

INTER RAO Lietuva AB
Consolidated and Company's financial statements
for the year ended 31 December 2014,
prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union
presented together with independent auditor's report
and Annual Report for the year 2014

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I. General Information

Reporting period

Year ended 31st December 2014

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 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 Spot 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 Spot AS in Lithuania, Latvia and Estonia.

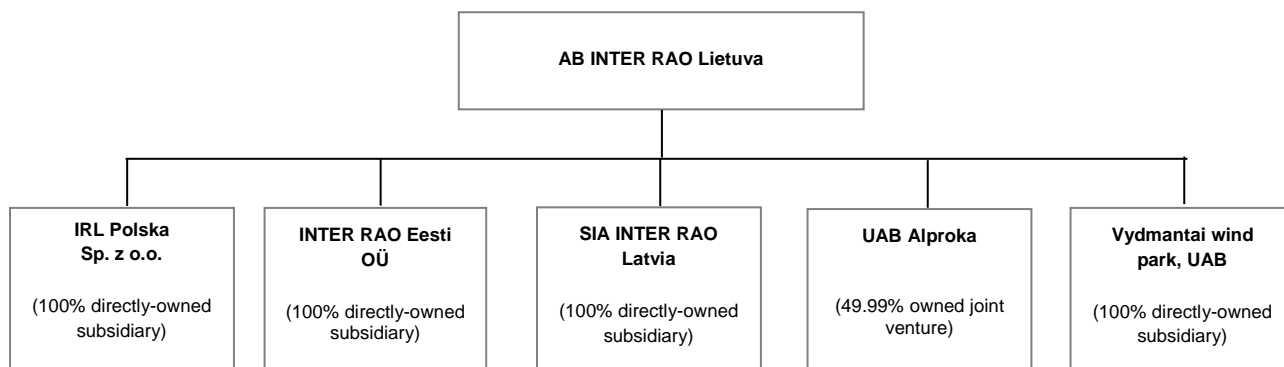
The Group is also present in the electricity trading market in Poland, where it started its operations this year and is involved in buying and selling electricity on the Polish Power Exchange.

The Group structure

As on 31st December 2014, 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 2014	Registration address	Activity
INTER RAO Eesti OÜ - subsidiary	11879805	100%	555	Vaikare-Karja 3/Sauna 2, Tallinn, Estonia	Trade of electricity
SIA INTER RAO Latvia - subsidiary	40103268639	100%	(4,794)	Ropažu 10, LV 1039, Riga, Latvia	Trade of electricity
IRL Polska Sp. z.o.o.	0000436992	100%	7,359	Emilii Plater 53. Warsaw, Poland	Trade of electricity
UAB Alproka - joint venture	125281684	49,99%	1,351	Verkių Str. 25C, Vilnius, Lithuania	Operations with real estate
Vydmantai Wind Park, UAB - subsidiary	302666616	100%	36,520	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 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 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 Lit 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.

Agreements with intermediaries of public trading in securities

Since 29th October 2012 the Company and UAB FMJ 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 LTL)	Total nominal value (in LTL)	Issue Code
Ordinary registered shares	20,000,000	1	20,000,000	LT0000128621

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.

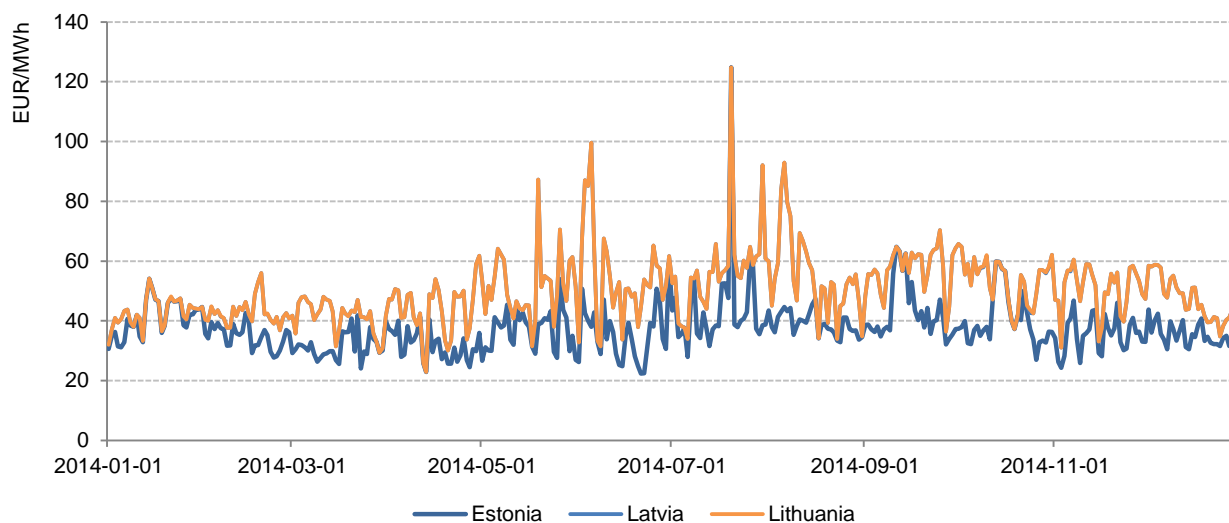
Securities of the Group's subsidiaries are not traded publicly.

II. Financial Information

The Company's and the Group's sales in 2014 reached LTL 651,7 million and LTL 726,3 million and they were lower by 8.3% and 4.2% respectively in comparison with the sales revenue in 2013.

Despite the lower sales revenue that the Company and the Group generated during the 2014, which were mainly caused by risk measures, implemented by the Company and the Group as a response to the potential risks arising from the possible limitation of electricity transmission capacities from third countries (Russia and Belarus) into the Baltics¹, which persisted throughout the entire year of 2014, the Company and the Group managed to avoid the potential losses and generate industry normal 9,3% and 10,4% general profitability respectively.

Electricity price in NordPoolSpot exchange



During the period of 2014, 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 2014 without any delays and disturbances and remains as a trusted counterparty and reliable electricity supplier.

From the third quarter of 2013 and throughout the entire 2014 the Company and the Group implemented a set of risk management measures, which resulted in avoiding loss-making situation as was faced in the third quarter of 2013.

Due to the absence of severe electricity prices fluctuations in Lithuanian and Latvian electricity markets, if compared with 2013, and lower amount of electricity traded, which was caused by the persisting risk of possible limitation of electricity transmission capacities from third countries to Baltics, the Company's and the Group's cost of sales were lower by 14,5% and 11%, comparing to the year 2013. As described above, the set of risk management measures, implemented by the Company and the Group allowed to avoid potential loss making situation in the 2014. Consequently the Company's and the Group's gross profitability increased.

The Company's and the Group's EBITDA for the year 2014 was LTL 46.913 million and LTL 61.368 million. Company's EBITDA margin increased from 0.79% in 2013 to industry normal 7.20% in 2014 and the Group's from 1.45% in 2013 back to industry normal 8.45% in 2014.

During 2014 the Company and the Group fulfilled all of its contractual obligations to the Clients, and despite the reduced amount of electricity sold, its client's base during the course of 2014 increased substantially: from 693 in

¹ Limitation of electricity transmission capacities from third countries to Baltics were caused by the agreement, signed between three Baltic States transmission system operators as of 15th of March 2013. The transmission system operators de facto terminated this agreement in the 4th quarter of 2013, but there were no legal certainty that these limitations couldn't have been introduced again throughout the entire year of 2014.

AB INTER RAO LIETUVA, Company code 126119913, A.Tumėno str. 4, Vilnius, Lithuania
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(all amounts are in LTL thousand unless otherwise stated)

2013 to 831 in 2014. The Company and the Group improved relationships with the largest electricity trading customers in the region, started electricity trading operations in Poland. These events are positively reflected in the financial results of the year 2014 and most likely will be the important factor for income generation in the coming years.

Wind park located in Vydmantai, owned by the Group over a year generated and sold 56,48 GWh, which was 0.92% lower than in 2013. The decline in electricity production was mainly caused by the technical works, which were done for installation of technical upgrades to the transformer substation in order to increase its reliability and during which the park was not generating electricity. This has led to slightly lower electricity generation and sales revenue.

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	2014	2013	2012	2011	2010
Sales (LTL thousand)	726,337	757,882	897,435	919,080	750,389
Gross profit (LTL thousand)	75,163	25,806	96,697	91,965	79,462
Gross profit margin (%)	10,35%	3.41%	10.80%	10.00%	10.60%
Operating profit (LTL thousand)	51,904	2,459	73,129	73,264	68,531
Operating profit margin (%)	7,15%	0.32%	8.10%	8.00%	9.10%
EBITDA (LTL thousand)	61,368	11,024	81,506	78,800	69,439
EBITDA profit margin (%)	8,45%	1.45%	9.10%	8.60%	9.30%
Net profit (LTL thousand)	42,616	2,684	58,114	61,200	59,061
Net profit margin (%)	5,87%	0.35%	6.50%	6.70%	7.90%
Number of shares (thousand)	20,000	20,000	20,000	1,000	1,000
Earnings per share (LTL)	2.13	0.13	2.91	61.2	59.06

Financial ratios	2014	2013	2012	2011	2010
Return on capital employed (%)	41%	2%	48%	44%	107%
Return on assets (%)	19%	1%	28%	27%	38%
Return on shareholders' equity (%)	69%	8%	103%	95%	93%
Gearing ratio	1.35	3.08	1.67	1.63	0
Net financial debt to equity	0.72	2.62	1.47	1.1	-1.29
Equity to assets ratio	0.28	0.16	0.27	0.28	0.4
Current ratio	1.12	0.86	1.32	1.49	1.62
Rate of turnover of assets (%)	31%	27%	23%	25%	21%

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

Revenues

The total consolidated Group's sales revenue in 2014 was equal to LTL 726 million, a 4.2% less than in 2013. Total revenue declined due to lower amount of electricity traded in all Baltic countries, which was facilitated by relatively low electricity prices in the Nordpool system as well as risk persisting due to the uncertainties associated with possible technical limitation of interconnection links. In addition to that, higher electricity sales in the Baltic countries by Estonian oil shale based producer resulted in smaller demand for imported electricity.

Sales revenues by operating segments, thous. LTL	2014	2013
Electricity purchases and sales	709,316	740,761
Electricity production and sales	17,021	17,121
Total	726,337	757,882

Group's revenue from sales of electricity in the 2014 amounted to LTL 709 million. Revenue from produced electricity sales accounted for LTL 17 million, which is approximately equal to the sales a year ago. The decline in electricity production was mainly caused by maintenance works ensuring the further reliable operation of wind turbines, that were carried out in Vydmantai wind park during 2014.

The tables below present data on the electricity trading activities of the Group for the 2013 and 2014 and the 4th quarter of 2013 and 2014, with a breakdown by each country for the periods indicated (S - sale, P - purchase).

	For 2014		For 2013	
	S	P	S	P
	GWh		GWh	
Lithuania*	3,600	191	3,616	410
Latvia	532	269	640	356
Estonia	148	148	220	49
Russia	43	3,215	99	3,568
Belarus	-	500	115	307
Poland	51	51		
Total*	4,374	4,374	4,690	4,690

* Excluding equivalent trades on the power exchange

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

	For the 4 th quarter of 2014		For the 4 th quarter of 2013	
	S	P	S	P
	GWh		GWh	
Lithuania*	1,124	37	1,078	119
Latvia	150	40	121	116
Estonia	40	40	13	13
Russia	9	1,110	8	839
Belarus		96		133
Poland	31	31		
Total*	1,354	1,354	1,220	1,220

* Excluding equivalent trades on the power exchange

The average annual electricity price in 2014 in Lithuanian Nord Pool Spot zone was equal to 50.13 EUR/MWh, which was 2.5% higher than in 2013. The average weekly electricity price on the power exchange was fluctuating between 35.99 and 70.15 EUR/MWh in 2014.

Cost of sales

The Company's and the Group's cost of purchase of electricity in 2014 decreased by 14.6% and 11.2% respectively if compared to 2013 and amounted to LTL 582 million and LTL 636 million. Cost of purchase of electricity constituted 98.5% and 97.7% of total cost of sales for the Company and for the Group respectively in 2014.

Transmission network service cost (*i.e.*, input fee) for the Company and for the Group declined by 7.4% and amounted to LTL 9 million.

Gross profit in 2014 returned to industry normal level after the severe slump in 2013, caused by then unexpected limitations of transmission capacities from the third countries. It increased over the year by 221.5% and amounted to LTL 60.6 million for the Company, increased by 191.3%, and amounted to LTL 75.2 million for the Group, if compared to LTL 18.9 million and LTL 25.8 million respectively in 2013. Gross profit margin in 2014 returned to healthy levels and increased to 9.3% for the Company and to 10.4% for the Group from 2.7% and 3.4% in 2013.

General and administrative expenses

Total general and administrative expenses of the Company and the Group in 2014 were approximately equal to total general and administrative expenses a year ago and amounted to LTL 15.3 million and LTL 23.3 million respectively. The most significant costs' groups within the general and administrative expenses in the Company and the Group were wages, depreciation and amortization, charity, and electricity selling expenses.

The employment related expenses (wages, salaries and social security) for the Company and for the Group over the year increased by 0.3% and 5.2%. The increase was mainly caused by larger headcount: the total number of employees in INTER RAO Lietuva Group increased by 2, up to 42 in the end of 2014. The increase was associated with increasing number of Clients and planned electricity trading operations in Poland.

Support (charity) related expenses for the Company and the Group in 2014 increased by 28.8% and 27.5% and amounted to LTL 3.97 million and LTL 3.98 million 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.

Electricity selling expenses for the Company increased by 2.9% in 2014 and for the Group increased by 38.5% and accounted for LTL 1.1 million and LTL 2.4 million respectively. The expenses are payments to Nord Pool Spot AS as well as to the Polish Electricity Market - POLPX. The increase for the Group is mainly associated with payments to the latter.

Earnings

Profit from operations for the Company and for the Group for year 2014 were equal to LTL 45.3 million and LTL 51.9 million, compared to the profit from operations of LTL 3.5 million and LTL 2.5 million in 2013. Operating profit margin for the Company and for the Group returned to industry normal level of 6.95% and 7.15% compared to 0.49% and 0.32% a year ago.

Net result from financial and investing activities for the Company in 2014 was by 147.8% lower than a year ago and amounted to LTL (-0.7) million. Net consolidated result from financial and investing activities for the Group increased by 25.8% compared to 2013 and amounted to LTL (-3.0) million. Better overall result for the Group from financial activities was mainly caused by year-on-year 20.5% lower interest expenses, which in 2014 totalled to LTL 3.4 million.

As a result, profit before tax for the Company and for the Group in 2014 amounted to LTL 45.25 million and LTL 49.58 million respectively.

The net profit of the Company and the Group in 2014 amounted to LTL 38.7 million and LTL 42.6 million respectively.

Due to deferred income tax income, the Group in 2013 received an income tax gain in the amount of LTL 4.3 million. As a result, net profit for the Company and for the Group for the period of 2013 amounted to LTL 4.07 million and LTL 2.68 million respectively.

The net profit margins for the Company and for the Group in 2014 were returned to healthy 5.9% and 5.9% (compared to 0.5% and 0.35% year ago).

Investments

During 2014 the Group has not made any significant investments. In total LTL 282 thousand were invested into non-current assets compared to LTL 362 thousand in 2013.

Balance sheet and cash flow

During January-December 2014 total assets of the Company increased by 25.6% and of the Group increased by 10.8%. The most significant influence to the assets was caused by increase of cash and cash equivalents in the Company and in the Group.

Total non-current assets of the Company decreased by 1% and of the Group decreased by 5%. The most significant change in assets in the Group was related to depreciation of patents and licenses held by subsidy Vydmantai wind park. Total non-current assets amounted to 31% of the total assets for the Company and to 52% of total assets for the Group.

During the year, shareholders' equity of the Company and of the Group increased by 73.6% and 85.8% and amounted to 43% of the total assets of the Company and to 28% of the total assets of the Group. Increase in equity was caused by the better operating activities of the Company and the Group for the year of 2013. Total dividends distributed in 2014 reached LTL 13 million.

At the end of December 2014, total amount of borrowings, including financial liabilities related to finance lease and bank financing, amounted to LTL 10.5 million for the Company and LTL 83.5 million for the Group. Cash, cash equivalents amounted to LTL 28.8 million for the Company and LTL 38.8 million for the Group.

Net cash flow from operating activities for the Company and for the Group in 2014 were by 232.9% and 116.4% higher than a year ago and amounted to LTL 45.1 million and LTL 58.3 million respectively (compared to LTL 13.6 million and LTL 27 million a year ago).

During 2014 net cash flow from investing and financing activities amounted to negative LTL (-19.7) million for the Company and negative LTL (-34.8) million for the Group (compared to negative LTL (-15.5) million for the Company and to negative LTL (-23) million for the Group in 2013). Negative result from financing activities is 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:

- OJSC INTER RAO UES (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 (indirectly controlled subsidiary until merger with UAB IRL Wind as at 11th July 2013, after - 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 28 of INTER RAO Lietuva, AB Financial Statements for the year ended 31st December 2014.

Other material information

No other material information occurred after the balance sheet date.

Recent events

1 January 2015 is the day of introduction of EUR in the Republic of Lithuania, therefore as at this day the functional currency of the Company will change accordingly. The exchange rate of LTL 3.45280 for 1 EUR which was irrevocably set by the Council of Europe will be applied while converting LTL to EUR.

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 2013, 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 2014 the total amount of borrowings of the Group amounted to LTL 83.5 million compared to LTL 102 million as of 31st December 2013.

As at 31st December 2014, the Group's company (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. The notional amount of the transaction at the inception moment was EUR 12,500 thousand (the equivalent of LTL 43,160 thousand) and is amortized over the period of validity of the derivative. 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 (the equivalent of LTL 80.45 millions).

In 2014 the Group's company INTER RAO Eesti OÜ signed electricity derivative agreements for the purposes of future cash flow hedge. The derivative agreements are for 2015, 2016 and 2017 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

The share capital of the Company amounts to LTL 20,000,000 and consists of 20,000,000 ordinary registered shares with a nominal value LTL 1 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.

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 2014 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 2014:

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

As of 31st December 2014, 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 Tammasaarenkatu 1, FIN-00180, Helsinki, the Republic of Finland. RAO Nordic OY is a wholly-owned subsidiary of OJSC INTER RAO UES, a company incorporated under Russian law, listed on MICEX-RTS under ticker 'IRAO'. INTER RAO UES 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.

As of 31st December 2014, 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 2014, free float represents 20% of the outstanding share capital.

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

Specification of voting rights held by Jonas Garbaravičius as of 31st December 2014					
	Number of shares (units)	Number of voting rights (units)		Number of voting rights (%)	
	Directly	Directly	Indirectly	Directly	Indirectly
Ordinary registered shares of AB INTER RAO Lietuva (ISIN code LT0000128621)	62,607	62,607	6,032,729	0.31	30.16

Specification of voting rights indirectly held by Jonas Garbaravičius as of 31st December 2014				
Name and other data about the person	The number of shares and voting rights held as of 31 st December 2013			
	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	134,523	134,523	0.67	
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)	34,000	34,000	0.17	
Vidas Cebatariunas (management board member of the issuer)	41,350	41,350	0.21	
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 24 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), the persons indicated above indirectly hold voting rights directly held of RAO Nordic Oy, code 1784937-7, address Tammasaarenkatu 1, FIN-00180, Helsinki, the Republic of Finland, which concluded an agreement on implementation of long term management policy of the issuer with UAB Scaent Baltic (hereinafter *Shareholders' agreement*):

Name and other data about the person	The number of shares and voting rights held as of 31 st December 2014		
	Number of shares (units)	Number of voting rights (units)	Number of voting rights (%)
	directly	directly	directly
RAO Nordic Oy, code 1784937-7, address Tammasaarenkatu 1, FIN-00180, Helsinki, the Republic of Finland	10,200,000	10,200,000	51

Treasury shares

During the financial year of 2014, the Company has not purchased any treasury stock. As of 31st December 2014, the Company does not hold any treasury stocks.

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 will have 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, until 31st December 2015, except upon receiving the prior written consent of RAO Nordic OY and UAB Scaent Baltic.

In addition, pursuant to the lock-up agreement, entered into between RAO Nordic OY and UAB Scaent Baltic and UAB FMJ ORION Securities, RAO Nordic OY and UAB Scaent Baltic have agreed to certain restrictions including, but not limited to: (i) an undertaking not to offer, sell, transfer, vote in favour of, or otherwise dispose of, or publicly announce the issuance, offering, sale or disposal of any ordinary shares; and (ii) an undertaking not to enter into any swap or other transaction that transfers, in whole or in part, the economic consequences of ownership of Shares or options, without the prior written consent of UAB FMJ ORION Securities for a period of a year following the admission and introduction of Shares to trading on Warsaw Stock Exchange, which was executed on 18th December 2012. The lock-up period set in this agreement has ended on 18th December 2013.

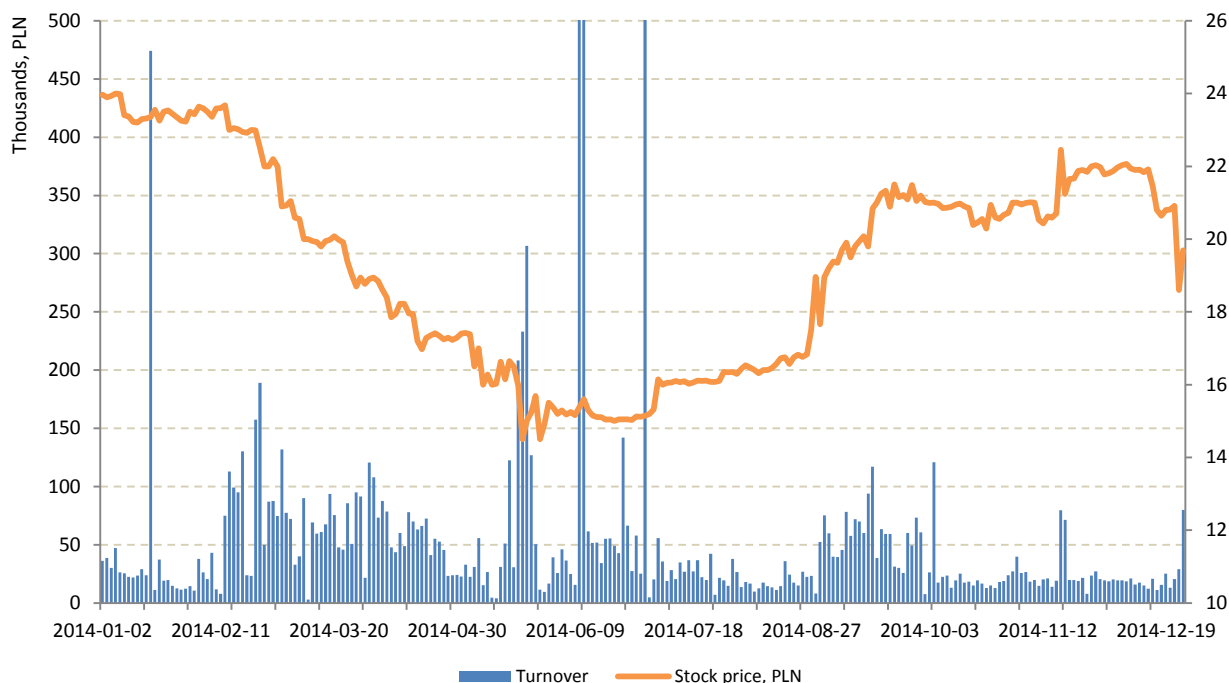
Information about trading in the Company's securities

Information about trading in the Company's shares on Warsaw stock exchange in 2012-2014:

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

The Company has signed market making agreement with UAB FMJ ORION Securities.

IRL market capitalization as of 31st December 2014 reached PLN 393,8 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.

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 2013, 2012, 2011, 2010 and 2009 was equal to LTL 0.65, LTL 1.35, LTL 60.79 thousand, LTL 28.98 thousand and LTL 35 thousand respectively.

Dividends for 2013, 2012, 2011, 2010 and 2009 amounted to LTL 13.0 million, LTL 27.0 million, LTL 64.0 million, LTL 60.8 million and LTL 29.0 million respectively.

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	2013	2012	2011	2010	2009
Net profit, mLTL	4	58	61	59	15
Dividends declared, mLTL	13	27	64	61	29
Dividend pay-out ratio	325%	46%	105%	103%	193%

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.

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.

In addition to main governing bodies, the Company has an audit committee formed.

Members of Supervisory council



Anton Badenkov

Chairman of the Supervisory Council (term: 2012.10.22 - 2016.10.22)

Advisor to the Chairman of the Board at INTER RAO UES

Education:

Lomonosov Moscow State University

Career:

2012 - present: Chairman of the Supervisory Council at INTER RAO Lietuva

2011 - present: Member of the Board at Third Generating Company of the Wholesale Electricity Market

2010 - present: Member of the Board at Electric Networks of Armenia



Natalia Ananieva

Member of the Supervisory Council at INTER RAO Lietuva

Education:

Higher education degree in accounting and audit at Moscow State University of Applied Biotechnology

Career over the last five years:

2011 - present: Head of Internal Audit, Controlling and Risk Management Block, Head of Operational Controlling and Audit Support Department, Head of Foreign Assets Audit Department, Head of Foreign Assets Audit Directorate at INTER RAO

2010 - 2011: Head of Internal Audit Section, Moscow Branch of OAO OGC-1

2005 - 2010: Head of Internal Audit Department, Head of Financial Controlling and Audit Directorate, Senior

Manager of Internal Audit Department at INTER RAO UES



Nerijus Dagilis

Member of the Supervisory Council (term: 2013.04.30 - 2016.10.22)
Entrepreneur

Education:

Master degree at the G. Soros foundation program at University of Essex, Great Britain and Budapest, Hungary, Central European University
BA in Business and Administration at Vytautas Magnus University, Kaunas, Lithuania, and Fordham University, NY, Creighton University, NE, USA

Career:

2010 - 2012: Chairman of the Board at Charter Jets
2005 - 2010: Chairman of the Board at Kitron ASA
2001 - 2010: Chairman of the Board at Snaige
2000 - 2010: Chairman of the Board at Hermis Capital



Dmitrijus Dutovas

Member of the Supervisory Council (term: 2013.04.30 - 2016.10.22)
Head of Institutional Clients at Orion Securities

Education:

Master degree at the Faculty of Economics, Vilnius University

Career:

2008 - present: Head of Institutional Clients at Orion Securities
2007 - 2008: Head of Capital Markets at "MP investment bank" Baltic Branch



Jonas Garbaravičius

Member of the Supervisory Council (term: 2012.10.22 - 2016.10.22)
Partner at CEE Resources & Investments LLP

Education:

Vytautas Magnus University

Career:

2013 - present: Partner at CEE Resources & Investments LLP
2012 - present: Member of the Supervisory Board at INTER RAO Lietuva
2011 - present: Member of the Board at Inter Green Renewables and Trading
2007 - 2013: Chairman of the Board at Scaent Baltic
2007 - 2012: Member of the Board at INTER RAO Lietuva
2008 - 2009: Member of the Board at Onergo



Michail Konstantinov

Member of the Supervisory Council (term: 2012.10.22 - 2016.10.22)
Member of the Board at INTER RAO Energy Asset

Education:

PhD in Law awarded by Moscow Academy of Economics and Law
Tver Institute of Ecology and Law
Moscow International University of Environment and Politics

Career:

2012 - present: Member of the Supervisory Council at INTER RAO Lietuva
2012 - present: Director for Corporate Governance of the Corporate and Property relations Unit at INTER RAO UES
2012 - present: Member of the Board at INTER RAO Energy Asset
2012 - present: Member of the Board at INTER RAO Energy
2012 - present: Member of the Board at Dominanta Energy
2012 - present: Member of the Board at Dominanta Management
2012 - present: Member of the Board at Saint Petersburg Energy Sales Company
2010 - 2012: Head of the Directorate for Law at Sobinbank
2008 - 2010: Deputy Manager of the Directorate at Federal Bailiff Service of the Russian Federation



Alexander Pakhomov

Member of the Supervisory Council (term: 2012.10.22 - 2016.10.22)
Member of the Management Board, Head of the Legal Affairs Unit at
INTER RAO UES

Education:

Academy of Public Administration under the President of the Russian Federation
Military University of the Ministry of Defense of the Russian Federation

Career:

2012 - present: Member of the Supervisory Council at INTER RAO Lietuva
2011 - present: Member of the Board of Directors at RazTES
2011: Member of the Board of Directors at LLC INTER RAO Electrogeneration
2008 - 2011: Director of the Department of Law at INTER RAO UES
2007 - 2008: member of RAO UES of Russia project team providing tax support for electric power industry reform

Members of the Board



Karina Tsurkan

Chairman of the Board (term: 2013.04.08 -2017.04.08)
Member of the Management Board, Head of the Trading Unit of JSC
INTER RAO UES

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 UES
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 (term: 2013.04.08 -2017.04.08)
Member of the Management Board, Head of the Strategy and
Investment Unit of JSC INTER RAO UES

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 UES
2009 - present: Advisor to CEO at INTER RAO UES
2009 - 2010: Associated Head of the Department of Law and Corporate Affairs at Rosatom
2008 - 2009: Associated Head of the Department of Corporate Governance and Development at Rosatom
2007 - 2008: Head of the Administrative Support Department at Atomenergoprom



Dmitrij Palunin

Member of the Board (term: 2013.04.08 -2017.04.08)
Member of the Management Board, Financial Director (CFO) at
INTER RAO UES

Education:

Moscow State Aviation Institute
Academy of National Economy, Graduate School of International Business

Career:

Presently: Member of the Management Board, Financial Director (CFO) at INTER RAO UES
2012 - present: Member of the Board, INTER RAO Lietuva
2007 - 2009: Associated Financial Director (CFO), Head of the Department of Corporate Finance at INTER RAO UES
2006 - 2007: Head of the Treasury Department at INTER RAO UES
2005 - 2006: Associated Head of the Department of Economics and Finance at INTER RAO UES



Giedrius Balčiūnas

Member of the Board (term: 2013.04.08 -2017.04.08)
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 Vējū spektras (Vydmantai Wind Park)



Vidas Čebatariūnas

Member of the Board (term: 2013.04.08 -2017.04.08)
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 Vējū spektras (Vydmantai Wind Park)
2009 - 2011: Member of the Management Board at SC Baltic Media (at the time called Express Media)
2008 - 2010: Member of the Management Board at UAB Versus aureus leidykla

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. The term of committee will end on 2016.10.22.

The members of the audit committee are the following: Mr Nerijus Dagilis, Mr Mikhail Konstantinov and Mr Aleksandr Pakhomov.

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, and audit committee:

	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	Anton Badenkov						
	Natalia Ananieva						
	Nerijus Dagilis						
	Dmitrijus Dutovas						
	Jonas Garbaravičius*	62,607	0.31%	6,032,729	30.16%	6,095,336	30.47%
	Michail Konstantinov						
	Alexander Pakhomov						
Management board	Karina Tsurkan						
	Ilnar Mirsiyapov						
	Dmitrij Palunin						
	Giedrius Balčiūnas		0.00%	34,000	0.17%	34,000	0.17%
Administration	Vidas Cebatariūnas	41,350	0.21%		0.00%	41,350	0.21%
	Giedrius Balčiūnas, CEO		0.00%	34,000	0.17%	34,000	0.17%
Audit Committee	Edita Vagonienė, chief accountant						
	Nerijus Dagilis						
	Michail Konstantinov						
	Alexander Pakhomov						

* - 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 2013 in total LTL 2.2 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, LTL
All members of the Supervisory Board collectively	396,125.26
Per member of the Supervisory Board on average	66,020.88
All members of the Board collectively	1,087,658.13
Per member of the Board on average	217,531.63
All members of administration (CEO and chief accountant)	790,743.58
Per member of administration	395,371.79

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 Asta Štreimikienė (auditor license No. 000382) 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 2014, 2013, 2012, 2011, 2010 and 2009, the Group spent LTL 3.98 million, LTL 3.1 million, LTL 3.89 million, LTL 4.07 million, LTL 3.91 million and LTL 3.63 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	
	2014	2013
Management	8	8
Sales Managers, including Traders	8	5
PR & Marketing Staff	2	3
Project managers	1	1
Technical staff	1	1
Office Staff	6	6
Total	26	24

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 2013	
	Headcount	Expenses, LTL million
Management	8	3.1
Sales Managers, including Traders	8	0.54
PR & Marketing Staff	2	0.17
Project managers	1	0.07
Technical staff	1	0.05
Office Staff	6	0.59
Total	26	4.52

On 31st December 2014 26 employees were employed in the Company. Company's personnel consisted of 8 managers and 18 specialists. Average annual employment expenses per employee in 2014 amounted to LTL 303 thousand for managers and LTL 140 thousand for specialists.

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	
	2014	2013
Management	8	8
Sales Managers, including Traders	15	11
PR & Marketing Staff	2	3
Project managers	4	4
Technical staff	2	3
Office Staff	11	11
Total	42	40

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 2014	
	Headcount	Expenses, LTL million
Management	8	3.1
Sales Managers, including Traders	15	1.2
PR & Marketing Staff	2	0.17
Project managers	4	0.22
Technical staff	2	0.08
Office Staff	11	0.8
Total	42	5.57

Once grouped by broad categories, on 31st December 2014 Group's personnel consisted of 8 managers and 34 specialists. Average employment expenses per employee in 2014 amounted to LTL 400 thousand for managers and LTL 76 thousand for specialists.

As of 31st December 2014, 32 of the Group's employees were employed in Lithuania, 5 were employed in Latvia, 3 were employed in Estonia and 2 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 2014, 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 keliai 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. He also is a Board member at UAB Scaent Baltic. 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 (since 2010) and Member of the management board at UAB SC Baltic Media (2009-2012).

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 partner at CEE Resources&Investments LLP. His past professional experience includes posts of: 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 CODE OF BEST PRACTICE FOR WSE LISTED COMPANIES

The Company hereby informs about the Company's partial non-compliance with the Code of Best Practice for WSE Listed Companies ("WSE Corporate Governance Rules"). The WSE Corporate Governance Rules 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 WSE Corporate Governance Rules 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:

Rule II.1.6, according to which the Company should publish on its website annual reports on the activity of the Company's Supervisory Board, taking account of the work of its committees, together with the evaluation of the internal control system and the significant risk management system submitted by the Supervisory Board. According to Lithuanian law, the Supervisory Board is not required to draw up an annual report.

Rule II.1.14, 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.

Rule II.3 and Rule III.9, according to which the Supervisory Board should approve a significant transaction/agreement with a related entity at the request of the Company's Management Board. In accordance with Lithuanian law, the Supervisory Board is not entitled to approve any decisions of the Management Board.

Rule III.1.1, according to which once a year the Supervisory Board should prepare and present to the General Meeting a brief assessment of the Company's standing, including an evaluation of the internal control system and the significant risk management system. According to Lithuanian law, the Supervisory Board is not required to draw up such an assessment.

Rule III.6, according to which at least two members of the Supervisory Board should meet the criteria of being independent from the Company and entities with significant connections with the Company. As of the date of this report member of the Supervisory Board Mr Nerijus Dagilis meets criteria of being independent.

Rule III.8, according to which annex I to the Commission Recommendation of 15th February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the Supervisory Board. As at the date of this report, the Supervisory Board has formed audit committee. As of 12th December 2013 Mr Nerijus Dagilis, Mr Mikhail Konstantinov and Mr Aleksandr Pakhomov were elected as members of audit committee of the Company.

Rule IV 10, 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. 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.

Furthermore, the Company will not comply with the following recommendations:

Recommendation I.5, according to which the Company should have a remuneration policy and rules of defining the policy. 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.

Recommendation I.9, according to which a balanced proportion of women and men in management and supervisory functions should be ensured. Currently, there are two women in governing bodies of the Company, Ms Karina Tsurkan, is the chairwoman of the Management Board and Ms Natalia Ananieva on 30 April 2014 was elected to Supervisory Board of the Company. However, the Company does not exclude that this recommendation will be implemented in the future.

Recommendation I.10, according to which, if the Company supports different forms or artistic and cultural expression, sport activities, educational or scientific activities, and considers its activity in this area to be a part of its business mission and development strategy, impacting the innovativeness and competitiveness of the enterprise, then the Company should publish the rules of its activity in this area. 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 impose rules on its activity within these spheres.

Recommendation I.12, according to which the Company should enable its shareholders to exercise the voting right during a General Meeting either in person or through a plenipotentiary, outside the venue of the General Meeting, using electronic communication means. Currently, the Company does not envisage such possibility. However, the Company does not exclude that relevant solutions will be introduced in the future.

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 five 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 five members. The Company expects that additional two members of the Supervisory Board will be elected during the Annual General Meeting. It is expected that such 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 12th December 2013 Mr Nerijus Dagilis, Mr Mikhail Konstantinov and Mr Aleksandr Pakhomov 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 2014 to 31st December 2014 Company publicly announced and broadcasted through Warsaw Stock Exchange information system and on own webpage the following information:

Title	Category of announcement	Language	Date
AB INTER RAO Lietuva subsidiary in Poland IRL Polska Sp.z o.o. was granted the licence for the trade in electricity in Poland	Notification on material event	EN, LT	7-Jan-2014
Announcement of the acquisition of block of voting rights in AB INTER RAO Lietuva	Notification of major holdings	EN, LT	7-Jan-2014
Publication date of the results for the 4th quarter of 2013 and the Annual Information for 2013 of AB INTER RAO Lietuva	Investor news	EN, LT	26-Feb-2014
Announcement of the results for the 4th quarter of 2013 and the Annual Information for 2013 of AB INTER RAO Lietuva	Annual information	EN, LT	28-Feb-2014
Statement on corporate governance	Investor news	EN, LT	3-Mar-2014
AB INTER RAO Lietuva announces about repayment of loans' amounts to its major shareholders	Notification on material event	EN, LT	1-Apr-2014
AB INTER RAO Lietuva decisions of the Management Board	Notification on material event	EN, LT	4-Apr-2014
Notice on convocation of the Annual General Meeting of Shareholders	Notification on material event	EN, LT	8-Apr-2014
AB INTER RAO Lietuva decisions of the Supervisory Board	Notification on material event	EN, LT	9-Apr-2014
The decisions adopted by the Annual General Meeting of Shareholders of AB INTER RAO Lietuva	Notification on material event	EN, LT	30-Apr-2014
Publication date of the results for the 1st quarter of 2014	Investor news	EN, LT	12-May-2014
Notice on the procedure for the payment of dividends	Notification on material event	EN, LT	13-May-2014
Announcement of the results for the 1st quarter of the year 2014 of AB INTER RAO Lietuva	Interim information	EN, LT	14-May-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	27-May-2014
AB INTER RAO Lietuva announces about financing received from its major shareholders	Notification on material event	EN, LT	28-May-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	30-May-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	9-Jun-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	11-Jun-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	17-Jun-2014

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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	20-Jun-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	26-Jun-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	01-Jul-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	03-Jul-2014
Publication date of the results for the for the 6 month period ended 30 June 2014	Investor news	EN, LT	27-Aug-2014
Announcement of the results for the 6 month period ended 30 June 2014 of AB INTER RAO Lietuva	Interim information	EN, LT	29-Aug-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	08-Sep-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	11-Sep-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	15-Sep-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	19-Sep-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	24-Sep-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	30-Sep-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	06-Oct-2014
Publication date of the results for the 3rd quarter of 2014	Investor news	EN, LT	12-Nov-2014
Announcement of the results for the 3rd quarter of the year 2014 of AB INTER RAO Lietuva	Interim information	EN, LT	14-Nov-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	21-Nov-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	02-Dec-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	05-Dec-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	23-Dec-2014
Announcement of the transactions concluded by managers in AB INTER RAO Lietuva securities	Notification on transactions concluded by managers	EN, LT	30-Dec-2014
Contents of above mentioned announcements can be obtained on Company's webpage http://www.interrao.lt/eng/For-Investors2/Reports/Current-Reports/2014 .			

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 approved by the Bank of Lithuania, 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 2014 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