



raonordic

**FINANCIAL
STATEMENTS
2017**

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Report of the Board of Directors

1. Development of operations during the year 2017

The main parts of RAO Nordic's business operations in 2017 have been electricity imports from Russia and selling it to Nordic electricity market in Finland and in Norway.

In 2017 RAO Nordic has delivered to Nordic market in total 5,6 TWh of physical electricity (5,7 TWh in 2016). The gross sales figure was EUR 169 million (EUR 171 million in 2016) and the operating loss was EUR 0,8 million (operating profit was EUR 1,2 million in 2016).

2. Major events after the balance sheet date

There have been no events after the 31 December 2017 that may influence or have any material impact on the activities of RAO Nordic or its financial position.

3. Estimate of the future development

The business strategy of RAO Nordic Oy has not been changed during 2017. The focus of the company is on cross-border trading and business activities related to power interchange across the border connections between Russia and Nordic countries.

4. Estimation of major risks

RAO Nordic's business risks can be summarized as follows:

1. Operating risk: Operating risk refers to the inherent or general business risk of a company such as country risk, political risk and economic risk. General business risk refers to risks related to general business concerns of regime stability, turmoil, corruption, financial transfer, loan default, direct investment and export markets. Due to the nature of the business i.e. trading electricity which is mainly purchased from Russia, RAO Nordic's operating risk can be seen higher than moderate.

2. Market risk: Market risk is the risk that is incurred due to uncertainties in the market. Uncertainties may include fluctuations in raw material and production costs, demand, and pricing. Market risk is a standard risk borne by any firm involved in market driven transactions. Due to the fact that RAO Nordic trades electricity which is rather volatile commodity, RAO Nordics market risk can be seen high.

3. Product liability/Warranty risk: Product liability risk arises from the sale of defective products. Warranty risk refers to the risk that companies face when customers make claims against them if products and/or services are not offered according to the agreed upon terms and conditions. Due to the nature of the product and the fact that the electricity is always available, RAO Nordic's product liability / warranty risk can be seen rather low.

4. Bad debt risk: Bad debt risk is the risk that a supplier will not receive payment from a customer. When trading via Nord Pool Spot AS and NASDAQ OMX exchanges is concerned, the bad debt risk is regarded low. As RAO Nordic's clients are well established businesses, the bad debt risk can be seen as moderate.

5. Foreign exchange risk: Foreign exchange risk arises from fluctuations in currencies where a company bears costs in one currency and receives revenue in a different currency. Due to the fact that the physical electricity is almost purely purchased and sold in euro and financial trading is carried out in euro, RAO Nordic's foreign exchange risk can be seen as rather low.

5. Development and research activities

RAO Nordic does not have major development and research activities due to the nature of its business.

6. Valuation of financial instruments

The financial instruments are recognized at fair value according to the Accounting Act 5:2a §.

Commodity risk hedging

Commodity risk hedging has been applied since the financial year 2010. The Company has partly applied hedge accounting in accordance with IAS 39 as so-called cash flow hedge. A change in the fair value of electricity derivative hedge contract proven effective is entered directly in shareholders' equity in fair value reserve, and only after the realization of the forecast electricity purchases it is entered in the income statement as an adjustment of the hedged purchases or sales.

As at 31.12.2017 there were no open commodity hedging due to the market reasons.

7. Key figures of the parent company RAO Nordic Oy business and its financial position. Personnel key figures of the parent company RAO Nordic Oy.

	2017 in thousands of EUR	2016 in thousands of EUR	2015 in thousands of EUR
Net turnover	169 120	170 701	132 547
Operating profit	-767	1 161	22
Net profit	4 421	9 449	4 894
Operating profit %	-0,5	0,7	0,0
Return on equity %	12,2	25,5	17,7
Equity to assets ratio %	85,4	87,2	61,3

	2017 in thousands of EUR	2016 in thousands of EUR	2015 in thousands of EUR
Staff cost	2 728	2 131	1 989
Average number of employees	11	11	11

8. RAO Nordic Group

During 2017 the Swedish subsidiary Inter Green Renewables and Trading AB was dissolved. The residual amount of EUR 434 thousand was paid in December 2017 to RAO Nordic Oy.

9. Environmental issues

In the past the environmental issues have had no material impact on the business as RAO Nordic and its subsidiaries have been mainly involved in the energy trading business. But being engaged in purely trading business RAO Nordic has continuously looked for potential investment projects in EU countries. Nowadays the development strategy of the Group emphasizes the green power project development, technologies that provide the highest environmental benefit.

10. Shares

The share capital is split as follows:

	2017	2016
The Company has one series of shares (1 vote/share)	1305 shares	1305 shares

All shares are equally entitled to distribution of dividend

11. The proposal of the Board of Directors of the profit distribution.

The retained profit at the end of the year 2017 amounted to EUR 34,954 thousand. The EUR 5,200 thousand of dividends have been accrued and distributed during December 2017 to the Shareholder.

12. Board of Directors, Managing Directors and Auditors

The following persons included to the Board of the company during 2017.

Karina Tsurkan, Head of Trading Department PJSC "Inter RAO"
Alexander Boris, Deputy Chairman of the Board of PJSC "Inter RAO"
Evgeny Miroshnichenko, Chief Financial Officer PJSC "Inter RAO"
Ilnar Mirsiyapov, Head of Strategy and Investment PJSC "Inter RAO"
Oleg Zakataev, Managing Director of RAO Nordic Oy

Auditor has been Ernst & Young Oy and Mikko Ryttilahti as a chief auditor.

Income statement

Currency EUR	1.1.2017- 31.12.2017	1.1.2016- 31.12.2016
NET TURNOVER	169 119 751,88	170 701 107,38
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-165 887 286,92	-166 094 668,74
	-165 887 286,92	-166 094 668,74
Staff expenses		
Wages and salaries	-2 728 063,69	-2 131 326,33
Social security expenses		
Pension expenses	-455 953,52	-401 218,91
Other social security expenses	-82 151,44	-79 601,05
	-3 266 168,65	-2 612 146,29
Depreciation and reduction in value		
Depreciation according to plan	-15 593,50	-20 791,36
	-15 593,50	-20 791,36
Other operating charges	-718 057,29	-812 761,17

Currency EUR	1.1.2017- 31.12.2017	1.1.2016- 31.12.2016
OPERATING PROFIT (LOSS)	-767 354,48	1 160 739,82
Financial income and expenses		
Income from group undertakings	5 202 000,00	8 211 000,00
Other interest and financial income		
From group companies	40 412,79	56 446,81
From others	8 486,20	468 023,59
Reduction in value of investments held as non-current assets	-18 719,00	0,00
Interest and other financial expenses		
For group companies	-9 041,10	-407 166,03
For others	-34 586,69	-40 076,31
	5 188 552,20	8 288 228,06
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	4 421 197,72	9 448 967,88
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	4 421 197,72	9 448 967,88
PROFIT (LOSS) FOR THE FINANCIAL YEAR	4 421 197,72	9 448 967,88

Balance sheet

ASSETS

Currency EUR	31.12.2017	31.12.2016
NON-CURRENT ASSETS		
Tangible assets		
Machinery and equipment	46 780,48	62 373,98
Other tangible assets	3 800,00	3 800,00
	50 580,48	66 173,98
Investments		
Holdings in group undertakings	34 678 980,12	35 131 681,12
	34 678 980,12	35 131 681,12
	34 729 560,60	35 197 855,10
CURRENT ASSETS		
Debtors		
Short-term		
Trade debtors	2 059 590,35	1 654 758,25
Loan receivables	1 402 000,00	797 058,55
Other debtors	2 704 558,34	3 688 002,56
Prepayments and accrued income	649,15	110 748,61
	6 166 797,84	6 250 567,97
Cash in hand and at banks	1 565 707,22	1 038 616,15
	7 732 505,06	7 289 184,12
ASSETS TOTAL	42 462 065,66	42 487 039,22

LIABILITIES

Currency EUR	31.12.2017	31.12.2016
CAPITAL AND RESERVES		
Subscribed capital		
Subscribed capital	1 305 000,00	1 305 000,00
	1 305 000,00	1 305 000,00
Legal reserve	396,63	396,63
Retained earnings (loss)	30 532 690,57	26 284 147,69
Profit (loss) for the financial year	4 421 197,72	9 448 967,88
	36 259 284,92	37 038 512,20
CREDITORS		
Long-term		
Loans from credit institutions	16 125,11	29 150,42
	16 125,11	29 150,42
Short-term		
Trade creditors	2 697 693,45	4 370 257,03
Amounts owed to group undertakings	3 078 588,82	434 798,27
Other creditors	112 158,45	311 227,53
Accruals and deferred income	298 214,91	303 093,77
	6 186 655,63	5 419 376,60
	6 202 780,74	5 448 527,02
LIABILITIES TOTAL	42 462 065,66	42 487 039,22

Cash flow statement

Currency EUR	1.1.2017- 31.12.2017	1.1.2016- 31.12.2016
Profit before tax	4 421	9 449
Depreciation	16	21
Financial items	-5 189	-8 288
	-752	1 182
Decrease in receivable	84	1 156
Increase in payable	745	1 345
	77	3 683
Interest paid	-21	-425
Interest received	48	94
Dividends received	5 202	8 211
Income tax paid	0	0
Net cash from operating	5 306	11 563
Disposal of other assets	0	425
Dissolving of subsidiaries	434	0
Net cash from investments	434	425
Short-term borrowings	2 500	0
Loan repaid	-2 513	-12 011
Dividends paid	-5 200	0
Net cash from financial	-5 213	-12 011
Net increase in cash	527	-23
Balance 31.12.2016	1 039	1 062
Balance 31.12.2017	1 566	1 039

Notes to the financial statements of 31.12.2017

Notes to the preparation of the financial statements:

Valuation and periodization principles and methods:

The non-current assets have been stated at cost and inventories are stated at the lower of cost and realisable value by following the fifo principle and the lowest value principle of the 5 paragraph 6 § 1 moment.

The acquisition cost of the non-current property will be depreciated according to plan. The depreciation plan is determined by experience. The remainder of the acquisition cost and residual value will be depreciated during the estimated useful life.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of electricity derivatives is based on quoted electricity market prices at the closing date. Fair values of options are determined by using option valuation models. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Cash flow hedge

The effective portion of changes in the fair value of electricity derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Derivatives that are not accounted for under hedge accounting

Fair value changes of these electricity derivative instruments are recognized in the income statement.

Commodity risk hedging

Commodity risk hedging has been applied during the financial year 2010. The company has partly applied hedge accounting in accordance with IAS 39 as so-called cash flow hedge.

Derivatives

RAO Nordic trades derivatives for the hedging of selling prices of physical import from Russia. Due to the low market price there were hedging only in September 2017.

Deferred tax

The deferred tax amount is recognised on the fair value of gross hedge reserve acknowledged to be effective at the end of each reporting period. The tax rate is Finnish corporate income tax rate 20%.

Notes to the company which is member of the Group:

Mother company:

PJSC "INTER RAO UES" Bolshaya Pirokovskaya str., 27/3, 119435 Moscow, Russia is the Mother Company of RAO Nordic Oy.

The copy of the Group Financial Statement of the Mother Company is available at the above mentioned address.

RAO Nordic Oy has not prepared the Group Financial Statement due to the accounting law (changed 30.12.2015) chapter 6 § 1.5.

Notes to the financial statements

3.1 Notes to the revenue:

Revenues by segment of business:	31.12.2017	31.12.2016
Electricity trading	167 394 076,75	166 603 350,10
Profit from financial trading	1 725 675,13	4 097 757,28
	169 119 751,88	170 701 107,38

Revenues by geographical market:	31.12.2017	31.12.2016
Finland	162 234,63	137 898,47
Nord Pool (Norway)	167 322 415,25	166 459 484,62
Sweden	1 635 102,00	4 097 757,28
Russia	0,00	5 967,01
	169 119 751,88	170 701 107,38

3.2 Notes to the personnel:

Number of employees:	31.12.2017	31.12.2016
Number of persons the company has employed during the financial year on the average.	11	11

Staff costs:	31.12.2017	31.12.2016
Wages and salaries	2 728 063,69	2 131 326,33
Pension costs	455 953,52	401 218,91
Other social security costs	82 151,44	79 601,05
	3 266 168,65	2 612 146,29

3.3 The basis of the depreciation according to plan and changes:

Item:	Depreciation percentage	Depreciation method
Machinery and equip.	25%	residual value depr.

3.4 Other operating charges

	31.12.2017	31.12.2016
Optional social expenses	72 342,90	55 778,94
Expenses of premises	105 786,72	111 641,11
Expenses of use of software, machinery and equipment	165 806,35	260 991,37
Travel expenses	32 926,37	29 662,22
Entertainment cost	15 826,63	11 395,35
Marketing expenses	3 388,06	1 515,00
Administration expenses	321 980,26	341 777,18
Disposal of shares	0,00	0,00
Other business expenses	0,00	0,00
	718 057,29	812 761,17

3.5 Total income and costs from the investments in the group and affiliated companies:

	31.12.2017	31.12.2016
Financial income	5 202 000,00	8 211 000,00
Interest income	40 412,79	56 446,81
Reduction in value of shares in partic. interest	-18 719,00	0,00
Interest expenses	-9 041,10	-407 166,03
	5 214 652,69	7 860 280,78

Notes to the balance sheet assets:

4.1 Intangible and tangible assets

Revenues by segment of business:

	Tangible assets Machinery and equipment
Acquisition cost 1.1.2017	588 199,78
Additions	0,00
Disposals	0,00
Acquisition cost 31.12.2017	588 199,78
Acc depr at the beginning of the fiscal year	525 825,80
Depreciations of the fiscal year	15 593,50
Depreciations of the disposed items	0,00
Acc depr at the end of the fiscal year	541 419,30
Cost at the end of the fiscal year	588 199,78
Acc depr at the end of the fiscal year	-541 419,30
Book value 31.12.2017	46 780,48
Book value 31.12.2016	62 373,98

	31.12.2017	31.12.2016
Piece of art	3 800,00	3 800,00
Expensed small acquisitions	8 208,50	0,00

The depreciations of the non-current assets and other tangible assets:

	31.12.2017	31.12.2016
Machinery and equipment	15 593,50	20 791,36
Other intangible assets	0,00	0,00
Depreciations total	15 593,50	20 791,36

The total residual value of the machinery and equipment:	31.12.2017	31.12.2016
Machinery and equipment in balance sheet in total,	46 780,48	62 373,98
of which the residual value is:	46 780,48	62 373,98

4.2 Investments

	Group companies	Associates
Acquisition cost 1.1.2017	35 131 681,12	35 131 681,12
Additions	-433 982,00	0,00
Acquisition cost 31.12.2017	34 697 699,12	35 131 681,12
Reduction in value	-18 719,00	0,00
Book value 31.12.2017	34 678 980,12	35 131 681,12

4.3 Receivables from group companies

	31.12.2017	31.12.2016
Electricity trading receivable 31.12.2017	0,00	0,00
Loan receivables	1 402 000,00	797 058,55
Accrued income	649,15	460,33
	1 402 649,15	797 518,88

Other debtors:	31.12.2017	31.12.2016
VAT receivables	1 181 371,93	856 788,23
Security deposits	1 523 186,41	2 831 214,33
	2 704 558,34	3 688 002,56

The material items in accrued short-term receivables:	31.12.2017	31.12.2016
Accrued interest receivables	649,15	460,33
Hedging assets	0,00	110 288,28
Prepayments	0,00	0,00
Other receivables	0,00	0,00
	649,15	110 748,61

Notes to the hedged financial instruments:

Electricity derivatives (1000e)	Fair value 31.12	Adjustments in Income Statement	Adjustments in fair value reserve
2017	0	-	0
2016	20	-	0

5.1 Notes to the liabilities:

Equity:	31.12.2017	31.12.2016
Subscribed capital		
Share capital 1.1	1 305 000,00	1 305 000,00
Share capital 31.12	1 305 000,00	1 305 000,00
Legal reserve 1.1	396,63	396,63
Legal reserve 31.12	396,63	396,63
Subscribed capital at the end of the fiscal year	1 305 396,63	1 305 396,63
Retained earnings 1.1	35 733 115,57	26 284 147,69
Profit distribution	-5 200 425,00	0,00
Retained earnings 31.12	30 532 690,57	26 284 147,69
Profit/loss for the fiscal year	4 421 197,72	9 448 967,88
Retained earnings at the end of the fiscal year	34 953 888,29	35 733 115,57
Total equity	36 259 284,92	37 038 512,20
Distributable profit	31.12.2017	31.12.2016
Retained earnings	30 532 690,57	26 284 147,69
Profit/loss for the fiscal year	4 421 197,72	9 448 967,88
Total	34 953 888,29	35 733 115,57

5.2 Amounts owed to group undertakings

	31.12.2017	31.12.2016
Purchase payables	3 078 588,82	434 798,27
Accruals	0,00	0,00
Loans	0,00	0,00
Total	3 078 588,82	434 798,27

5.3 The material items in accrued payables

	31.12.2017	31.12.2016
Hedging liabilities	3 031,92	90 573,13
Salary accruals including social costs	295 182,99	212 520,64
Total	298 214,91	303 093,77
VAT liability	57 990,26	231 464,76
Payroll tax liabilities	54 168,19	79 762,77
Total	112 158,45	311 227,53
Liabilities	31.12.2017	31.12.2016
To be paid during the next fiscal year	Rent of premises 44 169,35	Rent of premises 43 598,40
To be paid within 2-5 years	0,00	0,00
Total	44 169,35	43 598,40
To be paid during the next fiscal year	Rent of machinery and it-programs 42 758,32	Rent of machinery and it-programs 44 610,36
To be paid within 2-5 years	3 332,39	38 074,35
Total	46 090,71	82 684,71
Total	90 260,06	126 283,11

Salaries and other compensation of managing director and members of the board:	31.12.2017	31.12.2016
	1 016 007,60	716 485,83

The Members of the Board and the Managing Director do not have a separate pension plan. They will retire according to the pension law of Finland.

Auditors' fee:	31.12.2017	31.12.2016
Fee for annual audit, Ernst & Young Oy Chartered Accountants	23 950,00	24 200,00

List of book-keeping files and storage method:

Daily book	ADP-reports
General ledger	ADP-reports
Accounts receivable	ADP-sub accounting
Accounts payable	ADP-sub accounting
Payroll accounting	ADP-sub accounting
Financial statements	Binded book
Specifications to Financial Statements	Binded book

	Receipt code	storage
Bank receipts Nordea	11	paper receipts in folders
Sales receipts	30	paper receipts in folders
Purchase receipts	55	paper receipts in folders
Automatic VAT-postings	99	paper receipts in folders
Memorandums	90	paper receipts in folders

Financial statements must be stored not less than 10 years from the balance sheet date (PAR 2:10). The receipts of the fiscal year must be stored not less than 6 years from the end of the closing year.

Auditor's report (Translation)

To the Annual General Meeting of RAO Nordic Oy

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of RAO Nordic Oy (business identity code 1784937-7) for the year ended 31 December, 2017. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine 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, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, 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 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 the Board of Directors' and the Managing Director'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 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 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 so that the financial statements give a true and fair view.

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.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 8.2.2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Ryttilahti
Authorized Public Accountant

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