

# **AB INTER RAO LIETUVA**

**UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AND UNAUDITED CONSOLIDATED INTERIM REPORT  
FOR THE 9 MONTH PERIOD ENDED 30 SEPTEMBER 2016,  
prepared in accordance with International Financial Reporting Standards,  
as adopted by the European Union**

*14 November 2016  
Vilnius*

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## AB INTER RAO Lietuva Unaudited Consolidated Interim Report for the 9 Month Period Ended 30 September 2016

### I. General Information

#### Reporting period

9 month period ended 30<sup>th</sup> September 2016

#### 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 <sup>st</sup> 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

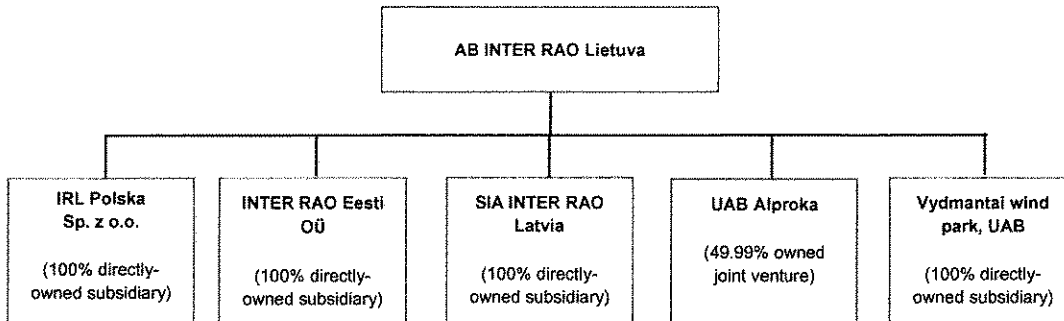
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**The Group structure**

As of 30<sup>th</sup> September 2016, INTER RAO Lietuva Group consisted of the Company and the below described directly and indirectly controlled subsidiaries and joint venture (hereinafter - the Group):

Company	Company code	Directly and indirectly held effective attributable interest	Equity as of 30 September 2016	Registration address	Activity (including planned)
INTER RAO Eesti OÜ - subsidiary	11879805	100 %	386	Vaikare-Karja 3/Sauna 2, Tallinn, Estonia	Trade of electricity
SIA INTER RAO Latvia - subsidiary	40103268639	100 %	(388)	76 Gustava Zemgala Ave., Riga, LV-1039, Latvia	Trade of electricity
IRL Polska Sp. z.o.o. - subsidiary	0000436992	100 %	1,908	Twarda 18, 00-105 Warsaw, Poland	Trade of electricity
UAB Alproka - joint venture	125281684	49,99 %	236	Verkių Str. 25C, Vilnius, Lithuania	Operations with real estate
Vydmantai Wind Park, UAB - subsidiary	302666616	100 %	11,525	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 as of 30<sup>th</sup> September 2016:



**Main activities of the Group**

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

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

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

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

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

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

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

### 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 per cent of the Company's share capital from UAB VB rizikos kapitalo valdymas.
- 2006 The Company acquired a 49.99 per cent 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 per cent 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 33per cent stake from UAB Scaent Baltic. The stake of RAO Nordic OY in the Company's share capital reaches 51 per cent, while the stake of UAB Scaent Baltic decreases to 49 per cent.
- 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.

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

- 2013 AB INTER RAO Lietuva shareholders decided to distribute 27 million Litass 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 4<sup>th</sup> 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 million to PLN 10 million.
- 2014 On 3<sup>rd</sup> 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 9<sup>th</sup> January 2014 till 9<sup>th</sup> January 2024.
- On 30<sup>th</sup> 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 Litass.
- On 22<sup>nd</sup> of May 2014, IRL Polska Sp. z o.o. begins electricity trading operations.
- 2015 After Lithuania joined the euro zone, AB INTER RAO Lietuva shareholders fixed a nominal value of one share 0.29 EUR, share capital equal to 5.8 million EUR.
- AB INTER RAO Lietuva shareholders decided to distribute 11.2 million EUR as dividends.
- 2016 AB INTER RAO Lietuva shareholders decided to distribute 16.1 million EUR as dividends.

#### Agreements with intermediaries of public trading in securities

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

#### Data about securities traded on regulated market

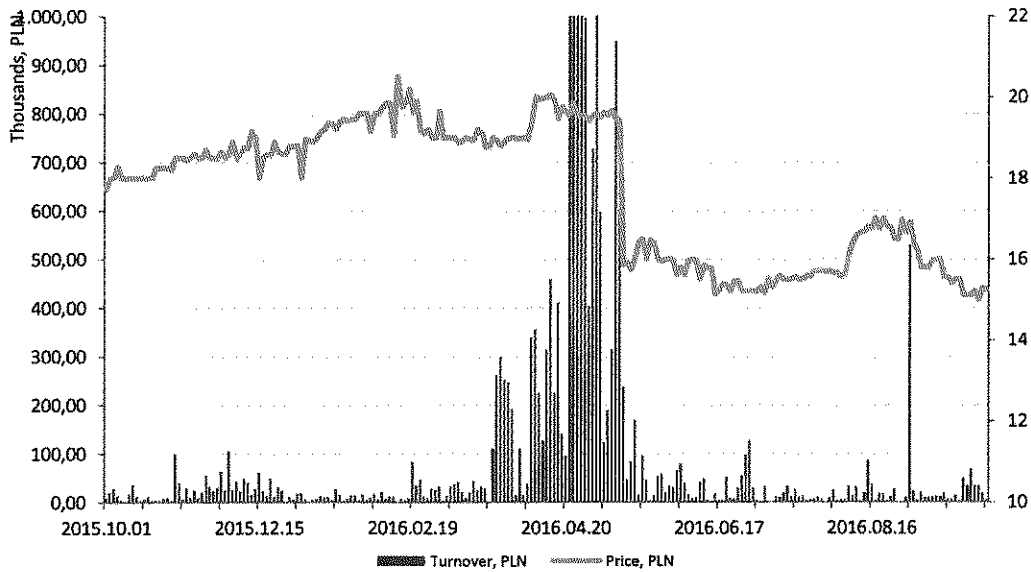
The following securities of the Company are included into the Main List of Warsaw stock exchange (symbol: IRL):

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

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 per cent. 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.

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Trading in the Company's securities on Warsaw Stock Exchange:



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

As of 30<sup>th</sup> September 2016 the shareholder structure of the Company was as following:

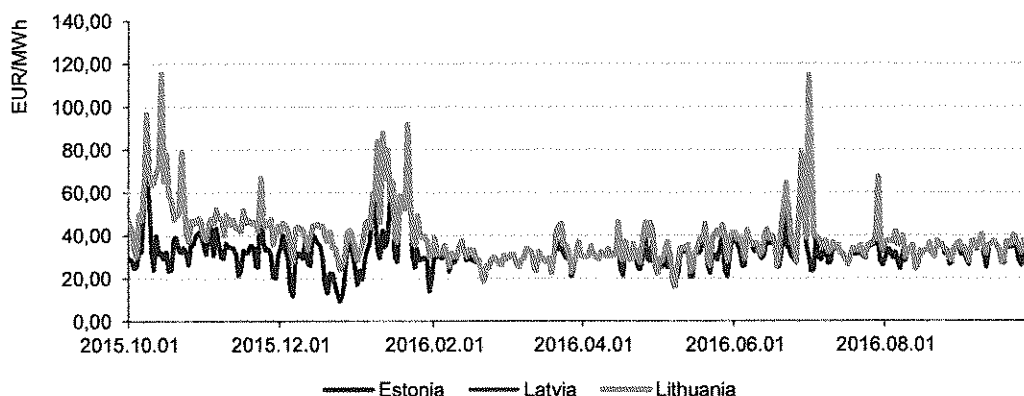
Shareholder	Number of shares/votes	Percentage of shares
RAO Nordic Oy	10,200,000	51%
UAB Scaent Baltic	5,800,000	29%
Other shareholders	4,000,000	20%
<b>Total</b>	<b>20,000,000</b>	<b>100%</b>



## II. Financial information

### Revenues

The total consolidated Group's sales revenue in January-September of 2016 was equal to EUR 124 million, a 9.21 per cent less than in the first 9 months of 2015. Total revenue declined due to on average lower and highly volatile electricity prices in the market, after introducing NordBalt and LitPol Link power interconnections and their multiple unplanned disconnections during first half of 2016 (the NordBalt was not operational approx. 60% of time during the first half of 2016). The decline was also caused by much worse meteorological conditions, which negatively affected electricity generation and sale from the wind park owned by the Group. The slight increase in the amount of electricity traded was mainly influenced by Estonian and Polish subsidiaries as those companies signed more contracts with their clients. Company's sales revenue in the first 9 months of 2016 was equal to EUR 94.5 million - decreased by 17.2 per cent, compared to the same period in 2015 due to some reasons - there were less electricity traded in Lithuania, its price on the Nordpool system was lower and electricity prices were highly volatile.



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	9 months 2016	9 months 2015
Sales (EUR thousand)	124,129	136,724
Gross profit (EUR thousand)	13,903	21,356
Gross profit margin (%)	11.20%	15.62%
Operating profit (EUR thousand)	8,654	16,337
Operating profit margin (%)	6.97%	11.95%
EBITDA (EUR thousand)	10,563	18,256
EBITDA profit margin (%)	8.51%	13.35%
Net profit (EUR thousand)	6,888	13,494
Net profit margin (%)	5.55%	9.87%
Number of shares (thousand)	20,000	20,000
Earnings per share (EUR)	0.34	0.67

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Gross profit margin - Gross profit / Sales  
Operating profit margin - Operating profit / Sales  
EBITDA profit margin - EBITDA / Sales  
Net profit margin - Net profit / Sales  
Earnings per shares - Net profit / Number of shares

Group's sales decreased by 9.21 per cent in first 9 months of 2016, compared to the same period in 2015. At the same time decrease in cost of sales was a lower than decrease in sales - 4.46 per cent change, if compared to 9 months of 2015. Decrease in sales caused lower Group's gross profitability which equaled to 11.2 per cent in the accounting period, if compared to 15.62 per cent in January-September 2015.

Company's gross profit margin in 2016 accounts to 11.7 per cent, compared to 15.29 per cent in the first 9 months of 2015. Operating profit of the Company for the January-September of 2016 was equal to EUR 7.5 million compared to EUR 14 million a year ago.

Group's and Company's EBITDA for the first 9 months of 2016 was EUR 10.6 million and EUR 8.7 million respectively. Group's EBITDA profit margin decreased from 13.35 per cent in first 9 months of 2015 to 8.51 per cent in the same period in 2016. Company's EBITDA profit margin decreased in the same manner - from 12.47 per cent in January-September of 2015 to 9.17 per cent in the accounting period. In the 9 months of 2016, Group's net profit decreased to EUR 6.9 million from EUR 13.5 million in 2015. As a result, Group's net profit margin during the accounting period was equal to 5.55 per cent, compared to 9.87 per cent a year ago. Because of the decrease in sales, net profit of the Company in first 9 months of 2016 decreased to EUR 7.4 million compared to EUR 12 million in January-September 2015.

Sales revenues by operating segments, thous. EUR	9 months 2016	9 months 2015
Electricity purchases and sales	120,967	132,669
Electricity production and sales	3,162	4,055
<b>Total</b>	<b>124,129</b>	<b>136,724</b>

Group's revenue from purchases and sales of electricity in the first 9 months of 2016 amounted to EUR 121 million compared to EUR 132.7 million in the same period a year ago. Revenue from produced electricity sales accounted for EUR 3.2 million, the 22 per cent less than in the same period a year ago. During the accounting period Vydmantai wind park, UAB has produced a lower amount of electricity compared to long-term average, due to negative meteorological conditions: historically low wind speeds.

Company's revenue during January-September 2016 were lower by 17.2 per cent and was equal to EUR 94.5 million compared to EUR 114.1 million in the same period in 2015.

The tables below present data on the electricity trading activities of the Group for the 9 months period ended on 30<sup>th</sup> September 2016 and the 3<sup>rd</sup> quarter of 2016, compared with the same periods in 2015, with a breakdown by each country for the periods indicated (S - sale, P - purchase).

	For the 9 months of 2016		For the 9 months of 2015	
	S	P	S	P
	GWh		GWh	
Lithuania*	2 342	230	2 460	103
Latvia	134	134	200	200
Estonia	356	463	197	331
Russia	86	2 025	88	2 182
Belarus	-	67	-	129
Poland	302	302	207	207
<b>Total*</b>	<b>3 221</b>	<b>3 221</b>	<b>3 152</b>	<b>3 152</b>

\* Excluding equivalent trades on the power exchange;

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

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	For the 3 <sup>rd</sup> quarter of 2016		For the 3 <sup>rd</sup> quarter of 2015	
	S	P	S	P
	GWh		GWh	
Lithuania*	794	87	881	21
Latvia	58	58	52	52
Estonia	96	134	68	93
Russia	29	696	25	799
Belarus	-	3	-	61
Poland	112	112	79	79
<b>Total*</b>	<b>1 090</b>	<b>1 090</b>	<b>1 105</b>	<b>1 105</b>

\* Excluding equivalent trades on the power exchange  
Differences between purchased and sold electricity total values  
is due to rounding

#### Expenses

COGS by operating segments, thous. EUR	9 months 2016	9 months 2015
Electricity purchases and sales	108,878	114,025
Electricity production and sales	1,348	1,343
<b>Total</b>	<b>110,226</b>	<b>115,368</b>

Group's cost of sales in January-September of 2016 accounted to EUR 110.2 million, the 4.46 per cent less than during the first nine months of 2015. Despite the higher amount of electricity traded, the cost of sales of the Group were lower compared to the results a year ago, due to on average lower electricity purchase price in the market and high volatility of electricity prices, caused by unplanned disconnection of NordBalt and LitPol Link power interconnections. Cost of sales of electricity production stayed at the same level as at the same period a year ago, and cost of sales of electricity purchased and sales were lower by 4.51 per cent.

Cost of sales of the Company was lower by 13.68 per cent if compared the accounting period and the same period a year ago and amounted to EUR 83.4 million if compared to EUR 96.7 million a year ago.

Group's cost of purchased electricity in the first 3 quarters of 2016 amounted to EUR 106.5 million. Group's cost of purchased electricity comprised 96.66 per cent of total cost of sales, Company's - 98.51 per cent.

Group's operating expenses in the nine-month period of 2016 amounted to EUR 5.3 million, a 4.58 per cent increase over a year ago. Company's operating expenses amounted to EUR 3.5 million in January-September 2016 compared to EUR 3.4 million in the same period a year ago (3.58 per cent increase).

#### Earnings

Gross profit of the Group in January-September of 2016 amounted to EUR 13.9 million (compared to the EUR 21.4 million), while the gross profit margin decreased to 11.2 per cent (15.62 per cent a year ago). Gross profit of the Company in the same period accounted to EUR 11.1 million if compared to EUR 17.5 million a year ago. Company's gross profit margin decreased from 15.29 per cent in January-September 2015 to 11.7 per cent in the first nine months of 2016.

Group's operating profit over the same period accounted to EUR 8.7 million, while the operating profit margin decreased to 6.97 per cent from 11.95 per cent a year ago. Operating profit in the first 3 quarters of 2016 of the Company decreased to EUR 7.5 million, compared to EUR 14 million in the same period a year ago.

Net loss of financial activities of the Group in the first 3 quarters of 2016 amounted to minus EUR 0.5 million, an 18.5 per cent decrease over the net financial loss during the same period a year ago. Financial expenses were mainly comprised of interest expenses that were due for the stand-alone financing of the wind park. Net income of financial activities of the Company in the 3 quarters of 2016 was mainly comprised from the dividends received from Vydmantai Wind Park UAB.

Group's net profit in the January-September of 2016 amounted to EUR 6.9 million, if compared to the profit of EUR 13.5 million for the same period year ago. The profit margin decreased from 9.87 per cent a year ago to 5.55 per cent in the accounting period.

#### **Balance sheet and Cash Flows**

During January-September 2016 total assets of the Group decreased by 20.7 per cent and of the Company decreased by 26.44 per cent. The most significant influence to the change of the assets was caused by decrease of cash and cash equivalents and trade receivables in the Group and in the Company.

Total non-current assets of the Company decreased by 2.02 per cent and of the Group decreased by 9.25 per cent. The most significant change in assets in the Group was related to depreciation of patents and licenses and depreciation of wind farm equipment held by subsidiary Vydmantai wind park, UAB.

During the year, shareholders' equity of the Company and of the Group decreased by 38.78 per cent and 34.62 per cent respectively and amounted to 41 per cent of the total equity and liabilities of the Company and to 30 per cent of the total equity and liabilities of the Group. Decrease in equity was caused by dividends distributed in 2016 - EUR 16.1 million.

At the end of September 2016, total amount of borrowings, including financial liabilities related to finance lease and bank financing, amounted to EUR 9.9 million for the Company and EUR 25.2 million for the Group. Cash, cash equivalents amounted to EUR 8.8 million for the Company and EUR 11.5 million for the Group.

Net cash flows from operating activities of the Group were lower in the first 3 quarters of 2016 and amounted to EUR 7.3 million, compared to EUR 13.5 million in the same period a year ago. Net cash flows from operating activities of the Company in the first 9 months of 2016 equaled to EUR 4.6 million compared to EUR 10.7 million a year ago.

Net cash flows from investing activities of the Group in the January-September of 2016 were at the level of 2015. Net cash flows from investing activities of the Company in the 1<sup>st</sup> half 2016 equaled to EUR 1 million. Such a result was due to the dividends received from the Company's subsidiary Vydmantai wind park UAB.

Net cash flows from financing activities of the Group in the first 3 quarters of 2016 amounted to EUR (15.5) million outflow, compared to EUR (8.4) million outflow in the same period a year ago. Net cash flows from financing activities of the Company in the first 9 months of 2016 equaled to EUR (12.5) million outflow compared to EUR (5.3) million outflow in the same period a year ago.

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**Personnel**

As of 30<sup>th</sup> September 2016 there were 43 employees in the Group and 26 in the Company. The employment structure by category is provided in the table below.

Employee category	Number of employees			
	As of 30 <sup>th</sup> September 2016		As of 30 <sup>th</sup> September 2015	
	Group	Company	Group	Company
Management	8	8	8	8
Sales Managers, including Traders	15	7	15	8
PR & Marketing Staff	2	2	2	2
Project managers	4	2	4	1
Technical staff	3	1	2	1
Office Staff	11	6	12	7
<b>Total</b>	<b>43</b>	<b>26</b>	<b>43</b>	<b>27</b>

On 30<sup>th</sup> September 2016 Company's personnel consisted of 8 managers and 18 specialists, as Group's personnel consisted of 8 managers and 35 specialists.

## AB INTER RAO Lietuva Unaudited Consolidated Interim Financial Statements for the 9 Month Period Ended 30<sup>th</sup> September 2016

### Statement of financial position

	Notes	Group		Company	
		As at 30 <sup>th</sup> September 2016	As at 31 <sup>st</sup> December 2015	As at 30 <sup>th</sup> September 2016	As at 31 <sup>st</sup> December 2015
<b>ASSETS</b>					
Non-current assets					
Intangible assets					
Goodwill		1,716	1,716	-	-
Patents and licenses		5,135	6,045	-	-
Other intangible assets		33	56	30	52
<b>Total intangible assets</b>		<b>6,884</b>	<b>7,817</b>	<b>30</b>	<b>52</b>
Property, plant and equipment					
Land		664	696	-	-
Buildings and structures		2,932	3,055	-	-
Machinery and equipment		16,444	17,132	-	-
Office premises		792	849	792	849
Other property, plant and equipment		48	56	39	51
<b>Total property, plant and equipment</b>		<b>20,880</b>	<b>21,788</b>	<b>831</b>	<b>900</b>
Investment property		138	146	138	146
Interest in a joint venture		117	129	10,927	10,927
Other non-current financial assets		56	1,058	40	41
Derivative financial instruments		-	-	75	232
Deferred income tax asset		-	-	106	99
<b>Total non-current assets</b>		<b>28,075</b>	<b>30,938</b>	<b>12,147</b>	<b>12,397</b>
Current assets					
Inventories and prepayments		278	197	2,181	2,984
Accounts receivable		-	-	-	-
Trade receivables		11,367	15,252	9,412	13,181
Receivables from subsidiaries		-	-	504	2
Other receivables		1,217	1,164	11	-
<b>Total accounts receivable</b>		<b>12,584</b>	<b>16,416</b>	<b>9,927</b>	<b>13,183</b>
Prepaid income tax		24	-	16	-
Other current assets		1,185	379	29	250
Derivative financial instruments		24	-	101	650
Cash and cash equivalents		11,507	19,755	8,825	15,707
<b>Total current assets</b>		<b>25,602</b>	<b>36,747</b>	<b>21,079</b>	<b>32,772</b>
<b>Total assets</b>		<b>53,677</b>	<b>67,685</b>	<b>33,226</b>	<b>45,171</b>

(cont'd on the next page)

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

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Statement of financial position (cont'd)

	Notes	Group	Group	Company	Company
		As at 30 <sup>th</sup> September 2016	As at 31 <sup>st</sup> December 2015	As at 30 <sup>th</sup> September 2016	As at 31 <sup>st</sup> December 2015
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital		5,800	5,800	5,800	5,800
Legal reserves		910	831	579	579
Cash flow hedge reserve		(379)	(981)	31	73
Retained earnings		10,100	19,391	7,420	16,140
Foreign exchange effect		(87)	(43)	-	-
<b>Total equity</b>		<b>16,344</b>	<b>24,998</b>	<b>13,830</b>	<b>22,592</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Non-current borrowings		11,275	13,750	-	-
Financial lease obligations		668	727	-	-
Derivative financial instruments		328	533	62	205
Deferred income tax liability		1,157	918	-	-
<b>Total non-current liabilities</b>		<b>13,428</b>	<b>15,928</b>	<b>62</b>	<b>205</b>
<b>Current liabilities</b>					
Current portion of non-current borrowings		13,230	9,597	9,930	6,297
Current portion of financial lease obligations		51	33	-	-
Derivative financial instruments		375	865	97	564
Trade payables		7,797	11,108	7,588	11,054
Income tax payable		-	2,265	-	2,146
Advances received		42	98	35	98
Other current liabilities		2,410	2,793	1,684	2,215
<b>Total current liabilities</b>		<b>23,905</b>	<b>26,759</b>	<b>19,334</b>	<b>22,374</b>
<b>Total equity and liabilities</b>		<b>53,677</b>	<b>67,685</b>	<b>33,226</b>	<b>45,171</b>

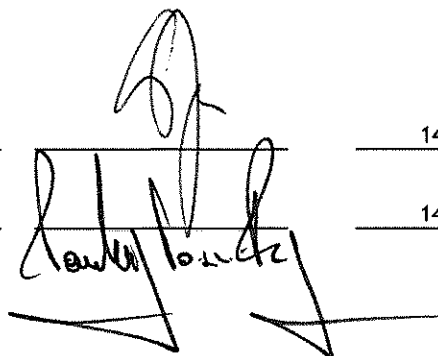
The accompanying notes are an integral part of these financial statements.

General Director Giedrius Balčiūnas

14 November 2016

Director of Economics Paulius Vazniokas

14 November 2016



**AB INTER RAO LIETUVA, company code 126119913, A.Tumėno str. 4, Vilnius, Lithuania**  
**UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE 9 MONTH PERIOD ENDED 30<sup>th</sup> September 2016**  
(all amounts are in EUR thousand unless otherwise stated)

**Statement of comprehensive income**  
**For the 9 months ended 30<sup>th</sup> September 2016**

	Notes	Group	Group	Company	Company
		2016	2015	2016	2015
Sales		124,129	136,724	94,478	114,099
Cost of sales		110,226	115,368	83,426	96,649
<b>Gross profit</b>		<b>13,903</b>	<b>21,356</b>	<b>11,052</b>	<b>17,450</b>
General and administrative expenses		5,249	5,019	3,532	3,410
<b>Profit from operations</b>		<b>8,654</b>	<b>16,337</b>	<b>7,520</b>	<b>14,040</b>
Other activities		7	23	11	11
<b>Financing and investing activities profit</b>		<b>(530)</b>	<b>(650)</b>	<b>959</b>	<b>(14)</b>
Finance income		51	22	1,028	69
Finance expenses		570	678	69	83
Share of result of joint venture		(11)	6	-	-
<b>Profit before tax</b>		<b>8,131</b>	<b>15,710</b>	<b>8,490</b>	<b>14,037</b>
Income tax		1,243	2,216	1,110	2,041
<b>Net profit</b>		<b>6,888</b>	<b>13,494</b>	<b>7,380</b>	<b>11,996</b>
<b>Total comprehensive income, net of tax</b>		<b>7,446</b>	<b>12,704</b>	<b>7,338</b>	<b>12,045</b>


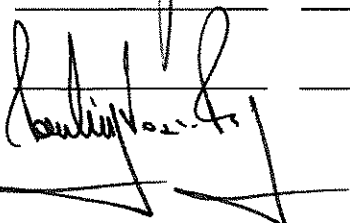


AB INTER RAO LIETUVA, company code 126119913, A.Tumėno str. 4, Vilnius, Lithuania  
 UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 FOR THE 9 MONTH PERIOD ENDED 30<sup>th</sup> September 2016  
 (all amounts are in EUR thousand unless otherwise stated)

Statement of comprehensive income

Notes	Group	Group	Company	Company
	3 <sup>rd</sup> quarter 2016	3 <sup>rd</sup> quarter 2015	3 <sup>rd</sup> quarter 2016	3 <sup>rd</sup> quarter 2015
Sales	41,346	50,638	31,050	42,454
Cost of sales	38,198	43,123	28,767	35,631
Gross profit	3,148	7,515	2,283	6,823
General and administrative expenses	1,742	1,626	1,076	1,080
Profit from operations	1,406	5,889	1,207	5,743
Other activities	3	4	3	3
Financing and investing activities profit	(173)	(225)	(25)	(43)
Finance income	16	6	8	-
Finance expenses	192	234	33	43
Share of result of joint venture	3	3	-	-
Profit before tax	1,236	5,668	1,185	5,703
Income tax	224	814	179	839
Net profit	1,012	4,854	1,006	4,864

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

General Director	Giedrius Balčiūnas		14 November 2016
Director of Economics	Paulius Vazniokas		14 November 2016

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 (all amounts are in EUR thousand unless otherwise stated)

Statement of changes in equity  
 For the 9 months ended 30<sup>th</sup> September 2015

Group

	Share capital	Legal reserve	Cash flow hedge reserve	Currency translation reserve	Retained earnings	Total
Balance as at 1 <sup>st</sup> January 2016	5,800	831	(981)	(43)	19,391	24,998
Profit for the period	-	-	-	-	6,888	6,888
Other comprehensive income, net of tax	-	-	602	-	-	602
Foreign exchange effect	-	-	-	(44)	-	(44)
Total comprehensive income	-	-	602	(44)	6,888	7,446
Dividends declared	-	-	-	-	(16,100)	(16,100)
Transfer to legal reserve	-	79	-	-	(79)	-
Balance as at 30 <sup>th</sup> September 2016	5,800	910	(379)	(87)	10,100	16,344

	Share capital	Legal reserve	Cash flow hedge reserve	Currency translation reserve	Retained earnings	Total
Balance as at 1 <sup>st</sup> January 2015	5,792	798	(427)	(63)	11,813	17,913
Nominal value of shares conversion into euros	8	-	-	-	-	8
Profit for the period	-	-	-	-	13,494	13,494
Other comprehensive income, net of tax	-	-	(822)	-	-	(822)
Foreign exchange effect	-	-	-	32	-	32
Total comprehensive income	-	-	(822)	32	13,494	12,704
Dividends declared	-	-	-	-	(11,200)	(11,200)
Transfer to legal reserve	-	33	-	-	(33)	-
Balance as at 30 <sup>th</sup> September 2015	5,800	831	(1,249)	(31)	14,073	19,424


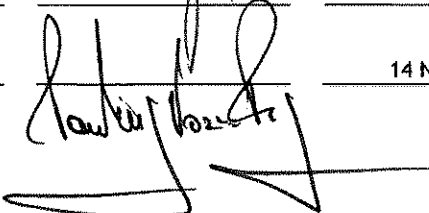
**AB INTER RAO LIETUVA, company code 126119913, A.Tumėno str. 4, Vilnius, Lithuania**  
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(all amounts are in EUR thousand unless otherwise stated)

Company

	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Total
<b>Balance as at 1<sup>st</sup> January 2016</b>	<b>5,800</b>	<b>579</b>	<b>73</b>	<b>16,140</b>	<b>22,592</b>
Profit for the period	-	-	-	7,380	7,380
Other comprehensive income	-	-	(42)	-	(42)
Total comprehensive income	-	-	(42)	7,380	7,338
Dividends declared	-	-	-	(16,100)	(16,100)
Transfer to legal reserve	-	-	-	-	-
<b>Balance as at 30<sup>th</sup> September 2016</b>	<b>5,800</b>	<b>579</b>	<b>31</b>	<b>7,420</b>	<b>13,830</b>

	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Total
<b>Balance as at 1<sup>st</sup> January 2015</b>	<b>5,792</b>	<b>580</b>	<b>48</b>	<b>11,228</b>	<b>17,648</b>
Nominal value of shares conversion into euros	8	-	-	-	8
Profit for the period	-	-	-	11,996	11,996
Other comprehensive income	-	-	49	-	49
Total comprehensive income	-	-	49	11,996	12,045
Dividends declared	-	-	-	(11,200)	(11,200)
Transfer to legal reserve	-	-	-	-	-
<b>Balance as at 30<sup>th</sup> September 2015</b>	<b>5,800</b>	<b>580</b>	<b>97</b>	<b>12,024</b>	<b>18,501</b>

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

General Director	Giedrius Balčiūnas		14 November 2016
Director of Economics	Paulius Vazniokas		14 November 2016

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(all amounts are in EUR thousand unless otherwise stated)

**Statements of cash flows**  
**For the 9 months ended 30<sup>th</sup> September**

Notes	Group		Company	
	2016	2015	2016	2015
<b>Cash flows from (to) operating activities</b>				
Net profit	6,888	13,494	7,380	11,996
<b>Adjustments for non-cash items:</b>				
Income tax expenses	1,243	2,216	1,110	2,041
Depreciation and amortisation	1,862	1,868	107	110
Interest and dividend (income)	(16)	(17)	(1,001)	(69)
Share of net profit of joint venture	11	(6)	-	-
Interest and dividend expenses	566	668	68	74
Other	3	9	2	8
	<b>10,557</b>	<b>18,232</b>	<b>7,666</b>	<b>14,160</b>
<b>Changes in working capital:</b>				
(Increase) decrease in inventories and prepayments	(81)	(186)	801	2,430
(Increase) decrease in accounts receivable and other current assets	3,026	1,423	3,476	(179)
Decrease in other non-current assets	1,000	161	-	167
Increase (decrease) in trade payables	(3,367)	(4,001)	(3,535)	(3,880)
Income tax (paid)	(3,386)	(1,357)	(3,270)	(1,305)
(Decrease) in other current liabilities	(407)	(791)	(479)	(657)
Unrealized foreign currency exchange	(44)	32	-	-
<b>Net cash flows from operating activities</b>	<b>7,298</b>	<b>13,513</b>	<b>4,659</b>	<b>10,736</b>
<b>Cash flows from (to) investing activities</b>				
(Acquisition) of non-current assets	(13)	(10)	(8)	(9)
Proceeds from sale of non-current assets	-	-	-	-
Interest and dividends received	16	86	1,001	69
Loans repaid	-	-	-	-
Other investing activities	-	-	-	-
<b>Net cash flows (to) investing activities</b>	<b>3</b>	<b>76</b>	<b>993</b>	<b>60</b>

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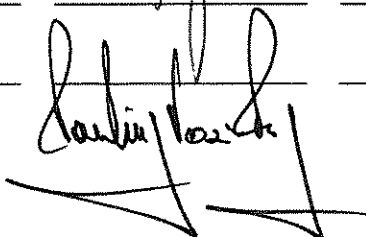
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Statements of cash flows (cont'd)

	Group		Company	
	2016	2015	2016	2015
<b>Cash flows from (to) financing activities</b>				
Dividends (paid)	(3,220)	(2,240)	(3,220)	(2,240)
Proceeds from loans	(11,772)	(5,487)	(9,255)	(3,012)
Interest (paid)	(557)	(675)	(59)	(55)
<b>Net cash flows (to) financing activities</b>	<b>(15,549)</b>	<b>(8,402)</b>	<b>(12,534)</b>	<b>(5,307)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,248)</b>	<b>5,187</b>	<b>(6,882)</b>	<b>5,489</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>19,755</b>	<b>11,228</b>	<b>15,707</b>	<b>8,352</b>
<b>Cash and cash equivalents as at the end of the period</b>	<b>11,507</b>	<b>16,415</b>	<b>8,825</b>	<b>13,841</b>

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

			
General Director	Giedrius Balčiūnas		14 November 2016
			
Director of Economics	Paulius Vazniokas		14 November 2016

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

**Notes to financial statements**

**1 General information**

AB INTER RAO Lietuva (hereinafter "the Company") is a private limited liability company registered in the Republic of Lithuania. The Company's core line of business is trade of electricity. The Group companies operate in electricity trading and production sectors.

**2 Segment information**

**Operating segments**

The following tables present information regarding the Group's operating segments for the 9 months ended 30th September 2016.

<b>9 month ended 30<sup>th</sup> September 2016</b>	<b>Electricity purchases and sales</b>	<b>Electricity production and sales</b>	<b>Total Segments</b>	<b>Adjustments and eliminations</b>	<b>Consolidated</b>
<b>Revenue</b>					
External customers	120,967	3,162	124,129	-	124,129
<b>Total revenue</b>	<b>120,967</b>	<b>3,162</b>	<b>124,129</b>	<b>-</b>	<b>124,129</b>
<b>Results</b>					
Depreciation and amortisation	99	1,763	1,862	-	1,862
Interest income	-	-	-	-	-
Interest expenses	68	498	566	-	566
Share of profit of associate joint venture				(11)	(11)
<b>Segment operating profit</b>	<b>7,901</b>	<b>754</b>	<b>8,655</b>	<b>-</b>	<b>8,655</b>
<b>Segment assets</b>	<b>24,375</b>	<b>29,279</b>	<b>53,654</b>	<b>24</b>	<b>53,678</b>
<b>Segment liabilities</b>	<b>19,578</b>	<b>16,599</b>	<b>36,137</b>	<b>1,157</b>	<b>37,334</b>

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

**Other disclosures**

Interest in a joint venture	-	-	-	117	117
Capital expenditure	13	-	13	-	13

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

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(all amounts are in EUR thousand unless otherwise stated)

The following tables present information regarding the Group's operating segments for the 9 months ended 30<sup>th</sup> September 2015.

9 month ended 30 <sup>th</sup> September 2015	Electricity purchases and sales	Electricity production and sales	Total Segments	Adjustments and eliminations	Consolidated
<b>Revenue</b>					
External customers	132,669	4,055	136,724	-	136,724
<b>Total revenue</b>	<b>132,669</b>	<b>4,055</b>	<b>136,724</b>	<b>-</b>	<b>136,724</b>
<b>Results</b>					
Depreciation and amortisation	114	1,754	1,868	-	1,868
Interest income	-	17	17	-	17
Interest expenses	74	594	668	-	668
Share of profit of associate joint venture	-	-	-	6	6
<b>Segment operating profit</b>	<b>14,689</b>	<b>1,648</b>	<b>16,337</b>	<b>-</b>	<b>16,337</b>
<b>Segment assets</b>	<b>34,693</b>	<b>31,926</b>	<b>66,619</b>	<b>-</b>	<b>66,619</b>
<b>Segment liabilities</b>	<b>27,024</b>	<b>19,353</b>	<b>46,377</b>	<b>818</b>	<b>47,195</b>

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

**Other disclosures**

Interest in a joint venture	-	-	-	133	133
Capital expenditure	10	-	10	-	10

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

**Adjustments and eliminations**

Finance income and expenses are allocated to individual segments as the underlying instruments are managed on each separate Company basis.

Taxes and certain financial liabilities are not allocated to operating segments as they are managed on a Group basis.

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**Related party transactions**

The 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 during the 9 month periods ending 30 September 2016 and as at 30 September 2015 were as follows:

OJSC Inter RAO (ultimate parent);  
RAO Nordic Oy (one of the shareholders);  
UAB Scaent Baltic (one of the shareholders);  
UAB Alproka (associate);  
Other related parties include:  
UAB Scaent Baltic Group companies (the same shareholder).  
Management



**AB INTER RAO LIETUVA, company code 126119913, A.Tumėno str. 4, Vilnius, Lithuania**  
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**FOR THE 9 MONTH PERIOD ENDED 30<sup>th</sup> September 2016**  
(all amounts are in EUR thousand unless otherwise stated)

**3 Related party transactions**

For the 9 month period  
ended 30<sup>th</sup> September  
2016

		Purchases	Sales	Paid (received) dividends	Receivables	Payables, including loans granted
OJSC Inter RAO	a)	68,782	534	-	54	7,279
RAO Nordic Oy	c)	396	-	8,211	-	6,446
UAB Scaent Baltic	c)	25	-	4,669	-	3,600
UAB Alproka		-	-	-	-	-
Other related parties		49	-	-	-	7
		<b>69,252</b>	<b>534</b>	<b>12,880</b>	<b>54</b>	<b>17,332</b>

For the 9 month  
period ended 30<sup>th</sup>  
September 2015

		Purchases	Sales	Paid (received) dividends	Receivables	Payables, including loans granted
OJSC Inter RAO	a)	81,538	884	-	78	10,924
RAO Nordic Oy	c)	291	-	5,715	-	6,656
UAB Scaent Baltic	b), c)	27	-	3,248	-	3,269
UAB Alproka		-	-	(68)	-	-
Other related parties		49	-	-	-	7
		<b>81,905</b>	<b>884</b>	<b>8,895</b>	<b>78</b>	<b>20,856</b>

- a) The Group performs electricity trading transactions with OJSC Inter RAO.  
b) The Group purchased rent of premises and interest from UAB Scaent Baltic.  
c) The Group's payables to shareholders RAO Nordic Oy and UAB Scaent Baltic as at 30<sup>th</sup> September 2016 and 30<sup>th</sup> September 2015 represent loans granted and accrued interest (loan currency - EUR, interest rate in 2016 - 1.24%, interest rate in 2015 - 1.9%).

## Confirmation of Responsible Persons

Following the Article No. 24 of the Law on Securities of the Republic of Lithuania and Rules on Preparation and Submission of Periodic and Additional Information of the Central Bank of the Republic of Lithuania, I, Giedrius Balčiūnas, the General Director of AB INTER RAO Lietuva hereby confirm that, to the best of my knowledge, AB INTER RAO Lietuva Unaudited Consolidated Interim Financial statements for the 9 month period ended 30 September, 2016 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 Unaudited Consolidated Interim Report of the Company include a fair review of the development and performance of the business of the Company and the Group.

Giedrius Balčiūnas

General Director

