, surname	Directly held shares		Indirectly held shares		Total	
		No. of shares	% of total equity	No. of shares	% of total equity	No. of shares	% of total equity
Supervisory board	Evgeniya Popova						
	Jonas Garbaravičius*	114,971	0.57%	5,925,293	29.63%	6,040,264	30.20%
	Rytis Davidovičius						
	Vasily Kulikov						
	Victor Kolotievskiy						
	Evgeny Sarymsakov						
	Danielis Kličmanas						
Management board	Karina Tsurkan						
	Ilnar Mirsiyapov						
	Evgeny Miroshnichenko						
	Giedrius Balčiūnas		0.00%	40,000	0.2%	40,000	0.2%
	Vidas Cebatariūnas	54,437	0.27%		0.00%	54,437	0.27%
Administration	Giedrius Balčiūnas, CEO		0.00%	40,000	0.2%	40,000	0.2%
	Edita Vagonienė, chief accountant						

* - more specific information about shares held by Jonas Garbaravičius can be found on the section "Information about Share Capital and Shareholders" of this report.

Remuneration of the members of the governing bodies, CEO and Chief accountant of the Company

During 2017 in total EUR 0.578 million was paid as salaries for the members of governing bodies and administration. Except for salaries, there have been no other sums transferred by the Company to the members of governing bodies and administration. More detailed information regarding remuneration is presented in the table below.

	Salaries, EUR
All members of the Supervisory Board collectively	144,564
Per member of the Supervisory Board on average	20,652
All members of the Board collectively	356,548
Per member of the Board on average	71,310
All members of administration (CEO and chief accountant)	244,333
Per member of administration	122,166

Important agreements

The Company has not entered into any material contracts which would come into validity, change, or expire after the change in the control of the Company.

The Company has not entered into any agreements with the members of the governing bodies, committees or employees regarding compensation in case members or employees resign, are fired without reasonable cause or their employment ceases due to change in control of the Company.

Harmful transactions

During the reporting period there have been no any transactions performed on behalf of the Company which were harmful (not complying with the goals of the Company, usual market practices, conflicting with the interests of shareholders etc.), had or could have in the future any negative influence for the activities or financial results of the Company.

According to the knowledge of the Company, during the reporting period there have been no any transactions made by the management, controlling shareholders or any other parties related to the Company which resulted in the private – corporate conflicts of interest.

Auditors

The Consolidated Financial Statements presented in the annual report were audited by UAB Ernst & Young Baltic (license No. 001335), with its seat at Subačiaus 7, LT-01127 Vilnius, Lithuania. Ms Inga Gudinaite (auditor license No. 000366) is the signatory of the independent auditors' report on the Consolidated Financial Statements, a member of the Lithuanian Chamber of Auditors.

Social Responsibility

The Group constantly supports various organizations and initiatives as a part of its business mission. For the financial years ended 31st December 2017, 2016, 2015 and 2014 the Group spent EUR 1.18 million, EUR 1.15 million, EUR 1.17 million and EUR 1.15 million, respectively, on charity and other support. These costs represent Group's corporate values and culture to support and contribute to the overall social welfare. Support, provided by the Group, is concentrated on three areas: communities, education and culture, sports. While contributing to the social communities the Group donates to orphanages, hospitals, churches and various other charity and support organizations. When sponsoring culture and education spheres, the Group supports universities, schools, theatres, orchestras and various other organizations and events. Sports sponsorship started at the very beginning of the company's activities, the main attention is paid to basketball, soccer, car races, tennis and various other sports organizations and events.

Environment matters

The Group uses the most innovative means and the most modern technological processes that meet ecological standards. In addition, the Group owns wind park located in Vydmantai, which produces eco-friendly electricity.

V. Personnel

The table below presents the Company's data on the headcount of employees divided into categories, in the periods indicated.

	As of 31 st December	
	2017	2016
Management	8	8
Sales Managers, including Traders	7	7
PR & Marketing Staff	1	1
Project managers	2	2
Technical staff	1	1
Office Staff	6	6
Total	25	25

The table below presents the Company's data on the employee related expenses divided into employee categories, for the period indicated.

	As of 31 st December 2017	
	Headcount	Expenses, EUR million
Management	8	1.113
Sales Managers, including Traders	7	0.235
PR & Marketing Staff	1	0.035
Project managers	2	0.035
Technical staff	1	0.015
Office Staff	6	0.253
Total	25	1.686

On 31st December 2017 25 employees were employed in the Company. Company's personnel consisted of 8 managers and 17 specialists. Average annual employment expenses per employee in 2017 amounted to EUR 139 thousand for managers and EUR 34 thousand for specialists.

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The table below presents the Group's data on the headcount of employees divided into categories, in the periods indicated.

	As of 31 st December	
	2017	2016
Management	8	8
Sales Managers, including Traders	16	15
PR & Marketing Staff	1	1
Project managers	3	4
Technical staff	3	3
Office Staff	12	11
Total	43	42

The table below presents the Group's data on the employee related expenses divided into employee categories, for the period indicated.

	As of 31 st December 2017	
	Headcount	Expenses, EUR million
Management	8	1.113
Sales Managers, including Traders	16	0.511
PR & Marketing Staff	1	0.035
Project managers	3	0.044
Technical staff	3	0.034
Office Staff	12	0.363
Total	43	2.100

Once grouped by broad categories, on 31st December 2017 Group's personnel consisted of 8 managers and 35 specialists. Average employment expenses per employee in 2017 amounted to EUR 139 thousand for managers and EUR 28 thousand for specialists.

As of 31st December 2017, 32 of the Group's employees were employed in Lithuania, 4 were employed in Latvia, 3 were employed in Estonia and 4 were employed in Poland.

The Group recognizes the importance of its staff in operating a stable and efficient business, and in providing the highest level of customer service and, accordingly, the Group strives to recruit, train, reward and retain only the best personnel. The Group usually introduces a remuneration system comprised of a standard gross salary, paid monthly, as well as bonuses, based on the discretionary decision of the Management.

There are no trade unions or workers councils registered in the Group Companies. There are no collective bargaining agreements concluded in the Group companies.

As of 31st December 2017, the Group's employees, except for Mr Jonas Garbaravičius, Mr Giedrius Balčiūnas, Mr Vidas Čebatariūnas, Mr Saulius Garbaravičius, Mr Nerijus Veikša, Mr Paulius Vazniokas, Mr Edvardas Važgėla, Mr Edvardas Norkeliūnas and Ms Loreta Šertvytytė do not have any direct or indirect shareholdings in the Company, do not hold any stock options or other rights to the Shares and do not participate in any other way in the capital of the Company. There are no arrangements relating to such participation.

Senior Management

In the opinion of the Company's management, except for members of the Company's corporate bodies, the following persons are the most important for the Group (herein after the "Senior Management"):

Name	Position/Function
Paulius Vazniokas	Economic Director
Aistė Vaitaitytė	Deputy CEO
Edvardas Važgėla	Electricity Trading Development Director
Nerijus Veikša	Legal Department Director
Saulius Garbaravičius	Chief Corporate Communication Officer

The business address of the members of the Senior Management is the Company's principal place of business at A. Tumėno 4, Vilnius, Lithuania.

Paulius Vazniokas has been the Economic Director of the Company since 2007. He currently holds several positions in the Group Companies. Since 2007, Mr Vazniokas has also sat on the management board of UAB Scaent Baltic. He also holds various positions in companies from UAB Scaent Baltic's group. Before joining the Group, Mr Vazniokas gained experience as: Head of Commercial Real Estate Department in Kaunas branch of Ober Haus UAB (2000-2002), Real Estate Project Manager and Director at AB Panevėžio kelial group (2002-2004), as well as a CFO and Head of Administration at UAB Realtus (2004-2007).

Mr Vazniokas holds Bachelor's degree in Business Administration from Vytautas Magnus University, which he obtained in 2000. In 2002 he obtained Master's degree in Finance and Banking from Vytautas Magnus University. Mr Vazniokas also obtained Ph. D. degree in Economics from Vytautas Magnus University in 2011. Since 2007, he has lectured at Vytautas Magnus University. Mr Vazniokas also studied law at Vilnius University (2002-2006).

Aistė Vaitaitytė has been the Deputy CEO of the Company since 1 June 2005. She has been associated with the Group since 2003 and, before becoming the Deputy CEO, Ms Vaitaityte held position of Head of Information Analysis and Transmission Division.

Ms Vaitaitytė holds Master's degree in Law and Management from Mykolas Romeris University, which she obtained in 2003. In 2000 Ms Vaitaitytė obtained Bachelor's degree in Social sciences from Lithuanian University of Educational Sciences.

Edvardas Važgėla has been the Electricity Trading Development Director of the Company since 2012. Before joining the Group, Mr Važgėla had, for over 20 years, been associated with Lietuvos energija AB, working as: Leading Engineer (1991-1993), Energy Marketing Services Manager (1993-1996), Energy Trading Centre Director (1996-2001), Electricity Market Department Director (2001-2009) and Wholesale Electricity Trading Department Director (2010-2011). Moreover, in years 1977-1991 Mr Važgėla worked for Lithuanian National Energy System, first as an Engineer Inspector and later as an Electrical Inspection Chief.

Mr Važgėla graduated from the Kaunas Polytechnic Institute in 1977 with specialization in electricity engineering. His education also includes various courses in the fields of electricity and energy.

Nerijus Veikša has been the Legal Department Director of the Company since 2007. His past professional experience includes posts of: Director at National Association of Business Administrators (2002-2003), Assistant General Director at Kauno termofikacinė elektrinė (2003-2006), lawyer at UAB Creditum (2007), General Director at UAB Scaent Baltic Energy (2007-2009), Member of the supervisory board at OMX Baltic Benchmark Fund and Member of the management board at UAB SC Baltic Media (2009-2012), Member of the management board at UAB Scaent Baltic (2013-2015).

Mr Veikša holds Master's degree in International Commercial Law from the Law Faculty of Vytautas Magnus University, which he obtained in 2002. In 1999, he also obtained Bachelor's degree in Business Administration from Vytautas Magnus University.

Saulius Garbaravičius has been Chief Corporate Communication Officer since 2013. Since 2013 Mr Garbaravičius is a Member of the Board at Oxygen Venture Capital, since 2014 he is a Member of the Board at Orion Asset Management, UAB, since the year 2015 is CEO at Rigel Capital Partners Ltd, and since 2016 is CEO at Orion Managing Partners B.V.. His past professional experience includes posts of: Partner at CEE Resources&Investments LLP (2013-2014), Member of the Board at UAB "Scaent Baltic" (2007-2013), Chairmen of the Board at UAB "SC Baltic Media" (2008-2013), CEO at UAB "Franchise Media" (2008-2011), CEO at UAB "Intelligent Media" (2009-2010).

Mr Garbaravičius holds Bachelor's degree in Philosophy from Vytautas Magnus University.

VI. Statement on Corporate Governance

6.1. Statement on compliance with the BEST PRACTICE FOR WSE LISTED COMPANIES

- The Company hereby informs about the Company's partial non-compliance with the Best Practice for GPW Listed Companies 2016. The Best Practice for GPW Listed Companies 2016 can be found on the website dedicated to the corporate governance at the Warsaw Stock Exchange: www.corp-gov.gpw.pl and on the corporate website: www.interrao.lt in the section "For Investors".
- The Company acknowledges the importance of the good corporate governance and intends to apply Best Practice for GPW Listed Companies 2016 as wide as is practicable. However, due to, inter alia, differences between Polish and Lithuanian Corporate Law the Company will not comply with the following rules:
- I.R.2. according to which, if the Company pursues sponsorship, charity or other similar activities, then the Company should publish the information about the relevant policy. While the Company continuously supports sport, culture and education as well as social initiatives as a part of its business mission, it does not consider it practicable to adopt the relevant policy on its activity within these spheres.
- I.Z.1.3. and II.Z.1. according to which the Company must publish a chart showing the division of duties and responsibilities among members of the management board. Under Lithuanian Corporate Law, the management board functions and responsibilities are not required to be divided among management board members.
- I.Z.1.6. according to which information on the dates of corporate events leading to the acquisition of limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors must be provided in the Company's website. The Company considers providing such information to investors.
- I.Z.1.11. according to which the Company should publish on its website information about the content of the Company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule. According to Lithuanian law, the audit firm is selected by the annual general meeting of the Company's shareholders (the "Annual General Meeting") to perform the audit of annual financial statements. The Supervisory Board, the Management Board and the shareholders having at least 1/20 of votes may at any time prior to or during the Annual General Meeting suggest in writing or by means of electronic communication the audit firm, therefore such rule is not required and the Company has not adopted any rules regarding the issue.
- I.Z.1.14. according to which the Company should publish on its website materials provided to the general meeting (also II.Z.10 according to which the Supervisory Board prepares and presents to the General Meeting a report and assessment of the Company's standing, including an evaluation of the internal control, risk management and compliance systems and the internal audit functions and II.Z.11 according to which the Supervisory Board should issue opinions on issues decided by the General Meeting). The Company only partially complies with this principle, as according to Lithuanian law, the Supervisory Board is not required to draw up such an assessment or report or issue such opinions.
- I.Z.1.15. according to which information about the company's diversity policy applicable to the governing bodies and key managers should be published on its website. Even though there is no such policy in the Company established, the Company puts its best efforts to comply with general principles. Also a diverse among others in terms of gender is ensured as currently, there are two women in governing bodies of the Company, Ms Karina Tsurkan, is the chairwoman of the Management Board and Ms Evgeniya Popova on 29 April 2016 was elected to Supervisory Board of the Company and she is the chairwoman of the Supervisory Board.
- II.Z.3 and II.Z.4, II.Z.7 and II.Z.8 according to which at least two members of the Supervisory Board and the chair of the audit committee should meet the criteria of being independent from the Company. As of the date of this report a member of the Supervisory Board and a member of the Audit Committee Mr Danielis Kličmanas meets criteria of being independent. The Company is putting its best efforts to comply with this principle.
- III.Z.1, III.Z.2, III.Z.3, III.Z.4, III.Z.5 and III.Z.6 according to which the management board of the company should be responsible for implementation and maintenance of efficient internal control, risk management, compliance systems and internal audit functions and establish rules applicable to implementation of these functions. Under Lithuanian Corporate Law, the management board is not responsible for these functions and no separate units have to be established in the company for this purpose. The Audit Committee is established in the Company which supervises and considers accounting, internal control and risk management, as well as auditing activities of the Company, performs an independent and unbiased supervision of the audit.

- IV.R.2. and IV.Z.2 (also I.Z.1.16) according to which the Company should enable its shareholders to participate in a General Meeting using electronic communication means through real-life broadcast of General Meetings and real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting and enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary. The Company does not enable participation in the General Meeting by using electronic communication means through real-life broadcast and real-time bilateral communication. However, the Company does not exclude that such means will be adopted in the future. Also the Company does not comply with I.Z.1.20 according to which the Company should make audio or video recording of a general meetings public as no such recordings are required under Lithuanian Corporate Law.
- V.Z.5. according to which the Supervisory Board should approve a significant transaction/agreement with a shareholder who holds at least 5% of the total vote in the company or with related party at the request of the Company's Management Board. In accordance with Lithuanian Corporate Law, the Supervisory Board is not entitled to approve any decisions of the Management Board and approve transactions.
- VI Section according to which the Company should have a remuneration policy and comply with the rules of defining and implementing the policy as described therein. The Company has not adopted such policy, since the Company's Group is developing and the number of employees and members of management do not justify implementation of a complex set of rules.

6.2. Description of the procedures of the General Meeting and its main powers and the rights of the shareholders and procedures of their execution

6.2.1. Procedures of the General Meeting

The General Meeting is the supreme corporate body of the Company. Procedures and powers of the General Meeting of Shareholders are regulated in the Articles of Association and specified in the Lithuanian Company Law.

The Company must hold at least one Annual General Meeting within four months of the end of the financial year. The Annual General Meeting, among other things, is entitled to resolve important corporate matters, such as any amendments to the Articles of Association, any increase and reduction of the share capital of the Company, election and removal of members of the Supervisory Board, selection and removal of the audit firm, approval of the annual financial statements and interim financial statements, adoption of a decision on the distribution of profit, dissolution, merger or transformation of the Company, and certain other matters.

The right of initiative to convene the General Meeting is vested in the Supervisory Board, the Management Board and any shareholders holding at least 1/10 of all votes.

The agenda of the General Meeting shall be prepared by the Management Board or CEO (if the General Meeting is convened by him/her). The General Meeting shall have no right to adopt decisions on issues not announced in the agenda, except when all shareholders with voting rights participate in the General Meeting and no one of them has voted in writing.

The agenda of the General Meeting may be supplemented based on suggestions of the Supervisory Board, the Management Board and any shareholder holding at least 1/20 of all votes, as long as the suggestion is received not later than 14 calendar days prior to the General Meeting. Such suggestion shall be submitted in writing or by means of electronic communication, together with draft decisions, or when no decisions must be adopted, explanations on each of the suggested agenda items shall be submitted.

Shareholders have the right to ask questions regarding items on the agenda of the General Meeting in advance. Under Lithuanian law, the Company is obliged to answer these questions before the General Meeting, provided that the questions were received by the Company not later than 3 business days prior to the General Meeting. If several questions of identical content are submitted, the Company may respond with a single answer.

If the General Meeting is not held due to absence of a quorum (shareholders that have more than half of all votes and participate at the General Meeting constitute a quorum), a repeat General Meeting shall be convened not earlier than in 14 calendar days, and not later than 21 calendar days following the failed General Meeting. The shareholders shall be

informed of the convening of the repeat General Meeting in the same manner as the failed General Meeting, but not later than 14 calendar days prior to the repeat General Meeting.

6.2.2. Voting at the General Meeting

Each ordinary share of the Company confers one vote at the General Meeting. Participation and voting in the General Meeting or the repeat General Meeting shall be reserved only for those who are shareholders on the record date, *i.e.* those who are shareholders at the end of the fifth business day prior to the General Meeting or prior to the repeat General Meeting.

Those authorised by the shareholders and holding a power of attorney issued by means of electronic communication to an individual or a company to participate and vote on his/her behalf at the General Meeting may attend and vote at the General Meeting. Persons with whom an agreement on assignment of voting rights has been concluded may attend and vote at the General Meeting if a shareholder informs the CEO of the Company of any transfer of voting rights by providing copies of the respective agreement and (or) authorization. Under the Articles of Association such document must be provided to the Company within 7 calendar days of the signing of the respective document.

Anyone attending the General Meeting and entitled to vote must present a document which is a proof of his/her identity. Anyone who is not a shareholder must additionally present a document proving his/her right to vote at the General Meeting.

In addition, shareholders may vote in advance of the General Meeting by filling in written general voting ballots. Shareholders that have voted in advance shall be deemed as participating in the General Meeting and their votes will be counted when establishing the quorum and voting results. If the shareholder so requests, the Company, no later than 10 days before the General Meeting, must dispatch a general ballot paper by registered mail or present this against signature, free of charge. The general ballot paper must also be available on the Company's website (www.interrao.lt) no later than 21 days before the General Meeting.

The General Meeting shall be deemed to have taken place and will be able to adopt decisions if the shareholders holding more than half of all votes of the Company participate in the General Meeting. If the required quorum is not present, the General Meeting shall be deemed to have failed to take place and a repeat General Meeting shall be convened. A repeat General Meeting shall be held based on the agenda of the failed General Meeting and shall not be subject to quorum requirements. General voting ballots of a failed General Meeting will be valid in a repeat General Meeting.

All shareholders participating in the General Meeting have the right to vote and ask questions during the General Meeting. The right to participate and to speak at the General Meeting shall also be held by the members of the Supervisory Board, Management Board, CEO, the General Meeting inspector and the auditor that prepared the conclusion and the report.

The Company must record the voting results for each decision adopted at the General Meeting. The shareholders at the General Meeting shall elect the General Meeting inspector who determines the total number of votes carried by the shares issued by the Company on the day of the General Meeting, the number of valid and invalid general ballot papers filled-in and submitted in advance, the number of valid and invalid proxies submitted, the number of submitted agreements on the disposal of voting rights, the number of voting shares represented at the General Meeting (in person, through proxies, through persons under agreements on the disposal of voting rights, under the general ballot papers filled-in in advance, under other documents entitling to vote), whether the General Meeting has a quorum, and the results of voting at the General Meeting.

Not later than within 7 days following the General Meeting, the Company must post the voting results of the General Meeting on its website. Shareholders or their representatives that have participated in the General Meeting may become familiar with the meeting minutes, and within 3 calendar days after becoming familiar (but not later than within 10 calendar days of the General Meeting), may submit their comments and opinions in writing.

6.2.3. Electing members of the Supervisory Board

The members of the Supervisory Board are elected by the General Meeting. Under the Lithuanian law candidates for a supervisory board may be proposed by the Management Board and a shareholder(s) holding shares representing at least 5% of votes. When electing Supervisory Board members, each shareholder has a number of votes equal to the number of votes carried by the shares of the Company he/she owns, multiplied by the number of members of the Supervisory Board being elected. A shareholder can distribute votes at his/her own discretion, granting them to one or several candidates. The candidate who receives the highest number of votes prevails. The chairman of the Supervisory Board is elected by the members of the Supervisory Board. If the number of candidates who received an equal number of votes exceeds the number of vacancies on the Supervisory Board, a repeat vote shall be held in which each shareholder may vote only for one of the candidates who received the equal number of votes.

The General Meeting may remove the entire Supervisory Board or its individual members before the expiry of their term of office. Such decision requires a simple majority of votes. If an individual member is removed, resigns or discontinues the performance of his/her duties for other reasons, and the shareholders whose shares carry at least 1/10 of all votes object to the election of individual members of the Supervisory Board, then the entire Supervisory Board shall lose its powers and shall be subject to election. Where individual members of the Supervisory Board are elected, they shall be elected only until the expiry of the term of office of the current Supervisory Board.

Under the shareholders' agreement entered by the principal shareholder of the Company (the Shareholders' Agreement), at all times during the validity of the Shareholders' Agreement, the principal shareholders will vote their shares in order to elect five candidates nominated by the principal shareholders. In addition, the principal shareholders will vote their shares to appoint two independent members proposed by the principal shareholder, since under Lithuanian law, candidates for a Supervisory Board may be proposed by the Management Board and any shareholder(s) holding shares representing at least 5% of votes.

6.2.4. Approval of annual accounts

Annual financial statements and an annual report are prepared by the CEO, assessed by the Management Board and commented on by the Supervisory Board. The Annual General Meeting receives annual financial statements and the annual report, together with comments and proposals of the Supervisory Board, and adopts a decision to approve the audited annual financial statements. The same procedure, *mutatis mutandis*, applies to the approval of interim accounts of the Company if the General Meeting makes a decision to distribute dividends to the shareholders of the Company for a period shorter than the financial year.

The annual financial statements, auditor's report, annual report and other information required under Lithuanian law must be made available to shareholders for review from the date of the notice on convening the Annual General Meeting.

6.2.5. Distribution of profit

Pursuant to the Law on Companies of the Republic of Lithuania, the Company may distribute its profit or assets to shareholders only (i) by paying dividend; (ii) in case of liquidation of the Company; or (iii) in case of reduction of the share capital of the Company.

Decision to distribute profits of the Company, as well as to establish, use, decrease and/or cancel the reserves, is adopted in the General Meeting by the qualified $\frac{3}{4}$ majority of votes of shareholders participating in the General Meeting.

The General Meeting may adopt a decision to declare annual and interim dividends by the qualified $\frac{3}{4}$ majority of votes of shareholders participating at the General Meeting. The Company is allowed to pay dividends (i) only to the extent that the Company's equity exceeds the aggregate nominal value of all of the Company's shares plus the amount of any reserves (mandatory reserve, the revaluation reserve and the reserve for acquisition of own shares) that the Company is required to, or is allowed to, maintain pursuant to the Articles of Association or the provisions of applicable laws; (ii) only if the Company has no outstanding non-performed obligations with due terms before the adoption of the decision to pay out dividends, and (iii) only if the Company during the respective financial year or interim financial period has made profit.

Further, payment of interim dividends may be initiated by the proposal of shareholders, holding at least 1/3 of all votes of the Company. In addition to the above mentioned conditions, interim dividends are allowed to be paid only if (i) financial statements for the respective period shorter than the financial year are approved by the General Meeting; (ii) profit was generated during the respective period that is shorter than the financial year; (iii) the amount of the paid-out interim dividends do not exceed the following: a) profit generated during the respective period that is shorter than the financial year, plus undistributed profit (accumulated during all earlier years) present at the end of the previous financial year, minus part of the profit generated during the respective period that is shorter than the financial year that must be allocated to reserves under the Articles of Association or the Law on Companies (*i.e.* if the mandatory reserve is below 1/10 of the registered share capital, deductions must be made to it of not less than 1/20 of the net profit of the respective financial year); (iv) the Company has no outstanding obligations which became due before adoption of the decision to pay out interim dividends and after the interim dividends are paid, the Company will remain able to meet its obligations for the current financial year.

Dividends are paid to persons who, at the end of the rights record date (*i.e.* the tenth business day following the day the decision to distribute dividends was adopted by the General Meeting), were shareholders of the Company or were otherwise entitled to receive dividends. Each shareholder is entitled to dividends *pro rata* to the number of shares held by such shareholder. The Company must pay dividends within one month of the date of resolution adopted by the General Meeting.

6.2.6. Issuance of shares

The Company may issue new shares pursuant to a resolution of the General Meeting adopted by qualified $\frac{3}{4}$ majority of votes of shareholders participating at the General Meeting; no special quorum is required. A qualified $\frac{3}{4}$ majority of votes of shareholders participating at the General Meeting is also required to issue convertible bonds. The decision of the General Meeting to issue new shares shall be deemed void in case of failure to submit the amended Articles of Association to the Register of Legal Entities of the Republic of Lithuania within six months of the day on which the General Meeting adopted the decision. If this deadline is not met, the contributions for the subscribed shares must immediately be returned, without any deductions at the written request of the subscriber.

The Company's share capital may be increased from the Company's own funds by issuing new shares. In such case the shareholders are entitled to receive new additional shares for no consideration in proportion to the nominal value of the shares owned by them on the rights record day (*i.e.* the tenth business day following the day of the decision of the General Meeting to increase the Company's share capital).

A qualified $\frac{3}{4}$ majority of votes of shareholders participating at the General Meeting is also required to establish the class, number, nominal value, minimal issue price of shares in the Company, as well as to convert the Company's shares of one class into another class and related procedures.

6.2.7. Amendment of the Articles of Association

The General Meeting can resolve to amend the Articles of Association by a qualified $\frac{3}{4}$ majority of votes of shareholders participating at the General Meeting. The amended Articles of Association shall come into force on the day of the registration of the Articles of Association with the Register of Legal Entities of the Republic of Lithuania. Once the amendments to the Articles of Association are entered in the companies register, the Company publishes a relevant current report.

6.2.8. The rights of the shareholders and procedures of their execution

In addition to the rights described above, the shareholders of the Company also enjoy other rights established by the Lithuanian Company Law or other legal acts of the Republic of Lithuania.

6.2.9. Right to transfer the shares

According to Lithuanian law, the Company is prohibited from introducing any additional restrictions of the shareholders right to dispose of fully paid shares to another person. There are no restrictions on transfer of the shares, other than those described in applicable laws or agreed between the shareholders of the Company.

6.2.10. Pre-emptive right

Each shareholder holding the shares at the end of the rights record date (*i.e.* the tenth business day following the day of the decision of the General Meeting to increase the Company's share capital) has a pre-emptive right with respect to all new share issuances or convertible bonds, in proportion to the number of shares held by such shareholder.

Pre-emptive rights may be withdrawn by a decision of the General Meeting taken by a qualified $\frac{3}{4}$ majority of votes of shareholders participating at the General Meeting. The right of pre-emption to acquire new shares being issued by the Company or the convertible bonds may only be withdrawn for all shareholders of the Company. A written proposal to withdraw the pre-emptive right must be given by the Management Board, indicating reasons and causes for such withdrawal, as well as persons who would be offered to acquire the newly issued securities. The General Meeting, taking a decision on withdrawal of the pre-emptive right, must justify the necessity to withdraw such right and specify the person or persons who are given the right to subscribe to newly issued securities or convertible bonds, save for cases when the pre-emptive right is withdrawn because of the intention to make a public offering of securities of the Company under the procedure set by the Lithuanian Law on Securities.

6.2.11. Right to receive Information

At the written request of any shareholder, the Company shall, no later than within 7 days from the day of receipt of such request, submit to the shareholder to become familiar with and (or) present copies of the following documents: the Articles of Association of the Company, annual and interim financial statements, annual and interim reports of the Company, audit statements and reports, minutes of the General Meeting and other documents containing decisions of the General Meeting, lists of the shareholders, other documents of the Company which must be public by law of the Republic of Lithuania as long as they do not contain any commercial (industrial) secret or confidential information of the Company. Upon submission to the Company of a written undertaking in the form established by the Company not to disclose the commercial (industrial) secret and confidential information, a shareholder or group of shareholders holding or possessing more than half of all the shares shall have the right to become familiar with all documents of the Company. The Company has the right to refuse to provide to the shareholder present copies of the documents if it is unable to determine the identity of the shareholder. Refusal to provide to the shareholder with present documents shall be executed by the Company in writing at the shareholder's request. Disputes regarding the right of the shareholder to information shall be settled in court.

The Company's documents and other information or copies thereof shall be presented to the shareholders at the registered office of the Company. The Company's documents, their copies and other information shall be presented to the shareholders, free of charge.

6.2.12. Inquiry right

One or more shareholders, individually or jointly representing at least 1/10 of the share capital of the Company, may assert their inquiry right. This means that they may appeal to the court in writing to appoint one or more experts to conduct an inquiry of the activity and affairs of the Company, *i.e.* whether the Company or the Company's corporate bodies or their members acted in the proper manner.

In the event of improper performance of the activity, the following sanctions may be imposed by the court after evaluating the findings reported by the appointed experts: (i) revocation of the resolutions taken by the corporate bodies; (ii) temporary suspension of the powers of the members of the corporate bodies or exclusion of a person from the corporate body; (iii) appointment of provisional members of corporate bodies; (iv) authorisation of non-implementation of certain provisions of incorporation documents; (v) obligation to make amendments to certain provisions of incorporation

documents; (vi) transferral to another person of the member's right of the corporate body to vote; (vii) obligation of the Company to take or not take certain actions; and (viii) liquidation of the Company and appointment of a liquidator.

6.3. Personal composition and procedures of the Company's Management and Supervisory Boards and its committees

Rules of conduct of the Supervisory Board, its committees and the Management Board are regulated in the Articles of Association of the Company and the Regulations of work of the Supervisory Board, its committees and the Supervisory Board, respectively.

6.3.1. Management Board

The Company's Management Board consists of five board members, including the chairman of the Management Board. Under Lithuanian law, the Management Board may act if at least 2/3 of the number of members established in the Articles of Association are appointed and participate in the Management Board activities. Under the Articles of Association, the members are appointed for a term of four years. Each member may be reappointed. The Supervisory Board elects the Board members by a majority of votes of the members who attended the Supervisory Board's meeting and those who voted in advance. The chairman of the Management Board is elected by the Management Board. The Supervisory Board may recall the entire Management Board or its individual members before the expiry of the term of their office if at least 2/3 of the Supervisory Board members present at the meeting vote for such a decision. The Management Board is responsible for the strategic direction of the Company under the supervision of the Supervisory Board. Under the Articles of Association, all resolutions of the Management Board must, depending on the type of decision, be adopted either by a simple majority of the votes cast, or unanimously.

The following decisions must be adopted unanimously (defined as all members of the Management Board vote for the adoption of the decision): (i) to approve and amend the by-laws of the Management Board; (ii) election and removal of the CEO, establishment of his/her salary and other employment conditions, to provide him/her incentives and impose penalties; approval of the by-laws of the CEO; (iii) approval of the business strategy of the Company; (iv) approval of the management structure and positions of the Company; (v) becoming an incorporator or member of other legal entities and acquisition of shares or part of capital in other legal entities; (vi) establishing branches and representative offices of the Company, approval of their regulations and nomination of their managers; (vii) investing, transferring of or leasing the tangible long-term assets, the book value of which exceeds 1/20 of the authorised share capital of the Company (calculated individually for each type of transaction); (viii) pledging or mortgaging the tangible long-term assets, the book value of which exceeds 1/20 of the authorised share capital of the Company (calculated for the total amount of transactions); (ix) granting surety or guarantee for the discharge of obligations of third persons, the amount of which exceeds 1/20 of the authorised share capital of the Company; (x) acquiring tangible long-term assets, the price of which exceeds 1/20 of the authorised share capital of the Company; (xi) approval, amendment or termination of the transactions between the Company and persons related to shareholders (except for transactions regarding the sale or purchase of electricity and/or transactions that are included in the annual investment program or budget approved by the Management Board); (xii) approval or amendment of the annual budget of the Company; (xiii) adopting decisions on issuance of debentures; (xiv) approval of transactions which are outside the scope of an annual investment program approved by the Management Board and investments exceeding EUR 1.5 million; (xv) any decisions related to the exercising of the shareholder's rights or obligations in any controlled legal entity of the Company, including (without limitation) voting in the general meetings of shareholders, nomination of the candidates to the governing bodies etc.; (xvi) making transactions or actions for sale or other transfer of the shares, capital or any other form of the membership interest (including any rights carried thereby) held by the Company in any legal entity; (xvii) decision of any other issue attributed to the competence of the Management Board by the laws, by the decisions of the General Meeting and by the Articles of Association; (xviii) approval of the annual investment program of the Company; and (xix) approval of transactions whereby loans, credits or similar financial arrangements to be obtained by the Company or whereby loans, credits or similar financial arrangements to be extended by the Company.

The term of office of the Management Board shall commence after the closing of the Meeting of the Supervisory Board at which it was elected. The Management Board shall perform its functions for a term of four years or until election and

commencement of functioning of a new Management Board, but no longer than until the annual General Meeting to be held in the year at the end of the term of office of the Management Board. As at the date of the Report, the Management Board is composed of five members.

6.3.2. Supervisory Board

The Supervisory Board consists of seven members, including the chairman. Under Lithuanian law, the Supervisory Board may act if at least half of the number of members established in the Articles of Association are appointed and participate in Supervisory Board activities. The members of the Supervisory Board are elected by the General Meeting. The General Meeting may also remove the entire Supervisory Board or its individual members before the expiry of their term of office.

The Supervisory Board is responsible for supervising the activities of the Management Board and the CEO. The Supervisory Board may adopt decisions, and its meetings are considered to have been validly held only if more than half of its members are present, or represented during such a meeting. The members of the Supervisory Board who have voted in advance shall also be considered to have attended the meeting. Each member of the Supervisory Board is entitled to one vote.

Under the Articles of Association, the members of the Supervisory Board are elected for a term of four years by the General Meeting. The Supervisory Board commences its activities after the closing of the General Meeting which elected the Supervisory Board and shall perform its functions for a period of four years or until a new Supervisory Board is elected, but not for longer than the date of the annual General Meeting to be held during the final year of the term of office of the Supervisory Board.

The Supervisory Board shall have all powers and rights provided for by the laws and these Articles of Association, including: (i) to approval and amendment of by-laws of Supervisory Board; (ii) election of members of the Management Board and removal from the office; (iii) supervision of activities of the Management Board and CEO; (iv) submission of comments and proposals to the General Meeting on the Company's operating strategy, annual financial statements, draft of profit (loss) appropriation and the annual report of the Company, as well as the activities of the Management Board and CEO; (v) submission of comments and proposals to the General Meeting on draft decision of allocation of dividends for any period shorter than the financial year, and for that purpose composed interim financial statements and annual report; (vi) submission of proposals to the Management Board and CEO to revoke any decisions which are in conflict with the laws, other legal acts, the Articles of Association or decisions of the General Meeting; (vii) request the Management Board and the CEO to submit documents related to the activity of Company; (viii) right to make proposals for the reorganization terms; (ix) right to initiate the conveyance of the General Meeting; (x) right to supplement the agenda of the General Meeting; and (xi) a member of Supervisory Board has the right attend and speak at the General Meeting.

A decision to remove a member of the Management Board from office may be taken if at least 2/3 of the Supervisory Board members present at the meeting, including any who have voted in advance, vote for it.

As at the date of this report, the Supervisory Board is composed of four members. The Company expects that additional members of the Supervisory Board will be elected during the Annual General Meeting. It is expected that two of additional members of the Supervisory Board shall meet criteria of being independent.

6.3.3. Committees

In order to properly implement its supervisory function, the Supervisory Board has the right to form its committees. The audit committee is formed from among the members of the Supervisory Board. The audit committee shall consist of three members, of the Supervisory Board As of 6th June 2017 Mr Victor Kolotievskiy, Mr Vasily Kulikov and Mr Danielis Kličmanas were elected as members of audit committee of the Company.

The Audit committee's term of office shall be the same as the Supervisory Board. Any decisions made by the audit committee shall be only of an advisory nature to the Supervisory Board. The main tasks of the Audit committee shall include, among others, the monitoring of the Company's financial information integrity, the external auditor's independence and objectivity, as well as the effectiveness of the external audit process, the review of internal control and risk management systems.

6.3.4. Description of the basic features of the Company's internal control and risk management systems related to the process of preparing financial statements

The Company's system of internal control and risk management in the process of drawing up financial statements is implemented through:

- the audit of the annual financial statements of the Company and the Group companies;
- verification whether a single accounting policy is applied by the Company's Group companies as regards the recognition, measurement and disclosures in accordance with the International Financial Reporting Standards (IFRS);
- following accounting standards and monitoring compliance with them.

The Company maintains its financial statements in accordance with the IFRS as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and as applicable in the respective years.

The Company has certain procedures to authorise the financial statements under which the periodical annual reports are submitted to the Management Board for an approval and after the approval disclosed in public. Subsequently, the financial statements are forwarded to the Supervisory Board for their opinion. The Annual General Meeting receives annual financial statements and the annual report, together with comments and proposals of the Supervisory Board, and adopts a decision to approve the audited annual financial statements. Before the publication, the financial statements are treated as confidential information of the Company and provided solely to persons involved in the preparation, verification and approval process which are bind under the confidentiality undertakings.

6.3.5. Publicly announced information

During the period from the start of 2017 to 31st December 2017 Company publicly announced and broadcasted through Warsaw Stock Exchange information system and on own webpage the following information:

Title	Category of announcement	Language	Date
Publication date of the results for the 4th quarter of 2016 and the Annual Information for 2016 of AB INTER RAO Lietuva	Investor news	EN, LT	22-Feb-2017
Announcement of the results for the 4th quarter of 2016 and the Annual Information for 2016 of AB INTER RAO Lietuva	Annual information	EN, LT	24-Feb-2017
Statement on corporate governance	Investor news	EN, LT	02-Mar-2017
AB INTER RAO Lietuva announces about full repayment of loans' amounts to its major shareholders	Notification on material event	EN, LT	09-Mar-2017
AB INTER RAO Lietuva decisions of the Management Board	Notification on material event	EN, LT	27-Mar-2017
AB INTER RAO Lietuva decisions of the Supervisory Board	Notification on material event	EN, LT	04-Apr-2017

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Notice on convocation of the Annual General Meeting of Shareholders	Notification on material event	EN, LT	07-Apr-2017
The decisions adopted by the Annual General Meeting of Shareholders of AB INTER RAO Lietuva	Notification on material event	EN, LT	28-Apr-2017
Publication date of the results for the 1st quarter of 2017 of AB INTER RAO Lietuva	Investor news	EN, LT	10-May-2017
Notice on the procedure for the payment of dividends	Notification on material event	EN, LT	11-May-2017
Announcement of the results for the 1st quarter of the year 2017 of AB INTER RAO Lietuva	Interim information	EN, LT	12-May-2017
AB INTER RAO Lietuva announces about financing received from its major shareholders	Notification on material event	EN, LT	24-May-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	05-Jun-2017
AB INTER RAO Lietuva decisions of the Supervisory Board on the revocation of the Board member of AB „INTER RAO Lietuva“ before term and appointment of the member of the Board, and on the appointment of members of the Audit committee of Supervisory Council	Notification on material event	EN, LT	07-Jun-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	16-Jun-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	21-Jun-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	22-Jun-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	27-Jun-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	29-Jun-2017
Publication date of the results for the for the 6 month period ended 30 June 2017	Investor news	EN, LT	29-Aug-2017
Announcement of the results for the 6 month period ended 30 June 2017 of AB INTER RAO Lietuva	Interim information	EN, LT	31-Aug-2017

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Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	6-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	7-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	8-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	11-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	12-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	14-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	15-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	18-Sep-2017
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	19-Sep-2017
Publication date of the results for the 3rd quarter of 2017	Investor news	EN, LT	10-Nov-2017
Announcement of the results for the 3rd quarter of the year 2017 of AB INTER RAO Lietuva	Interim information	EN, LT	14-Nov-2017
AB INTER RAO Lietuva announces about partial repayment of loans' amounts to its major shareholders	Notification on material event	EN, LT	23-Nov-2017
AB INTER RAO Lietuva announces about partial repayment of loan amount to its major shareholder	Notification on material event	EN, LT	18-Dec-2017

Contents of above mentioned announcements can be obtained on Company's webpage <http://www.interrao.lt/eng/For-Investors2/Reports/Current-Reports/2017>.

VII. Confirmation of Responsible Persons

Following the Article No. 22 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, I, Giedrius Balčiūnas, General Director of AB INTER RAO Lietuva hereby confirm that, to the best of my knowledge, AB INTER RAO Lietuva Financial Statements as of and for the year ended 31 December 2017 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of the Company and the Group. The consolidated Annual Report of the Company includes a fair review of the development and performance of the business and the position of the Company and the Group in relation to the description of the main risks and contingencies faced thereby.

Giedrius Balčiūnas
General Director

