Building a better working world

UAB „Ernst & Young Baltic“
Aukštaičių g. 7
LT-11341 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com

Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Aukštaičių St. 7
LT-11341 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com

Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Inter RAO Lietuva AB

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

Opinion

We have audited the separate financial statements of Inter RAO Lietuva AB, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of Inter RAO Lietuva AB and its subsidiaries (hereinafter the Group) contained in the file abinterraolietuva-2021-12-31-en.zip (SHA-256-checksum: f4b969f8580c710a3ad551f51353f149e259db2423fb685910b370a05fea9818), which comprise the statements of financial position as of 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Company's and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2021 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

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

Key audit matters

Impairment assessment of property, plant and equipment and right-of-use assets related to production and sales of electricity cash generating unit

Property, plant and equipment and right-of-use assets are accounted for at cost less accumulated depreciation and impairment. The net book value of property, plant and equipment and right-of-use assets related to the same cash generating unit (production and sales of electricity) amounts to EUR 14,465 thousand before impairment and EUR 13,044 thousand after impairment in the consolidated financial statements as of 31 December 2021 (Note 5). The management of the Group performed an impairment test of these assets based on the value in use estimation as disclosed in Note 4 to the accompanying financial statements and as a result no additional impairment or reversal of previously recognized impairment was identified in 2021.

The annual impairment test was significant to our audit as it involves management's judgment in making the assumptions related to cash flows forecasts, as well as the discount rate, used in the value in use estimations as disclosed in Note 4. Furthermore, property, plant and equipment and right-of-use assets related to production and sales of electricity cash generating unit before impairment represent approximately 97% and 87% after impairment of the total non-current assets of the Group as of 31 December 2021.

How the matter was addressed in the audit

Our audit procedures included, among others, the following:

- We obtained an understanding of the process (including assumptions and methods) how management perform their assessment of property, plant and equipment and right-of-use assets related to the production and sales of electricity cash generating unit impairment;
- We considered significant assumptions used by the management in the estimation of cash flows forecasts, compared cash flows comprising components to actual and planned levels as well to publicly available data about historic electricity prices;
- We have also considered the discount rate and calculation model used by the management in the impairment test. We assessed if the calculation model was not changed from prior year and has been consistently applied. We considered the level of change in the market interest rates and other relevant sources of information to assess if our prior year conclusions on the acceptable discount rate range remain relevant for the current year impairment assessment performed by the management;
- We tested the sensitivity of the recoverable value of the cash generating unit considering the impact of reasonably expected change in the assumptions (as disclosed in Note 4) and also assessed the historical accuracy of management's estimates.

Finally, we considered the adequacy of the Group's disclosures included in Note 4 and Note 5 about the assumptions used in the impairment test and the outcome of the test, including sensitivity disclosures.

Key audit matters	How the matter was addressed in the audit
Assessment of fair value and completeness of derivative financial instruments As disclosed in Note 10 to the financial statements, the Group and the Company use derivate financial instruments (swap instruments): trading transactions in electricity commodities swap instruments that are accounted for as derivative instruments held for trading under IFRS 9 and electricity swap contacts for the purposes of future cash flow hedge in relation to electricity sales and electricity purchase transactions. These contracts are accounted for at fair value and hedge accounting is applied for the instruments used for hedging. Derivative financial assets of the Group and the Company amount to EUR 11,232 thousand and EUR 8,995 thousand, respectively, and derivative financial liabilities amount to EUR 10,409 thousand and EUR 10,409 thousand, respectively, as of 31 December 2021. The net loss of the Group related to derivative financial instruments accounted for in the profit or loss, amounts to EUR 27,405 thousand and the net loss of the Company amounts to EUR 8,617 thousand. The net loss of the Group and the Company accounted for in other comprehensive income amounts to EUR 252 thousand and EUR 252 thousand, respectively, in 2021 (Note 10). The matter was significant to our audit due to the of the volume of such transactions and consequently the importance of management's assessment of the accounting principles to be applied under relevant IFRS requirements, as well as the management's judgement involved in the fair value assessment when selecting market price input due to the lack of trading of given instruments in Riga market in the period close to the year-end.	Our audit procedures included, among others, the following: - We obtained an understanding of the process how such transactions are initiated, processed and reported, including management's valuation process for the fair value of these instruments and assessment of hedge effectiveness; - We obtained an understanding of the relevant terms of the transactions and assessed the accounting principles applied by the management for measurement and presentation of these transactions in the financial statements; - We involved a specialist in derivative financial instruments to assist us in testing of the management's valuation of the instruments outstanding as of financial reporting date by tracing the market price applied by the management to the external sources, including market prices in different comparable markets, and tracing the quantity used in the management's calculations to the supporting documents; - We have re-performed the calculations of hedge effectiveness; - We tested completeness of transactions by receiving confirmations from the third parties as well as matching the list of these counterparties with open deposits for trading at the year-end; - We tested the sensitivity of the fair value of the derivative financial instruments considering the impact of reasonably expected change in market price (as disclosed in Note 10). Furthermore, we have considered adequacy and appropriateness of the disclosures in the financial statements in this area.

Other information

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

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

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

We also have to evaluate, if the financial information included in the Company's and Group's Annual Report, including Remuneration Report, corresponds to the financial statements for the same financial year and if the

Company's and Group's Annual Report, including Remuneration Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Company's and Group's Annual Report, including Remuneration Report, corresponds to the financial information included in the financial statements for the year ended 31 December 2021; and
- The Company's and Group's Annual Report, including Remuneration Report, was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania, except for incomplete disclosure of the remuneration - the management has disclosed information about remuneration in totals, sub-totals and averages, but not by person; information is provided in totals and not split between fixed salary and bonuses; remuneration information is disclosed for two years, not five most recent financial years.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

‣ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

‣ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

‣ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment and approval of the auditor
In accordance with the decision made by the shareholders we have been chosen to carry out the audit of Company's financial statements and Group's consolidated financial statements the first time in 2010. Our appointment to carry out the audit of Company's financial statements and Group's consolidated financial statements in accordance with the decision made by the shareholders has been renewed annually and the period of total uninterrupted engagement is 12.

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

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

Throughout our audit engagement period, we have provided other services for the total fee of EUR 2 000 to the Company.

Report on the compliance of format of the financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of separate and consolidated financial statements, including Company's and Group's annual report for the year ended 31 December 2021 (the Single Electronic Reporting Format of the consolidated financial statements) contained in the file abinterraolietuva-2021-12-31-en.zip (SHA-256-checksum: f4b969f8580c710a3ad551f51353f149e259db2423fb685910b370a05fea9818).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the ESEF Regulation). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation. In addition, the Company has voluntarily performed marking of its separate financial statements following the requirements applicable for the consolidated financial statements.

The requirements described in the preceding paragraph determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ISAE 3000 (R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect a material misstatement when it exists.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions.

Our procedures include in particular:

‣ obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the financial statements, including the preparation of the XHTML format and marking up the separate and consolidated financial statements;

‣ verification whether the XHTML format was applied properly;

‣ evaluating the completeness of marking up the separate and consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;

‣ evaluating the appropriateness of the Company's and the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and

‣ evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

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

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

Inga Gudinaitė
Auditor's licence
No. 000366

8 February 2022