

AB INTER RAO LIETUVA

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND UNAUDITED CONSOLIDATED INTERIM REPORT
FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2017,
prepared in accordance with International Financial Reporting Standards,
as adopted by the European Union

23 February 2018
Vilnius

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AB INTER RAO Lietuva Unaudited Consolidated Interim Report for the 12 Month Period Ended 31st December 2017

I. General Information

Reporting period

Year ended 31st December 2017

Company and its contact details

| | |
|------------------------------------|---|
| Company name | AB INTER RAO Lietuva (hereinafter – IRL or „the Company“) |
| Company code | 126119913 |
| Legal form | Public company (joint-stock company) |
| Date of registration | 21 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 |

The Group structure

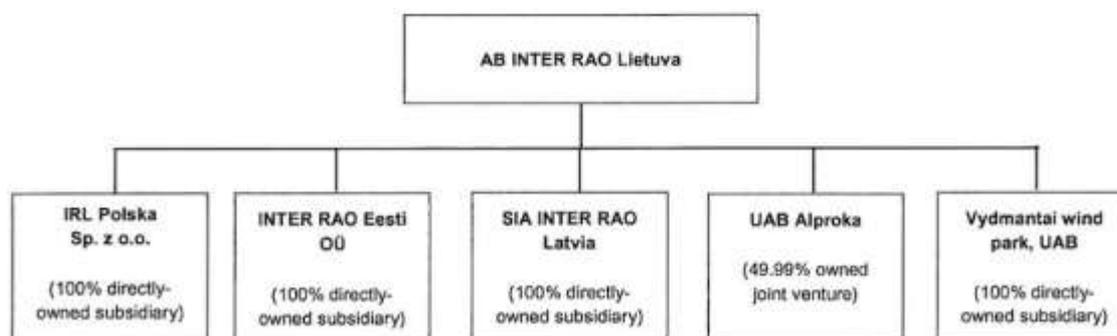
As on 31st December 2017, INTER RAO Lietuva Group consisted of the Company and the below described directly and indirectly controlled subsidiaries and joint venture (hereinafter - the Group):

| Company | Company code | Directly and indirectly held effective attributable interest | Equity as at 31 st December 2017 | Registration address | Activity (including planned) |
|------------------------------------|-----------------|--|---|---------------------------------------|------------------------------|
| INTER RAO Eesti OÜ - subsidiary | 11879805 | 100 % | 421 | Peterburi tee 47, Tallinn, Estonia | Trade of electricity |
| SIA INTER RAO Latvia - subsidiary | 4010326863 9 | 100 % | (444) | 76 Gustava Zemgala Ave., Riga, Latvia | Trade of electricity |
| IRL Polska Sp. z.o.o. - subsidiary | 0000436992 | 100 % | 1,909 | Twarda 18, 00-105, Warsaw, Poland | Trade of electricity |

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| | | | | | |
|---------------------------------------|-----------|---------|--------|-------------------------------------|-----------------------------|
| UAB Alproka – joint venture | 125281684 | 49,99 % | 185 | Verkių Str. 25C, Vilnius, Lithuania | Operations with real estate |
| Vydmantai Wind Park, UAB – subsidiary | 302666616 | 100 % | 13,026 | A.Tumėno Str. 4, Vilnius, Lithuania | Generation of electricity |

The following chart sets out the Group’ subsidiaries and interest in those subsidiaries, as well as the structure of the Group as at 31st December 2017:



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

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

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

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

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 established a subsidiary UAB IRL Wind and in the same year UAB IRL Wind acquired the wind park in Vydmantai.

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- The Company begins operations in electricity generation from renewable energy sources by acquiring the wind park in Vydmantai.
- 2012 The Company signs an agreement with INTER RAO UES on potential export of electricity generated in Baltiiskaya NPP under construction in Kaliningrad Oblast.
Decision on public offering and listing of the Company's shares on the Warsaw Stock Exchange was made.
- 2013 Business entity (IRL POLSKA Sp. z o.o.) in Poland was established.
AB INTER RAO Lietuva shareholders decided to distribute 27 million Lit as dividends.
- In July 2013, the Company has completed a merger of its two subsidiary companies UAB IRL Wind and Vydmantai wind park, UAB. Subsidiary companies were reorganised by merging UAB IRL Wind, which ceased its activities as a legal entity after the merger, into Vydmantai wind park, UAB which continued its activities after the merger.
- On 4th December 2013, the statutory capital of subsidiary company of AB INTER RAO Lietuva in Poland IRL Polska Sp.z o.o. was increased from PLN 2 million to PLN 10 million.
- 2014 On 3rd January 2014, the subsidiary company of AB INTER RAO Lietuva in Poland IRL Polska Sp.z o.o. was granted the license for trade in electricity in Poland. The term of the license is from 9th January 2014 till 9th January 2024.
On 30th of April 2014, the General Annual Meeting of shareholders has adopted the decision to pay dividends to the shareholders of the Company in the amount of 13 million Lit as.
- On 22nd of May 2014, IRL Polska Sp. z o.o. begins electricity trading operations.
- 2015 After Lithuania joined the euro zone, AB INTER RAO Lietuva shareholders fixed a nominal value of one share 0.29 EUR, share capital equal to 5.8 million EUR.
AB INTER RAO Lietuva shareholders decided to distribute 11.2 million EUR as dividends.
- 2016 AB INTER RAO Lietuva shareholders decided to distribute 16.1 million EUR as dividends.
- 2017 On 30th of March 2017 by decision of Supervisory Council The Board of the Company was re-elected for a new office term of four years.
On 28th of April 2017 new three members of the Supervisory Council, among them one independent member, were elected at the Annual General Meeting of Shareholders.
AB INTER RAO Lietuva shareholders decided to distribute 10.2 million EUR as dividends.

Agreements with intermediaries of public trading in securities

Since 29th October 2012 the Company and UAB FMI 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.

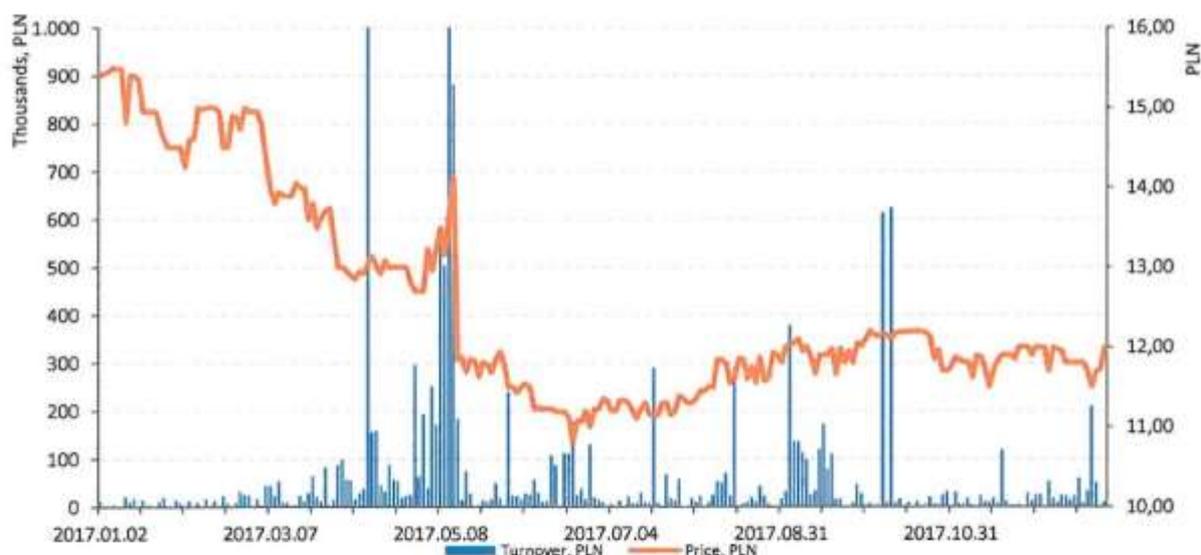
Data about securities traded on regulated market

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.

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



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

As at 31st December 2017 the shareholder structure of the Company was as following:

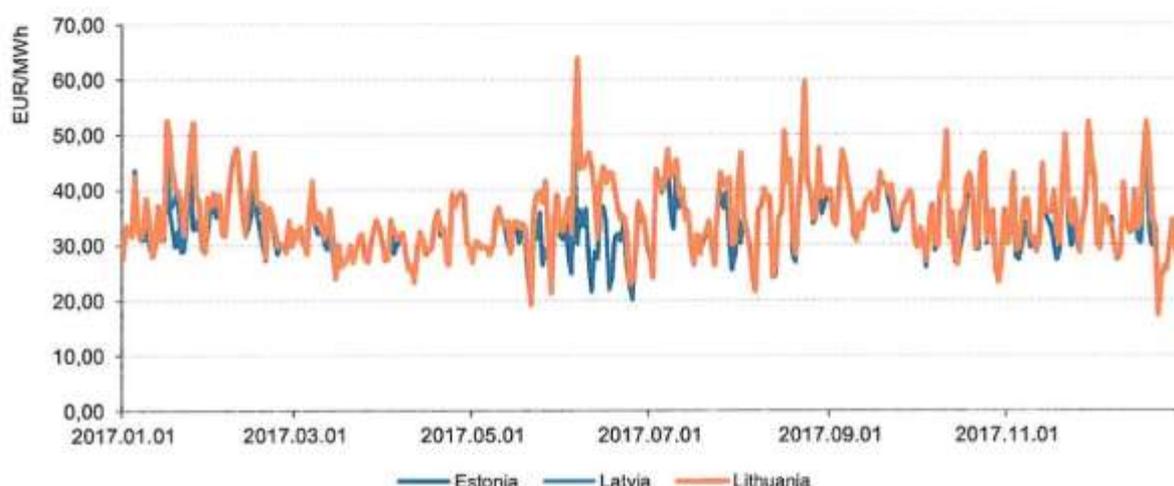
| Shareholder | Number of shares/votes | Percentage of shares |
|--------------------|------------------------|----------------------|
| RAO Nordic Oy | 10,200,000 | 51% |
| UAB Scaent Baltic | 5,800,000 | 29% |
| Other shareholders | 4,000,000 | 20% |
| Total | 20,000,000 | 100% |

II. Financial information

Revenues

The total consolidated Group's sales revenue in 2017 was equal to EUR 179.4 million, a 0.28 per cent higher than in 2016. Total revenue increased due to the higher amounts of electricity traded. The increase was also caused by a better meteorological conditions, which positively affected electricity generation and sale from the wind park owned by the Group. The increase in the amount of electricity traded was mainly influenced by increase in sales in Lithuanian market and Latvian subsidiary as companies signed more contracts with their clients.

Electricity price in NordPoolSpot exchange



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

Key figures of IRL Group

| Financial figures | 2017 | 2016 |
|---------------------------------|----------------|----------------|
| Sales (EUR thousand) | 179,378 | 178,880 |
| Gross profit (EUR thousand) | 18,354 | 18,943 |
| Gross profit margin (%) | 10.23% | 10.59% |
| Operating profit (EUR thousand) | 10,911 | 10,939 |
| Operating profit margin (%) | 6.08% | 6.12% |
| EBITDA (EUR thousand) | 13,537 | 15,066 |
| EBITDA profit margin (%) | 7.55% | 8.42% |
| Net profit (EUR thousand) | 8,974 | 9,256 |
| Net profit margin (%) | 5.00% | 5.17% |
| Number of shares (thousand) | 20,000 | 20,000 |
| Earnings per share (EUR) | 0.45 | 0.46 |

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Gross profit margin – Gross profit / Sales

Operating profit margin – Operating profit / Sales

EBITDA profit margin – EBITDA / Sales

Profit before taxes margin – Profit before taxes / Sales

Net profit margin – Net profit / Sales

Earnings per shares – Net profit / Number of shares

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

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

The total consolidated Group's sales increased by 0.28 per cent in 2017, compared to Group's sales in 2016. At the same time, cost of sales slightly increased to EUR 161 million in 2017, compared to EUR 160 million in 2016. Such a increase in costs of sales was mainly due to the changes in trading structure and higher electricity prices in the markets. Therefore, despite the increase in sales, the Group's gross profitability stayed at the healthy level and equaled to 10.23 per cent in the accounting period, if compared to 10.59 per cent in 2016. Group's operating profit margin decreased to 6.08 per cent in accounting period from the 6.12 per cent in 2016. During the period of 2017, the Company and the Group delivered electricity to all of its clients and fulfilled all of its contractual obligations of electricity sales at prices, agreed upon in the contracts.

Company's gross profit margin in 2017 accounts to 9.62 per cent, compared to 10.84 per cent in 2016. Operating profit margin of the Company decreased from the 7.32 per cent in 2016 to 5.80 per cent in 2017.

Group's and Company's EBITDA for 2017 was EUR 13.5 million and EUR 9.0 million respectively. Group's EBITDA profitability margin decreased from 8.42 per cent in January-December of 2016 to 7.55 per cent in accounting period of 2017. In 2017, Group's net profit decreased to EUR 9.0 million from the EUR 9.3 million in 2016. As a result, Group's net profit margin during the accounting period was equal to 5.00 per cent, compared to the 5.17 per cent a year ago.

| Sales revenues by operating segments, thous. EUR | 4th quarter 2017 | 4th quarter 2016 |
|---|------------------------------------|------------------------------------|
| Electricity purchases and sales | 44,112 | 53,007 |
| Electricity production and sales | 1,925 | 1,744 |
| Total | 46,037 | 54,751 |

Group's revenue from purchases and sales of electricity in the 4th quarter of 2017 amounted to EUR 44.1 million, a 16.78 per cent decrease compared with the same period a year ago. Revenue from produced electricity sales in the 4th quarter accounted for EUR 1.9 million, a 10.35 per cent more than a year ago. The increase in electricity production was mainly caused by the better wind conditions in the area.

Company's revenue during October-December 2017 decreased by 18.84 per cent and was equal to EUR 36.1 million compared to EUR 44.5 million in the same period in 2016. Company's revenue during 2017 increased by 2.05 per cent and was equal to EUR 141.8 million compared to EUR 138.9 million in 2016.

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

| | For the 4 th quarter of 2017 | | For the 4 th quarter of 2016 | |
|---------------|---|--------------|---|--------------|
| | S | P | S | P |
| | GWh | | GWh | |
| Lithuania* | 936 | 117 | 1,110 | 40 |
| Latvia | 88 | 88 | 70 | 70 |
| Estonia | 82 | 105 | 130 | 165 |
| Russia | 24 | 775 | 30 | 994 |
| Belarus | - | 45 | - | 70 |
| Poland | 64 | 64 | 84 | 84 |
| Total* | 1,194 | 1,194 | 1,423 | 1,423 |

* Excluding equivalent trades on the power exchange

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

Expenses

| COGS by operating segments, thous. EUR | 4 th quarter 2017 | 4 th quarter 2016 |
|--|------------------------------|------------------------------|
| Electricity purchases and sales | 40,394 | 49,263 |
| Electricity production and sales | 452 | 448 |
| Total | 40,846 | 49,711 |

Group's cost of sales in October-December of 2017 accounted to EUR 40.8 million, a 17.83 per cent less than during the last 3 months of 2016. The decrease in cost of sales was due to the lower amount of electricity traded by the Group compared to the same period a year ago.

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

Group's cost of purchased electricity in the last 3 months of 2017 amounted to EUR 40.4 million, an 18 per cent less, than a year ago.

Group's operating expenses in the 4th quarter of 2017 amounted to EUR 2 million, a 28.17 per cent decrease over a year ago. Group recognized an additional goodwill impairment of wind park goodwill of EUR 1 million in 2016 (no impairment was recognized in 2017). Company's operating expenses amounted to EUR 1.9 million in October-December 2017 compared to EUR 1.4 million in the same period a year ago (a 36.82 per cent increase). A Company recognized the impairment of investment in 2017.

Earnings

Gross profit of the Group in October-December of 2017 amounted to EUR 5.2 million, while the gross profit margin increased to 11.28 per cent (compared to 9.21 per cent a year ago). Gross profit of the Company in the same period accounted to EUR 3.3 million, compared to EUR 4.0 million a year ago. Company's gross profit margin increased from 9.03 per cent in the last quarter of 2016 to 9.20 per cent in the last 3 months of 2017.

Gross profit in 2017 decreased over the year by 9.44 per cent and amounted to EUR 13.6 million for the Company, decreased by 3.11 per cent, and amounted to EUR 18.4 million for the Group, if compared to EUR 15.1 million and EUR

18.9 million respectively in 2016. Gross profit margin in 2017 decreased to 9.62 per cent for the Company and to 10.23 per cent for the Group from 10.84 per cent and 10.59 per cent in 2016.

Group's operating profit over the 4th quarter accounted to EUR 3.2 million, while the operating profit margin increased to 6.98 per cent. Operating profit in the last 3 months of 2017 of the Company amounted to EUR 1.4 million compared to the EUR 2.6 million the same period in 2016. The operating profit margin of the Company decreased to 4.01 per cent in 4th quarter of 2017 if compared to 5.95 per cent for the same period in 2016.

Profit from operations for the Company and for the Group for year 2017 were equal to EUR 8.2 million and EUR 10.9 million, compared to the profit from operations of EUR 10.2 million and EUR 10.9 million in 2016. Operating profit margin for the Company and for the Group reached level of 5.8 per cent and 6.08 per cent compared to 7.32 per cent and 6.12 per cent a year ago.

Net profit of financial and investing activities of the Company in the October-December of 2017 and amounted to EUR 0.1 million. Financial expenses were mainly comprised of interest expenses that were due for the stand-alone financing of the wind park. Better overall result was caused by year-on-year lower interest expenses.

Net result from financial and investing activities for the Company in 2017 amounted to EUR 0.1 million. Net consolidated result from financial and investing activities for the Group decreased by 314.85 per cent compared to 2016 and amounted to EUR (-0.4) million. Overall result for the Group from financial activities was mainly caused by year-on-year 21.76% lower interest expenses, which in 2017 totalled to EUR 0.58 million and finance income – fair value change of derivatives not designated as hedging instruments (EUR 0.2 million).

Group's and Company's net profit in the October-December of 2017 amounted to EUR 2.8 million and EUR 1.4 million, compared to EUR 2.4 million and EUR 2.8 million for the same period year ago. The profit margin increased from 4.33 per cent for the Group and decreased from 6.29 per cent for the Company a year ago respectively to 6.03 per cent and 3.79 per cent for the 4th quarter of 2017.

The net profit of the Company and the Group during 12 months of 2017 amounted to EUR 7.2 million and EUR 9 million respectively.

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

Balance sheet and cash flow

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

Total non-current assets of the Company decreased by 3.40 per cent and of the Group decreased by 7.30 per cent. The most significant change in assets in the Group was related to amortization of licenses held by subsidy Vydmantai wind park as well as ordinary depreciation of wind power plant. Total non-current assets amounted to 39 per cent of the total assets for the Company and to 51 per cent of total assets for the Group.

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

At the end of December 2017, total amount of borrowings, including financial liabilities related to finance lease and bank financing, amounted to EUR 3.8 million for the Company and EUR 14.9 million for the Group. Cash, cash equivalents amounted to EUR 3 million for the Company and EUR 5.2 million for the Group.

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

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

Personnel

As of 31st December 2017 there were 43 employees in the Group and 25 in the Company. The employment structure by category is provided in the table below.

| Employee category | Number of employees | | | |
|-----------------------------------|--------------------------------------|-----------|--------------------------------------|-----------|
| | As at 31 st December 2017 | | As at 31 st December 2016 | |
| | Group | Company | Group | Company |
| Management | 8 | 8 | 8 | 8 |
| Sales Managers, including Traders | 16 | 7 | 15 | 7 |
| PR & Marketing Staff | 1 | 1 | 1 | 1 |
| Project managers | 3 | 2 | 4 | 2 |
| Technical staff | 3 | 1 | 3 | 1 |
| Office Staff | 12 | 6 | 11 | 6 |
| Total | 43 | 25 | 42 | 25 |

On 31st December 2017 25 employees were employed in the Company. Company's personnel consisted of 8 managers and 17 specialists.

AB INTER RAO Lietuva Unaudited Consolidated Interim Financial Statements for the 12 Month Period Ended 31st December 2017

Statement of financial position

| | Group As at 31 st December 2017 | Group As at 31 st December 2016 | Company As at 31 st December 2017 | Company As at 31 st December 2016 |
|---|---|---|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | | | | |
| Goodwill | 716 | 716 | - | - |
| Operating license | 3,619 | 4,832 | - | - |
| Other intangible assets | 1 | 26 | - | 23 |
| Total intangible assets | 4,336 | 5,574 | - | 23 |
| Property, plant and equipment | | | | |
| Land | 612 | 654 | - | - |
| Buildings and structures | 2,726 | 2,891 | - | - |
| Office premises | 698 | 773 | 698 | 773 |
| Machinery and equipment | 15,297 | 16,214 | - | - |
| Other property, plant and equipment | 38 | 42 | 19 | 34 |
| Total property, plant and equipment | 19,371 | 20,574 | 717 | 807 |
| Investment property | 135 | 135 | 135 | 135 |
| Interest in a joint venture and subsidiaries | 93 | 111 | 10,442 | 10,927 |
| Other non-current financial assets | 585 | 83 | 71 | 39 |
| Derivative financial instruments | 24 | - | 24 | 18 |
| Deferred income tax asset | - | - | 155 | 1 |
| Total non-current assets | 24,544 | 26,477 | 11,544 | 11,950 |
| Current assets | | | | |
| Inventories and prepayments | 303 | 647 | 125 | 598 |
| Accounts receivable | | | | |
| Trade receivables | 14,409 | 12,925 | 12,413 | 10,050 |
| Other receivables from subsidiaries and joint venture | - | - | 1,522 | 2,287 |
| Accrued income and other receivables | 1,567 | 1,537 | 10 | 4 |
| Total accounts receivable | 15,976 | 14,462 | 13,945 | 12,341 |
| Prepaid income tax | 47 | 74 | 47 | 45 |
| Other current assets | 1,697 | 1,204 | 542 | 30 |
| Derivative financial instruments | 675 | 1,629 | 691 | 1,637 |
| Cash and cash equivalents | 5,191 | 7,211 | 3,026 | 5,681 |
| Total current assets | 23,889 | 25,227 | 18,376 | 20,332 |
| Total assets | 48,433 | 51,704 | 29,920 | 32,282 |

(cont'd on the next page)

Statement of financial position (cont'd)

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

General Director

Giedrius Balčiūnas



23 February 2018

Chief Accountant

Edita Vagonienė



23 February 2018

Statement of comprehensive income

| | Group | Group | Company | Company |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales | 179,378 | 178,880 | 141,787 | 138,932 |
| Cost of sales | (161,024) | (159,937) | (128,143) | (123,866) |
| Gross profit | 18,354 | 18,943 | 13,644 | 15,066 |
| General and administrative expenses | (7,443) | (8,004) | (5,424) | (4,901) |
| Profit from operations | 10,911 | 10,939 | 8,220 | 10,165 |
| Other activities | 8 | 9 | 15 | 17 |
| Finance income | 179 | 657 | 171 | 1,632 |
| Finance expenses | (579) | (740) | (63) | (93) |
| Share of result of joint venture | (19) | (18) | - | - |
| Profit (loss) before tax | 10,500 | 10,847 | 8,343 | 11,721 |
| Income tax | (1,526) | (1,591) | (1,162) | (1,544) |
| Net profit | 8,974 | 9,256 | 7,181 | 10,177 |

Statement of comprehensive income

| | Group | Group | Company | Company |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 4 th quarter | 4 th quarter | 4 th quarter | 4 th quarter |
| | 2017 | 2016 | 2017 | 2016 |
| Sales | 46,037 | 54,751 | 36,079 | 44,454 |
| Cost of sales | (40,846) | (49,711) | (32,758) | (40,440) |
| Gross profit | 5,191 | 5,040 | 3,321 | 4,014 |
| General and administrative expenses | (1,979) | (2,755) | (1,873) | (1,369) |
| Profit from operations | 3,212 | 2,285 | 1,448 | 2,645 |
| Other activities | (4) | 2 | 4 | 6 |
| Finance income | 151 | 606 | 148 | 604 |
| Finance expenses | (141) | (170) | (23) | (24) |
| Share of result of joint venture | (6) | (7) | - | - |
| Profit before tax | 3,212 | 2,716 | 1,577 | 3,231 |
| Income tax | (435) | (348) | (209) | (434) |
| Net profit | 2,777 | 2,368 | 1,368 | 2,797 |

General Director

Giedrius Balčiūnas

23 February 2018

Chief Accountant

Edita Vagonienė

23 February 2018

Statement of changes in equity

Group

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

Company

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

General Director

Giedrius Balčiūnas

23 February 2018

Chief Accountant

Edita Vagonienė

23 February 2018

Statements of cash flows

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

(cont'd on the next page)

Statements of cash flows (cont'd)

| | Group | | Company | |
|---|-----------------|-----------------|----------------|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Cash flows from (to) financing activities | | | | |
| Dividends (paid) | (2,040) | (3,220) | (2,040) | (3,220) |
| Loans repaid | (8,916) | (21,226) | (5,616) | (17,926) |
| Interest (paid) | (577) | (738) | (63) | (89) |
| Financial lease (payments) | (35) | (34) | - | - |
| Net cash flows (to) financing activities | (11,568) | (25,218) | (7,719) | (21,235) |
| Net increase (decrease) in cash and cash equivalents | (2,020) | (12,544) | (2,655) | (10,026) |
| Cash and cash equivalents at the beginning of the year | 7,211 | 19,755 | 5,681 | 15,707 |
| Cash and cash equivalents as at the end of period | 5,191 | 7,211 | 3,026 | 5,681 |

| | | | |
|------------------|--------------------|--|------------------|
| General Director | Giedrius Balčiūnas |  | 23 February 2018 |
| Chief Accountant | Edita Vagonienė |  | 23 February 2018 |

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 12 month period ended 31 December, 2017 as set out on above are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of the Company and the Group.

Giedrius Balčiūnas

General Director

