

EPSO-G

EPSO-G UAB
CONSOLIDATED AND COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR 2015 PREPARED
ACCORDING TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS, AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S
REPORT AND CONSOLIDATED ANNUAL REPORT

TABLE OF CONTENTS

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS:	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF COMPREHENSIVE INCOME	6
STATEMENTS OF CHANGES IN EQUITY	7
STATEMENTS OF CASH FLOWS	8
NOTES TO THE FINANCIAL STATEMENTS	9
CONSOLIDATED ANNUAL REPORT	49

These financial statements were approved on 12 April 2016.



Rolandas Zukas
Chief Executive Officer



Ilona Vaitkuvienė
Chief Financier



Independent Auditor's Report

To the shareholders of EPSO-G UAB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of EPSO-G UAB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 48, which comprise the stand-alone and consolidated statements of financial position as of 31 December 2015 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Basis for Qualified Opinion

According to the Group's accounting policy, property, plant and equipment (except for gas transmission and distribution pipelines, technological gas equipment and related installations, which are carried at acquisition cost) is carried at revalued amounts, being their fair values as of the date of revaluation less subsequent accumulated depreciation and impairment losses. As explained in note 2.26, management assessed the fair value of property plant and equipment as of 31 December 2014 and accounted for the related revaluation in 2014. Management did not determine the fair value of property, plant and equipment with carrying amounts of 572 million Euros as of 31 December 2013, although we consider that impairment indicators existed as of that date. As a result, we were unable to assess in which period the revaluation loss should have been recognised, and by which amount the depreciation expense of the comparative period presented in these financial statements should have been adjusted. Our opinion on the current period's financial statements is therefore modified because of the effect of this matter on the comparability of the current period's figures and the corresponding figures.

Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2015 set out on pages 49 to 60 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2015.

On behalf of PricewaterhouseCoopers UAB

A stylized blue ink signature of Rimvydas Jogėla, consisting of a large loop and several smaller strokes.

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
12 April 2016

	Notes	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
ASSETS					
Non-current assets					
Intangible assets	4	1,701	1	1,596	-
Property, plant and equipment	5	887,394	2	639,070	-
Prepayments for property, plant and equipment		56,298	-	82,228	-
Investments in subsidiaries	6	-	343,744	-	343,744
Investments in associates and joint ventures	6	942	-	1,211	-
Deferred income tax assets	21	66	1	92	-
Available-for-sale financial assets	7	2,273	-	2,237	-
Total non-current assets		948,674	343,748	726,433	343,744
Current assets					
Inventories	8	5,467	-	9,337	-
Prepayments		378	1	346	1
Trade receivables	9	22,389	-	22,099	-
Other amounts receivable	10	102,079	563	75,535	561
Prepaid income tax		1,457	-	-	-
Other financial assets	11	38,021	-	17,879	-
Time deposits	12	-	-	6,000	6,000
Held-to-maturity investments	12	-	-	15,929	-
Cash and cash equivalents	13	33,655	5,475	27,517	509
Total current assets		203,446	6,039	174,640	7,071
Non-current assets held for sale		3			
TOTAL ASSETS		1,152,123	349,787	901,074	350,816
EQUITY AND LIABILITIES					
Equity					
Share capital	14	22,483	22,483	22,453	22,453
Revaluation reserve	15	6,072	-	6,669	-
Reserve for change in fair value of financial assets	16	291			
Legal reserve	16	16,486	2,245	15,982	1,738
Other reserves	16	61,178	-	167,071	-
Retained earnings (deficit)		83,040	84,995	(34,805)	34,226
Equity attributable to owners of the parent		189,550	109,723	177,371	58,417
Non-controlling interest		12,837	-	14,159	-
Total equity		202,387	109,723	191,530	58,417
Liabilities					
Non-current liabilities					
Grants	18	190,609	-	108,140	-
Non-current borrowings	19	266,407	29,000	143,666	29,000
Finance lease liabilities		-	-	10	-
Deferred income tax liabilities	21	14,979	-	19,074	-
Deferred income		-	-	-	-
Other anon-current amounts payable and liabilities	20	210,599	209,975	213,387	209,975
Total non-current liabilities		682,594	238,975	484,278	238,974
Current liabilities					
Current portion of non-current borrowings	19	33,193	-	43,233	-
Current borrowings	19	92,069	-	62,580	52,000
Current portion of finance lease liabilities		10	-	24	-
Trade payables	22	36,740	92	46,597	10
Advance amounts received	23	7,336	-	2,919	-
Income tax liability		326	-	1,349	-
Other current amounts payable and liabilities	24	97,468	997	68,563	1,414
Total current liabilities		267,142	1,089	225,266	53,424
Total liabilities		949,736	240,064	709,544	292,398
TOTAL EQUITY AND LIABILITIES		1,152,123	349,787	901,074	350,816

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

	Notes	Group 2015	Company 2015	Group 2014	Company 2014
Revenue					
Revenue from sale of electricity and related services	25	83,480	-	104,734	-
Revenue from natural gas transmission and related services	26	55,246	-	26,819	-
Other income	27	18,111	-	15,552	-
Total revenue		156,837	-	147,105	-
Operating expenses					
Expenses attributable to electricity and related services		(37,793)	-	(50,688)	-
Cost of natural gas		(8,603)	-	(3,408)	-
Depreciation and amortisation	4,5,18	(36,769)	-	(46,277)	-
Wages and salaries and related expenses		(20,870)	(330)	(15,669)	(155)
Repair and maintenance expenses		(9,799)	-	(8,373)	-
Telecommunications and IT maintenance expenses		(4,028)	(14)	(4,221)	(9)
Write-offs of property, plant and equipment	5	(2,571)	-	(1,476)	-
Revaluation of property, plant and equipment		-	-	(123,199)	-
Other expenses		(19,819)	(228)	(17,634)	(224)
Total expenses		(140,252)	(572)	(270,945)	(388)
Negative goodwill on acquisition of AB Amber Grid	3	-	-	90,511	-
Operating profit/(loss)		16,585	(572)	(33,330)	(,388)
Financing activities					
Finance income		359	56,020	485	31,874
Investment revaluation to fair value	3	-	-	4821	-
Interest expenses		(5,033)	(3,971)	(5,076)	(4,157)
Other finance costs		(191)	(30)	(68)	(57)
Total result of financing activities		(4,865)	52,019	162	27,660
Share of profit/(loss) of associates and joint ventures	6	(57)	-	87	-
Profit/(loss) before income tax		11,663	51,447	(33,081)	27,272
Income tax					
Current year income tax expenses	21	(3,139)	-	(3,932)	-
Deferred income tax (expenses)/income	21	4,123	1	23,723	1
Total income tax		984	1	19,790	1
Net profit/(loss)		12,647	51,448	(13,291)	27,273
Other comprehensive income that will not be reclassified subsequently to profit or loss					
Loss on revaluation of property, plant and equipment	2.26Error ! Reference source not found.,5	350	-	(62,487)	-
Effect of deferred income tax		(52)	-	9,373	-
Total other comprehensive income that will not be reclassified subsequently to profit or loss		298	-	(53,114)	-
Total comprehensive income/(expenses) for the year		12,945	51,448	(66,405)	27,273
Net profit/(loss) attributable to:					
Owners of the Parent		12,031	51,448	(10,679)	27,273
Non-controlling interest		616	-	(2,612)	-
Total comprehensive income attributable to:		12,647	51,448	(13,291)	27,273
to:					
Owners of the Parent		12,322	51,448	(62,465)	27,273
Non-controlling interest		623	-	(3,940)	-
Total comprehensive income attributable to:		12,945	51,448	(66,405)	27,273

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

EPSO-G UAB
Company code 302826889 A. Juozapavičiaus g. 13, LT-09311 Vilnius
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts in EUR thousands unless otherwise stated)

		Attributable to owners of the Group								
Group	Notes	Share capital	Revaluation reserve	Reserve of changes in fair value of financial assets	Legal reserve	Other reserves	Retained earnings	Subtotal	Non-controlling interest	Total
Balance at 1 January 2014		3	63,867	-	14,251	184,861	(45,597)	217,385	10,997	228,382
Comprehensive income										
Comprehensive income (loss) for the period		-	(51,786)	-	-	-	(10,679)	(62,465)	(3,940)	(66,405)
Depreciation of revaluation reserve and amounts written off	15	-	(5,412)	-	-	-	5,412	-	-	-
Total comprehensive income (loss) for the period		-	(57,197)	-	-	-	(5,267)	(62,465)	(3,940)	(66,405)
Increase in share capital		22,450	-	-	-	-	-	22,450	-	22,450
Transfer to retained earnings		-	-	-	(7)	(17,790)	17,797	-	-	-
Transfer to reserves		-	-	-	1,738	-	(1,738)	-	-	-
Dividends	17	-	-	-	-	-	-	-	(816)	(816)
Change in ownership interest in the subsidiary		-	-	-	-	-	-	-	7,918	7,918
Balance at 31 December 2014		22,453	6,669	-	15,982	167,071	(34,805)	177,371	14,159	191,529
Balance at 1 January 2015		22,453	6,669	-	15,982	167,071	(34,805)	177,371	14,159	191,529
Comprehensive income										
Comprehensive income (loss) for the period		-	-	291	-	-	12,031	12,322	623	12,945
Depreciation of revaluation reserve and amounts written off	15	-	(597)	-	-	-	597	-	-	-
Total comprehensive income (loss) for the period		-	(597)	291	-	-	(12,628)	(12,322)	(623)	12,945
Increase in share capital	1, 3	-	-	-	-	-	-	-	-	-
Transfer to retained earnings		-	-	-	(3)	(105,893)	105,896	-	-	-
Transfer to reserves		-	-	-	507	-	(507)	-	-	-
Share capital conversion into euros		30	-	-	-	-	-	30	-	-
Dividends	17	-	-	-	-	-	(172)	(172)	(1,983)	(2,155)
Change in ownership interest in the subsidiary	3	-	-	-	-	-	-	-	38	38
Balance at 31 December 2015		22,483	6,072	291	16,486	61,178	83,040	189,551	12,837	202,387
Company		Share capital	Legal reserve	Retained earnings	Total					
Balance at 1 January 2014		3	-	8,691	8,694					
Comprehensive income (loss) for the period		-	-	27,273	27,273					
Transfer to reserves		-	1,738	(1,738)	-					
Increase in share capital	1, 14	22,450	-	-	22,450					
Balance at 31 December 2014		22,453	1,738	34,226	58,417					
Balance at 1 January 2015		22,453	1,738	34,226	58,417					
Comprehensive income (loss) for the period		-	-	51,448	51,448					
Transfer to reserves		-	507	(507)	-					
Share capital conversion into euros	14	30	-	-	30					
Dividends		-	-	(172)	(172)					
Balance at 31 December 2015		22,483	2,245	84,995	109,723					

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

	Notes	Group 2015	Company 2015	Group 2014	Company 2014
Cash flows from operating activities					
Net profit/(loss)		12,647	51,448	(13,291)	27,273
Adjustments for non-cash items:					
Depreciation and amortisation expenses	4,5	36,846	1	47,251	-
Revaluation of property, plant and equipment	5,18	-	-	123,199	-
(Reversal of)/impairment charge on assets		431	-	2,124	-
Loss on disposal of financial assets		62			
Share of profit of associates and joint ventures	6	57	-	(87)	-
Income tax expenses	21	(984)	(1)	(19,790)	(1)
(Depreciation) of grants	18	(416)	-	(989)	-
Increase (decrease) in provisions		12	-	16	-
(Gain)/loss on disposal/write-off of property, plant and equipment	5	2,208	-	1,473	-
Effect of revaluation of investments to fair value		-	-	(4,821)	-
Result arising from business acquisition	3	-	-	(90,511)	-
Elimination of results of financing and investing activities:					
Interest income		(36)	(7)	(241)	(15)
Interest expenses		5,894	3,971	5,076	4,157
Dividend income		(122)	(56,013)	(150)	(31,858)
Other finance (income)/costs		70	30	(26)	57
Changes in working capital:					
(Increase) decrease in trade receivables and other amounts receivable		(14,141)	(2)	(17,573)	(40)
(Increase) decrease in inventories, prepayments and other current assets		323	-	101	(1)
Increase (decrease) in amounts payable, grants, deferred income and advance amounts received		59,184	80	(11,911)	(50)
Changes in other financial assets		(20,142)	-	2,927	-
Income tax (paid)		(2,474)	-	(2,820)	-
Net cash flows from (used in) operating activities		79,419	(493)	19,957	(479)
Cash flows from investing activities					
(Purchase) of property, plant and equipment and intangible assets		(263,330)	(,3)	(91,915)	-
Proceeds from sale of property, plant and equipment and intangible assets		10	-	6	-
Placement of time deposit	12	6,000	6,000	(6,000)	(6,000)
Grants received	18	33,452	-	32,366	-
Disposal (acquisition) of subsidiaries (associates)/reduction of share capital	6	(131)	-	2,654	-
Acquisition of shares of AB Amber Grid	3	-	-	(93,989)	(104,078)
(Acquisition) of held-to-maturity investments	12	-	-	(15,929)	-
Redemption of held-to-maturity investments	12	15,929	-	20,273	-
Interest received		113	7	265	15
Dividends received		122	56,013	150	31,858
Other cash flows from investing activities		126	-	-	-
Net cash flows from (used in) investing activities		(207,709)	62,017	(152,119)	(78,205)
Cash flows from financing activities					
Proceeds from borrowings		203,023	-	192,000	81,000
Repayments of borrowings		(142,323)	(52,000)	(60,716)	-
Finance lease payments		(23)	-	(12)	-
Overdraft		81,490	-	8,422	-
Interest paid		(5,734)	(4,386)	(4,495)	(3,475)
Dividends paid		(2,042)	(172)	(830)	-
Other cash flows from financing activities		38	-	20	-
Net cash flows from (used in) investing activities		134,429	(56,558)	134,389	77,525
Net increase (decrease) in cash and cash equivalents		6,139	4,966	2,227	(1,158)
Cash and cash equivalents at the beginning of the period	13	27,516	509	25,289	1,667
Cash and cash equivalents at the end of the period	13	33,655	5,475	27,517	509

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

1. General information

EPSO-G UAB is a private limited liability company incorporated in the Republic of Lithuania. Its registered office address is: A. Juozapavičiaus g. 13, LT-09311, Vilnius, Lithuania. EPSO-G UAB (hereinafter "EPSO-G" or "the Company") is a profit-seeking entity with limited civil liability, which was registered on 25 July 2012 with the Register of Legal Entities administered by the state enterprise Centre of Registers. The Company code is 302826889, VAT payer's code is LT10007031415.

The Company's main activity is to ensure an uninterrupted, stable transmission of electric power over high voltage networks and transportation of natural gas via high pressure gas pipelines, as well as to ensure management, maintenance and development of these transmission systems.

Based on its Resolution No 120 of 12 February 2014 (*Regarding the investment of state-owned assets and increase of share capital of the companies*), the Lithuanian Government gave its consent to the decision made by the Ministry of Energy ("the Ministry"), implementing the shareholder's property and non-property rights in respect of the Company, to increase the Company's share capital from additional contributions by way settling the newly issued shares with an in-kind contribution. Based on this Resolution, on 21 February 2014 the Ministry and the Company signed an Agreement on Subscription for Shares No 7-14, under which the Company was committed to provide 77,516,533 ordinary registered shares with par value of LTL 1 each, whereas the Ministry was committed to subscribe and pay for the issue price of the newly issued shares in a form of in-kind contribution – state-owned 31,575,724 shares of AB Amber Grid.

On 28 February 2014, the Company's share capital was increased from LTL 10,000 to LTL 77,526,533. The issue price of the newly issued shares was equal to their par value, i.e. LTL 1 each. The value of 17.7% shareholding in AB Amber Grid contributed by the Ministry was determined in accordance with the provisions of the Lithuanian Law on Companies, and was equal to the weighted average market price of in-kind contributions over 6 months until the settlement date – LTL 77,516,533.

As at 31 December 2015, the Company's authorised share capital amounted to EUR 22,482,695 (31 December 2014: EUR 22,453,236 (LTL 77,526,533)). As at 31 December 2015, it was divided into ordinary registered shares with par value of EUR 0.29 each. All the shares are fully paid.

Company's shareholder	At 31 December 2015		At 31 December 2014	
	Share capital (EUR)	%	Share capital (EUR)	%
Republic of Lithuania represented by the Lithuanian Ministry of Energy	22,482,695	100	22,453,236	100

The Group consists of EPSO-G and the subsidiaries controlled by it:

Company	Office address	Effective shareholding (%)		Profile of activities
		At 31 December 2015	At 31 December 2014	
LITGRID AB	A. Juozapavičiaus g. 13, Vilnius, Lithuania	97,5	97,5	Electricity transmission system operator
AB Amber Grid	Savanorių pr. 28, Vilnius, Lithuania	96,6	96,6	Natural gas transmission system operator
BALTPool UAB (controlled through LITGRID AB)	A. Juozapavičiaus g. 13, Vilnius, Lithuania	65,3	65,3	Energy resources exchange operator and natural gas, supporting instruments and biofuel market operator, administrator of PSO funds
TETAS UAB (controlled through LITGRID AB)	Senamiesčio g. 102B, Panevėžys, Lithuania	97,5	97,5	Design engineering, reconstruction, repair and maintenance of transformer substations and distribution stations
Tinklo Priežiūros Centras UAB (controlled through LITGRID AB)	A. Juozapavičiaus g. 13, Vilnius, Lithuania	97,5	97,5	Management and operation of electricity interconnection facilities
UAB GET Baltic*	Aguonų g. 24, Vilnius, Lithuania	63,8	31,0	Organisation of trading on natural gas exchange

*On 6 November 2015, AB Amber Grid and Lietuvos Dujos AB entered into Agreement on Purchase/Sale of Shares, under which AB Amber Grid acquired 34% shareholding in GET Baltic UAB. As a result, AB Amber Grid became the major shareholder of GET Baltic UAB holding 66% of its share capital. The Company's investments in subsidiaries are described in more detail in Note 6.

The Group's investments in the associates and joint ventures are as follows:

Company name	Office address	The Group's shareholding (%)		Profile of activities
		At 31 December 2015	At 31 December 2014	
Duomenų Logistikos Centras UAB	Žvejų g. 14, Vilnius, Lithuania	20	20	IT services
LitPol Link Sp.z.o.o	Wojciecha Gorskiego 900-033 Warsaw, Poland	50	50	Design engineering of electricity transmission interconnection facilities

The Group's investments in associates and joint ventures are described in more detail in Note 6.

As at 31 December 2015, the Group had 1,030 employees (31 December 2014: 1,072). As at 31 December 2015, the Company had 8 employees (31 December 2014: 4).

The Company's management approved these financial statements on 12 April 2016. The shareholders of the Company have a statutory right to approve or not to approve these financial statements and require that management prepare a new set of financial statements.

2. Summary of principal accounting policies

The principal accounting policies applied in the preparation of Company's and the Group's financial statements for the year ended 31 December 2015 are set out below:

2.1 Basis of preparation

The Company's and the Group's financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements have been prepared on a historical cost basis, except for property, plant and equipment which is recorded at revalued amount, less accumulated depreciation and estimated impairment losses, and available-for-sale financial assets which are carried at fair value.

Amounts in these financial statements are presented in EUR thousands, unless otherwise stated. The comparative figures have been converted using the official exchange rate of the litas against the euro, i.e. LTL 3.4528 to EUR 1.

Due to the rounding effects of individual amounts to the nearest thousands of euros, the tabular amounts may not add up. Such rounding deviations are not material in the financial statements.

The financial year of the Company and other Group companies coincides with the calendar year.

Accounting policies applied in preparing the financial statements are consistent with those of the previous financial year except as follows:

Adoption of new and (or) amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

IFRSs and their amendments adopted by the Group and the Company for the first time in the financial year ended 31 December 2015 are as follows:

IFRIC 21, 'Taxes'

The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. This interpretation had no impact on the Group's and the Company's financial statements.

Annual improvements to IFRSs 2013 (effective for the annual periods beginning on or after 1 January 2015).

The improvements consist of changes to four standards.

- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

- IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

These amendments had no impact on the Group's and the Company's financial statements.

Other standards, amendments and interpretations that became effective for the financial year beginning on 1 January 2015 are not relevant to the Group and the Company.

New, amended standards and interpretations that are not yet effective

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2016, but yet not adopted in preparing these financial statements are as follows:

IFRS 9, 'Financial instruments: Classification and measurement'

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

This standard is effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU. The Group and the Company are currently assessing the impact of this new standard on their financial statements.

Annual improvements to IFRSs 2012 (effective for the annual periods beginning on or after 1 February 2015).

The improvements consist of changes to seven standards.

- IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'. The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
- IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

These improvements are effective for annual periods beginning on or after 1 February 2015. The Group and the Company are currently assessing the impact of these amendments on their financial statements.

IFRS 15, 'Revenue from contracts with customers'

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The standard is effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU. The Group and the Company are currently assessing the impact of this standard on their financial statements.

Annual improvements to IFRSs 2014 (effective for the annual periods beginning on or after 1 January 2016 and not early adopted by the Group and the Company).

The amendments impact 4 standards.

- IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.
- The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.
- IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

These improvements are effective for annual periods beginning on or after 1 January 2016. The Group and the Company are currently assessing the impact of these amendments on their financial statements.

Disclosure initiative – Amendments to IAS 1

The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

These amendments are effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of these amendments on its financial statements.

IFRS 16, 'Leasing'

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This standard is effective for annual periods beginning on or after 01 January 2019; not yet adopted by the EU. The Group and the Company are currently assessing the impact of this new standard on their financial statements.

Other standards and their improvements issued but not yet effective are not expected to have a significant impact on the Group and the Company.

2.2 Principles of consolidation

Subsidiaries are all entities that the Company has a power to exercise control over the entity to which investment is made. The Company controls an entity when it can or has a right to receive variable returns from this relation and it can have impact on these returns due to the power to govern the entity to which the investment is made.

The consolidated financial statements of the Group include EPSO-G and its subsidiaries. The financial statements of the subsidiaries have been prepared for the same reporting periods and using uniform accounting policies as those of the parent company's financial statements.

Subsidiaries are consolidated from the date from which effective control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany transactions, balances and unrealized gains and losses on transactions among the Group companies are eliminated.

2.3 Business combinations

IFRS 3, 'Business combinations' is not applied to business combinations between entities under common control, therefore such business combinations are accounted for using the pooling of interest method of accounting.

All other business combinations are accounted for under the acquisition method. The consideration transferred in return for control over the acquiree is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group at the date of acquisition. All acquisition-related costs are expensed when incurred. The acquiree's identifiable assets acquired, liabilities and contingent liabilities that meet recognition criteria defined in IFRS 3, 'Business combinations' are recognised at their fair values at the acquisition date.

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

Non-controlling interest in the acquiree is measured initially at the non-controlling interest's proportionate share of the fair value of the recognised amounts of net assets, liabilities and contingent liabilities.

2.4 Change in ownership interest in subsidiaries resulting in no change in control

Transactions with non-controlling interests resulting in no loss of control are accounted for as transactions with the equity owners which are recorded in equity. For purchases from non-controlling interests, the difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.5 Company's investments in subsidiaries

In the parent company's financial statements, investments in subsidiaries are stated at cost less impairment, where the investment's carrying amount in the parent's statement of financial position exceeds its estimated recoverable amount.

2.6 Investments in associates and joint ventures

An associate is an entity over which the Group/Company has significant influence but no control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence generally accompanies a shareholding of 20% to 50% of the voting rights. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

In the Group's consolidated financial statements, associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, investments in associates or joint ventures are initially recognised at cost, and the carrying amount is subsequently increased or decreased by the changes of net assets' share of Group's associate and joint ventures after the date of acquisition, less any impairment of investments.

The Group's share of post-acquisition profit or loss is recognized in profit (loss), and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of investment.

Goodwill related to investments in associates and joint ventures is included in the carrying amount of the investment and it is evaluated for impairment as the part of the investment.

Losses of an associate or joint venture in excess of the Group's interest in that associate/joint venture, including any other unsecured receivables, are not recognised, unless the Group had incurred legal or constructive obligations or made payments on behalf of the associate/joint venture.

Unrealized gain on transactions between the Group and associates and joint ventures is eliminated to the extent of the Group's interest in the associate or joint venture. Unrealized loss is also eliminated, unless it provides evidence of an impairment of assets transferred.

If the Group's ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Gain or loss on decrease in the Group's ownership interest in an associate is recognized as profit or loss.

In the parent company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses, where the investment's carrying value in the parent's statement of financial position exceeds its estimated recoverable value.

2.7 Property, plant and equipment and intangible assets

Assets with the useful life over one year are classified as property, plant and equipment.

Property, plant and equipment

Property, plant and equipment is stated at cost or revalued amounts. The categories of property, plant and equipment encompassing gas transmission pipelines and related installations, gas distribution pipelines and related installations, and technological gas equipment and structures are recorded at cost less accumulated depreciation and impairment. All other property, plant and equipment is shown at revalued amounts, based on periodic (at least every 5 years) valuations performed by independent valuers, less subsequent accumulated depreciation and impairment losses. Any accumulated depreciation and impairment losses at the date of revaluation are eliminated against gross carrying amount of the asset and net amount is restated to the revalued amount of the assets.

Increases in the carrying amount arising on the first revaluation of property, plant and equipment are credited to revaluation reserve directly in equity and decreases are recognised in the profit and loss account. Decreases in the carrying amount arising on the subsequent revaluation of property, plant and equipment that offset previous increases of the same asset, are charged against revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Revaluation increases in property, plant and equipment value that offset previous decreases are taken to the profit and loss account. All other increases in the carrying amount arising on subsequent revaluations of property, plant and equipment are credited to revaluation reserve. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings taking into account the effect of deferred income tax. After the sale or a write-off of property unit, any balance of the revaluation reserve related to this property is transferred to retained earnings.

Property, plant and equipment also includes the minimum quantity of natural gas contained in the gas pipelines (line pack) which is necessary to ensure a stable functioning of the transmission system (i.e. necessary to start the functioning of the transmission system) under the base conditions (pressure of 25 bar is ensured for system users for all exit points). This part of property, plant and equipment is not depreciated, because there will be a possibility to sell such natural gas at the end of the useful life of the gas transmission pipeline, and accordingly, the value of such natural gas represents the residual value of the gas transmission pipeline.

Construction in progress represents property, plant and equipment under construction. The cost of such assets includes design engineering, construction works, plant and equipment being installed, and other directly attributable costs.

Intangible assets

Intangible assets are initially recognised at cost. Intangible assets are recognised only if they are expected to provide economic benefit to the Group and the Company in future periods and their cost can be measured reliably.

After initial recognition, intangible assets are carried at cost, less accumulated amortisation and impairment losses, if any (the Group/Company does not have intangible assets with indefinite useful lives).

Depreciation and amortisation

Depreciation (amortisation) of property, plant and equipment and intangible assets, except land and construction in progress, is calculated using the straight-line method over estimated useful lives of the asset. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year-end to ensure that they are consistent with the expected pattern of economic benefits from these assets. The effect of changes in estimates, if any, is accounted for on a prospective basis.

Estimated useful lives of property, plant and equipment and intangible assets are as follows:

Categories of property, plant and equipment and intangible assets	Useful lives (in years)
Buildings	20 - 75
Plant and machinery, whereof:	
Constructions of transformer substations	30
Structures, machinery and equipment, whereof:	
330, 110, 35 kV electricity transmission overhead lines	40 - 55
330, 110, 35, 6-10 kV electricity distribution equipment	30 - 35
330, 110, 35, 6-10 kV capacity transformers	35
Electricity and communication devices	20 - 25
Relay security and automation equipment	15 - 35
Technological and dispatch control equipment	8
Other equipment	5 - 20
Other buildings and structures	15 - 19
Gas transmission pipelines and installations	55
Gas distribution pipelines and installations	55
Technological gas equipment and installations	5 - 20
Motor vehicles	4 - 10
Other PP&E, whereof:	
computer hardware and communication equipment	3 - 10
inventory, tools	4 - 10
Intangible assets	3 - 4

Gain or loss on disposal of non-current assets is calculated as the difference between the proceeds from sale and the book value of the disposed asset and is recognised in the profit or loss.

Subsequent repair costs are added to the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are recognized as expenses in the profit or loss during the financial period in which they are incurred.

2.8 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there are any indications that those assets have suffered an impairment loss. If any such indication exists, the recoverable value of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable value is the higher of the asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be less than its carrying value, the carrying value of the asset (cash-generating unit) is reduced to its recoverable value. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a decrease of revaluation reserve.

Where an impairment loss subsequently reverses, the carrying value of the asset (cash-generating unit) is increased to the revised estimate of its recoverable value, but so that the increased carrying value does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (without exceeding the amount of previous impairment).

2.9 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and receivables. The classification of financial assets is determined at initial recognition.

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group or the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus, in the case of investments not carried at fair value through profit or loss, directly attributable transaction costs.

The Company's/Group's financial assets include cash and cash equivalents, short-term bank deposits, investments in securities, trade and other amount receivable.

The subsequent accounting for financial assets depends on their classification as follows.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories. Such assets are recognised as non-current assets, except where the term of investment expires or management have an intention to sell it within 12 months after the date of preparation of the financial statements.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs, and subsequently measured at fair value. Changes in the fair value are recognized in other comprehensive income.

When investments are classified as available for sale and available-for-sale financial assets are disposed or impaired, the related accumulated gain or loss on fair value revaluation is recognised in the statement of comprehensive income as profit or loss.

The fair value of investments traded in active financial markets is based on the quoted closing market prices available at that date, which is closest to the financial reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent transactions in the market, reference to the price of other substantially similar financial instruments, discounted cash flow analysis, and other valuation models.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets, quoted in an active market with fixed or determinable payments and fixed maturity which the entity has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are carried at amortized cost using the effective interest method (except for current receivables when the recognition of interest income would be immaterial), less any recognized impairment, which reflects irrecoverable accounts. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognised, impaired or amortised.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at bank, demand deposits and other short-term highly liquid investments (up to 3 months of original maturity) that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash balances in bank accounts, deposits in current accounts and other short-term highly liquid investments with original maturities of 3 months or less.

Effective interest rate method

Effective interest rate method is used to calculate amortised cost of financial assets and financial liabilities and allocate interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Impairment of financial assets

At each reporting date the Group and the Company assess whether there is an indication that financial assets may be impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For financial assets carried at amortized cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, estimated using the original effective interest rate.

The carrying amount of the financial asset is directly reduced by the amount of estimated impairment loss, except for trade receivables, for which impairment is recorded through allowance account. Impaired accounts receivable are written-off when they are assessed as uncollectible.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date that would have been determined had no impairment loss been recognized for the asset in prior years.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the right to receive cash flows is retained, but there is an obligation to pay the full amount to a third party under a 'pass-through' agreement in a short period; or

- the Group/Company has transferred the rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

2.10 Inventories

Inventories are initially recorded at acquisition cost. Subsequent to initial recognition, inventories are stated at the lower of cost and net realisable value. Acquisition cost of inventories includes acquisition price and related taxes (not subsequently refunded by tax authorities), and incremental costs associated with bringing inventory into their current condition and location. Cost of inventories (other than natural gas) is determined on the first-in, first-out (FIFO) basis. Cost of natural gas balance is determined on the basis of weighted average cost. Inventories that cannot be realised are written off.

2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.12 Trade payables and other financial liabilities, borrowings

Financial liabilities, borrowings

Financial liabilities, including borrowings, are recognised initially at fair value, less transaction costs.

Subsequent to initial recognition, financial liabilities are carried at amortised cost using the effective interest rate method. Interest expense is recognised using the effective interest rate method as disclosed in note 2.9 of the financial statements.

If a financing agreement concluded before the date of the statement of financial position proves that the liability was non-current as of the date of the statement of financial position, that financial liability is classified as non-current.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective amounts of financial liabilities is recognised in the statement of comprehensive income.

Trade payables

Trade payables represent the commitments to pay for goods and services acquired from suppliers in the ordinary course of business.

Trade payables are classified as current liabilities if the term of their settlement is no longer than one year; otherwise they are included in non-current liabilities.

2.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.14 Foreign currency

Following the adoption of euro in the Republic of Lithuania on 1 January 2015, the Group's functional currency was changed. The exchange rate of the litas against the euro, i.e. LTL 3.45280 to EUR 1, which was irrevocably established by the Council (the EU), was applied during the conversion of the litas to the euros

In the consolidated financial statements, results of operations and financial position of each entity of the Group are presented in the euros, which is the functional currency of the Company and the presentation currency of the Group's consolidated financial statements. All financial information presented in the euros has been rounded to the nearest thousand unless otherwise stated. Due to rounding effects, some of the tabular amounts may not add up.

Foreign currency transactions are recorded in the euros using the exchange rates of the euro against foreign currencies prevailing at the dates of transactions as established by the European Central Bank and the Bank of Lithuania. Monetary assets and liabilities are translated into the euros using the exchange rate prevailing at the date of preparation of financial statements. Gains and losses

resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised as the profit or loss of the reporting period.

From 2 February 2002 till 31 December 2014, the Lithuanian litas (LTL) was pegged to the euro (EUR) at the exchange rate of LTL 3.4528 to EUR 1, and the exchange rates in relation to other currencies were set daily by the Bank of Lithuania.

2.15 Grants

Grants are recognised when there is a reasonable assurance that the grant will be received and the Group entity will comply with all the conditions attaching to it.

Asset-related grants

The government and the EU grants received in the form of property, plant and equipment or intended for the purchase of property, plant and equipment are considered as asset-related grants. Grants are recorded as a deduction of value of the respective asset and subsequently recognised as income, reducing the depreciation charge of related asset over the expected useful life of the asset.

PSO service fees allocated to the Group and intended for the preparation and implementation of strategic projects are classified as asset-related grants.

2.16 Provisions

Provisions are recognised when the Group/Company has a legal obligation or irrevocable commitment as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, the amount of provision is discounted using the effective pre-tax discount rate set on the basis of the interest rates for the period and taking into account specific risks associated with the provision as appropriate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

2.17 Employee benefits

Social security contributions

The Company and the Group pay social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and included in staff payroll expenses.

Bonus plans

The Company and the Group recognise a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Post-employment benefits payable at retirement age

According to the local laws and the collective agreement of LITGRID AB and AB Amber Grid, each employee leaving the Group and the Company at the retirement age is entitled to one-off benefit. A liability for such benefits is recognised in the balance sheet and it reflects the present value of these benefits at the date of the financial statements. At each reporting date, the non-current employee benefit obligation is estimated with reference to actuarial valuations using the projected relative unit method. The present value of the defined non-current employee benefit obligation is determined by discounting the estimated future cash flows using the effective interest rates as set for government debentures denominated in a currency in which payments to employees are expected to be made and with maturity similar to that of the related liability.

2.18 Leases

Lease is recognised as financial lease, when all the risks and rewards of ownership of the leased item are transferred to the lessee. Operating lease is the lease that cannot be classified as finance lease. When the contract is signed, it is being assessed whether the contract meets the terms of a financial lease.

The Group and the Company as a lessor

Operating lease income is recognised on a straight-line basis over the lease term.

The Group and the Company as a lessee

Operating lease payments are recognised as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

Finance lease

Finance leases that transfer to the Group substantially all the risks and rewards of ownership of the leased item, are capitalised at the commencement of the lease. The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the interest rate implicit in the finance lease agreement, when it is possible to determine it, in other cases, the Group's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets acquired under the finance leases are depreciated. The depreciation policy for assets acquired under finance leases is consistent with that for depreciable assets that are owned. The assets acquired under finance leases cannot be depreciated over a period longer than the lease term, unless the Group, according to the lease contract, obtains ownership at the end of the lease term.

2.19 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with a transaction will flow to the Group/Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of value added tax and discounts. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity

Revenue from electricity transmission, capacity reserve services and trade in balancing/regulating electricity is recognised after the services have been rendered or electricity has been sold, i.e. all risks and rewards associated with the transaction have been transferred to the buyer.

Regulation of tariffs for electricity transmission and related services

The tariffs for the electricity transmission services are regulated by the National Control Commission for Prices and Energy (hereinafter "the Commission") by establishing a cap on the price for the transmission service. The specific prices and tariffs for the transmission services are established by the supplier of the service within the limits approved by the Commission.

The tariffs for electricity sold by the producers and independent suppliers as well as the tariffs for capacity reserves are not regulated, except for the cases when the producer or supplier holds more than 25% of the market. In latter case, the procedure for regulation of tariffs is set by the Commission.

The Group purchases capacity reserve services from electricity suppliers in accordance with the capacity reserve agreements, and subsequently renders these services to the distribution system operators and electricity consumers using a tariff established by the Commission. The Group recognises gross revenue as it acts as a principal in the provision of these services.

Connection of new consumers or producers to electricity or gas transmission network

Before 1 July 2009, the fees received for the connection of new consumers or producers to electricity network were initially recognised as deferred income, and subsequently recognised as income on a proportionate basis over the same period as the related asset construction costs. Related costs consisting of the acquisition of property, plant and equipment and other costs, were capitalised and depreciated over the estimated useful life of the qualifying asset. After 1 July 2009, the fees received for the connection of new consumers or producers to the electricity network are recognised as income immediately upon the connection of a new consumer or producer, provided the price for electricity payable in future by the newly connected consumer or producer for the services rendered by the Group does not differ from that payable by other consumers or producers who had not paid such connection fees.

Before 1 July 2009, the fees paid by the system users for the connection to the Group's gas system were recognised as deferred income, and subsequently recognised as income over the depreciation period of the related capitalised asset. After 1 July 2009, the fees paid by the system users for the connection of new consumers or producers to the Group's gas system are recognised as income immediately.

Revenue from gas transmission services

Revenue from system users for natural gas transmission service is recognised on a monthly basis with reference to the presented data on the natural gas quantities distributed to the system users connected to the distribution system and on the statements of transmitted natural gas signed with the system users which are directly connected to the transmission system.

Revenue from administration of the LNG terminal funds

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Sales revenue is recognised net of VAT and discounts.

Based on the provisions of the Lithuanian Energy Ministry's Order No 1-245 of 27 December 2013 (subsequent amendments: Order No 1-94 of 23 April 2014, Order No 1-255 of 14 November 2014, Order No 1-167 of 25 June 2015, Order No 1-187 of 17 July 2015) *On the approval of the procedure for accounting of natural gas*, the gas energy value (or the heating value/calorific value) was introduced for the purpose of quantitative accounting for trade in natural gas in Lithuania with effect from 2015. Before that, the trade in natural gas used to be accounted in volume units (cubic metres).

Revenue from system users for natural gas transmission service is recognised on a monthly basis with reference to the presented data on the natural gas quantities distributed to the system users connected to the distribution system and on the statements of transmitted natural gas signed by the Group with the system users which are directly connected to the transmission system.

In compliance with the requirements set in the Lithuanian Law on Liquefied Natural Gas Terminal and its implementing legislation, the Group collects, administers and pays out the LNG funds to the terminal operator, and to the designated supplier (with effect from 1 January 2016) in line with the procedure established by laws. By the decision of the Commission, part of funds collected is allocated to compensate for the administration costs incurred by the Group.

By its Resolution No O3-895 of 20 November 2014, the Commission approved the additional natural gas supply security component to be included in the natural gas transmission price for 2015, which is intended to compensate for the fixed operating costs of the LNG terminal infrastructure that are necessary to ensure stable functioning of the LNG terminal. In 2015, the LNG terminal funds pertaining to the additional component were collected.

On 17 November 2015, the Seimas of the Republic of Lithuania adopted Law No XII-2036 Amending Articles 2, 5 and 11 of the Law on Liquefied Natural Gas Terminal No XI-2053, whereby it was established that based on the procedure defined by the Commission, the additional natural gas supply security component is to include not only the construction costs of the LNG terminal, its infrastructure and connector (the funding of which is impossible from other sources available to the Company), all fixed operating costs of the LNG terminal, its infrastructure and connector, but also the reasonable supply costs of natural gas necessary to ensure stable functioning of the LNG terminal. It was also established that the additional component set by the Commission is to be charged to the natural gas system users and/or natural gas consumers for natural gas consumer-related capacity which is necessary to secure their maximum daily consumption volumes of natural gas at the delivery points where the installations of the natural gas system users and/or natural gas consumers are connected to the natural gas transmission system or to the natural gas distribution systems to which gas is transported, directly or indirectly, via the natural gas transmission system in the Republic of Lithuania (until 2016, the additional component used to be charged for the transported quantity of gas). Natural gas consumer-related capacity is calculated and set in line with the procedure established by the Government.

By its Resolution No O3-683 of 23 December 2015, the Commission approved the additional natural gas supply security component to be included in the natural gas transmission price for 2016, which is to be charged to the natural gas system users for natural gas consumer-related capacity that is necessary to secure their maximum daily consumption volumes of natural gas at the delivery points. The LNG terminal funds collected in 2016 in relation to the additional component will be paid out not only to the LNG terminal operator but also to the designated supplier, whereas the security component will be collected not for the transported quantity of natural gas but for the consumer-related capacity.

The Group collects and administers the LNG terminal funds and acts as an intermediary on behalf of the state, and this activity does not generate any income/profit for the Group in the ordinary course of business, except for the share of the LNG terminal funds intended to cover the administration expenses of the LNG terminal funds, which is considered as the Group's income. The LNG terminal funds, which are collected from the payers of the LNG terminal funds and transferred to the beneficiaries of the LNG terminal funds (the Group responsible for the implementation of the LNG terminal project or the LNG terminal operator), are not treated as the Group's income/expenses, but are accounted for as other receivables/other payables and other financial assets.

Income from repair services

Income under individual contracts/projects with customers, for instance for repair services, is recognised using the stage of completion method estimated based on project costs actually incurred in proportion to total estimated project costs. The probable change in profitability is recognised in the statement of comprehensive income when such change is established. The projects are reviewed regularly and the provisions are established when it is determined that the project will result in a loss.

Other income

Interest income is recognised on accrual basis considering the outstanding balance of debt and the applicable interest rate. Interest received is recorded in the statement of cash flows as cash flows from investing activities.

Gain from sale and lease of property, plant and equipment is recognized by the Group and the Company as other income.

Dividend income

Dividend income is recognized when the right to receive dividend payment is established.

Recognition of expenses

Expenses are recognised in the statement of comprehensive income as incurred by the accrual method.

Recognition of income and expenses from PSO services

Under the PSO scheme approved by Order No. 1-283 of 8 October 2010 of the Lithuanian Minister of Energy, the Group acts as an administrator of PSO service funds, i.e. only collects and disburses PSO service funds.

PSO service funds are the fees paid to the suppliers of electricity under the public service obligations scheme, with the list of such suppliers established by the Lithuanian Government or other institution authorised by it. The annual quantities of PSO service funds are established by the National Control Commission for Prices and Energy (the Commission). These funds are collected from electricity consumers, using the tariff for PSO services established by the Commission as a difference between PSO service funds collected and disbursed by the Group during the previous calendar year.

The Group recognises as revenue from PSO services the following:

- PSO service funds allocated by the Commission to the Group for the connection of power generation facilities, using wind, biomass, solar energy or hydro energy in the process of power generation, to transmission networks, for optimization, development and/or reconstruction of transmission networks in relation to acceptance and transmission of electric power from producers using the renewable energy resources;
- PSO service funds allocated by the Commission to the Group for balancing electricity produced from the renewable energy resources;
- PSO service funds allocated by the Commission to the Group to cover administration costs of PSO service funds.

All other PSO service funds collected by the Group are not recognised as income/expenses.

2.20 Accounting policy for PSO services funds when the Group acts as an administrator of PSO service funds

In performing PSO-related activities the Group acts only as an administrator on behalf of the Commission/Government and these activities do not generate revenue/profit for the Group in the normal course of business. A resolution has been passed by the Lithuanian Government which stipulates that the Group acts only as an administrator and the Group and the Commission have separate systems to track these transactions.

Seeking to improve the accuracy of presentation of the Group's financial position, financial result and cash flows and to reflect the actual substance of PSO administration activities, the Group recognises as revenue only the items described in Note 2.19 and records the difference between collected and disbursed PSO service funds being administered within receivables (payables).

Given that the Group acts only as an administrator of funds on behalf of the Commission/Government, revenues from the collection of fees from customers are netted against the disbursements to the electricity generators in the statement of comprehensive income. Only the amount of PSO service funds, as approved by the Government in advance, that is received for PSO services rendered and for PSO administration services is recognised as income by the Group. The difference between the PSO service funds collected and disbursed is recorded within other amounts receivable/other amounts payable as 'the difference between PSO service funds collected and disbursed'.

The Commission established that the PSO service funds and the LNG terminal funds that were not collected are subject to compensation in future. Accordingly, no impairment has been recognised for receivable PSO service funds and LNG terminal funds in the Group's financial statements.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the production, getting ready for use or sale of an asset that necessarily takes a substantial period of time to produce, get ready for its intended use or sale, are capitalized as part of the cost of that asset until the asset is ready for use or sale in full. Interest income on the temporary investment of borrowed funds until they will be used for the acquisition of the asset is deducted from the cost of the asset.

Other borrowing costs are recognised as expenses in the statement of comprehensive income during the period when they are incurred.

2.22 Income tax

Income tax expense for the period comprises current tax and deferred tax expenses.

Income tax

Income tax charges are calculated on current profit before tax, as adjusted for certain non-deductible expenses/non-taxable income. Income tax is calculated using the tax rate effective as at the date of issue of the financial statements. Income tax rate of 15% was used in 2015 and 2014.

Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group changes its activities due to which these losses were incurred, except when the Group does not continue its activities due to reasons which do not depend on the Group itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. Starting from 1 January 2014, tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum of 70%.

Deferred income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax liability is recognised for all temporary differences that will increase taxable profit in the future, and deferred tax asset is recognised only to the extent it is likely to reduce the taxable income in the future. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss.

Deferred tax assets are reviewed at each date of the financial statements and if it is not probable that the Group and the Company will generate sufficient taxable profit to realize these assets, they are reduced to an amount which is likely to reduce the taxable profit in future. Deferred income tax assets and liabilities are estimated using the tax rate that has been applied when calculating income tax for the year when the related temporary differences are to be realised or settled.

Deferred tax assets and liabilities are offset only where they relate to income tax assessed by the same fiscal authority or where there is a legally enforceable right to offset current tax assets and current tax liabilities.

Current income tax and deferred income tax

Current income tax and deferred income tax are recognized as income or expenses and included in net profit or loss for the reporting period, except for the cases when tax arises from a transaction or event that is recognized directly in equity or in other comprehensive income, in which case taxes are also recorded in equity and other comprehensive income respectively.

2.23 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of income or economic benefits is probable.

2.24 Events after the reporting period

Events after the reporting period that provide additional information on the Group's and the Company's financial position at the date of the financial statements (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in notes to the financial statements, provided their effect is material.

2.25 Inter-company offsetting

For the purpose of the financial statements, assets and liabilities, income and expenses are not offset, except for the cases when such offsetting is specifically required by an individual standard.

2.26 Significant accounting estimates and assumptions

The preparation of financial statements according to International Financial Reporting Standards requires management to make estimates and assumptions that affect the accounting policies applied, the reported amounts of assets, liabilities, income and expenses, and the disclosures of contingencies. Actual results may differ from those estimates. The significant management estimates and assumptions and the main sources for uncertainties used in the preparation of these financial statements that might cause substantial changes in the carrying amounts of the related assets and liabilities in the next reporting period are described below:

Revaluation of property, plant and equipment of LITGRID AB

Based on the Group's accounting policy, the Group entity LITGRID AB performed valuation of its property, plant and equipment as at the end of 2014. LITGRID AB did not determine the value in use of property, plant and equipment and did not tested it for impairment as at the end of 2013, because at that date there existed significant uncertainties as to the implementation of the planned new LRAIC model.

As at 31 December 2015, having estimated whether assumptions used in the previously performed valuation of the assets have changed and whether a new valuation or impairment test needs to be performed, LITGRID AB concluded as follows:

- Under its Resolution No O3-509 of 21 September 2015, the National Control Commission for Prices and Energy (hereinafter "the Commission") substantially amended the provisions of the Methodology for the Determination of the Price Caps for

Electricity Transmission, Distribution and Public Supply Services (hereinafter "the Methodology") and gave its consent to the application of the LRAIC accounting model (hereinafter "the LRAIC model") in determining the price cap for the electricity transmission services;

- The Methodology does not take into consideration that the Description of Procedure for Determining Regulated Prices in Electric Energy Sector as approved by Resolution No 1026 of 24 September 2014 of the Lithuanian Government provides that the determination of the value of assets, on the basis of which the return on investments for the electricity transmission system operator in 2015–2019 is calculated, includes an annual additional component equal to 1/5 of the difference between the carrying amount of the Company's assets and the regulated asset base as at 30 June 2014. Consequently, the total estimated difference would be included in the regulated asset value (regulated asset base) attributable to the service and/or the product in 2019. The Company does not expect this provision to be implemented;
- Under its Resolution No O3-510 of 21 September 2015, the Commission approved the methodology for the determination of the rate of return on investments and used it to calculate the Company's rate of return on investments which is equal to 5.23% (the rate was lower compared to the assumptions of the previous valuation);
- Under its Resolution No O3-548 of 19 October 2015, the Commission established the price cap for the electricity transmission service via high voltage networks for 2016-2020;
- In December 2015, the assets related to the interconnections with Sweden and Poland were put into operation resulting in a significant increase in the total value of the Company's assets;
- Due to electricity price difference in different price areas, the interconnections will generate material congestion income (on average EUR 16 million on a year-by-year basis in 2016-2025) which will be used to finance investments in the transmission network. These investments are classified as investments financed from grants, i.e. they are not included in expenses and assets of the regulated activity;
- Inputs used in the calculation of the weighted average cost of capital (discount rate) have changed.

Having estimated that all these developments may have a material impact on the value of property, plant and equipment, LITGRID AB performed a new valuation of non-current assets. The valuation corresponds to level 3 of the fair value measurement hierarchy (Note 2.27).

LITGRID AB estimated the fair value of the assets as at 31 December 2015 under the income method using the discounted cash flows approach. The assets' value was calculated as the present value of net future cash flows.

LITGRID assessed the assets as a business, but its assessment excluded all activities related to the transmission network development (and not related to the assets being assessed), i.e. investments in development projects, connection of new consumers/producers, grants to development projects.

The value of the assets was calculated as follows:

- Cash flows from the company's operations in 2016-2025 were calculated;
- These cash flows were adjusted for cash flows related to grants received for Nordbalt and LitPol Link projects and PSO funds and the respective payments related to these projects, because in the Company's financial accounting the assets' value is reduced by the amount of grants received and at the valuation date the value of the assets related to Nordbalt and LitPol Link projects had already been reduced by the amount of accrued but not yet received grants.
- Adjusted cash flows for 2016-2025 were aggregated.
- Discounted terminal value (beyond 2025) was added. The Company's management uses an assumption that in a long run cash flows will be generated only from return on investments of regulated assets. Normalised cash flows were calculated by multiplying the value of regulated assets at the end of 2025 by the rate of return on investments, net of income tax.
- Value of non-current intangible assets was deducted.

Net cash flows generated by the assets were discounted using the discount rate (post-tax WACC) equal to 4.38% which was calculated by the Company

The result of the fair value estimation performed in respect of property, plant and equipment amounted to EUR 403,259 thousand. The estimated value of assets of LITGRID AB exceeded its carrying amount by EUR 396,179 thousand, but the difference was insignificant and the estimated value of assets was within the range from EUR 425,543 thousand to EUR 382,472 thousand, and the discount rate change was within the range from -1% to +1%. Therefore, the Company did not account for the valuation result.

The tables below present the sensitivity of the asset valuation result to changes in the discount rate and in the amount of congestion income:

Change in discount rate (with respective changes in the rate of return on investments starting from 2021), %	Value of the assets, EUR thousands
-1.0%	425,543
-0.5%	414,206
0,0%	403,259
0,5%	392,686
1,0%	382,472

Share of congestion income, % of forecast income	Value of the assets, EUR thousands
0%	399,156
25%	400,182
50%	401,208
100%	403,259
125%	404,285

Information on valuation of property, plant and equipment as at 31 December 2014

LITGRID AB estimated the fair value of the assets as at 31 December 2014 under the income method using the discounted cash flows approach. Only cash flows directly related to the valued assets and not all cash flows related to the Company's business were included in the calculation of the present value of net future cash flows: depreciation expenses of regulated assets + return on investment – excess profit adjustment – income tax on return on investment and excess profit adjustment. The valuation corresponds to level 3 of fair value measurement hierarchy (Note 2.27).

The asset valuation took into account the Description of Procedure for Determining Regulated Prices in Electric Energy Sector as approved by Resolution No 1026 of 24 September 2014 of the Lithuanian Government ("the Procedure Description"), the Methodology for the Determination of the Price Caps for Electricity Transmission, Distribution and Public Supply Services ("the Methodology") approved by Resolution No O3-3 of 15 January 2015 of the National Commission for Energy Control and Prices, and the Property and Business Valuation Methodology approved by Order No 1K-159 of 27 April 2012 of the Minister of Finance of the Republic of Lithuania.

When approving the Methodology and establishing the Company's income for 2015, the Commission did not take into account the principle of the Procedure Description which provides that the determination of the value of assets, on the basis of which the return on investments for the electricity transmission system operator in 2015–2019 is calculated, includes an annual additional component equal to 1/5 of the difference between the carrying amount of the Company's assets and the regulatory asset base as at 30 June 2014. Consequently, the total calculated difference would be included in the regulatory asset value (regulatory asset base - RAB) attributable to the service and/or the product in 2019. LITGRID AB believes that the Lithuanian Government Resolution has precedence over the Commission's Methodology, thus the provision of the Procedure Description regarding the establishment of the asset value will have to be implemented (LITGRID AB appealed against the Commission's Resolution to the court, see Note 32). Therefore, LITGRID AB calculated return on investment not only on the historical cost of regulatory assets, but also on the difference between the carrying amount and the value of regulatory assets as prescribed by the Procedure Description ("the premium to RAB").

When determining the price cap for the transmission services for 2016–2020 in January 2015, the Commission approved the rate of return on investments equal to 6.79% for this period. LITGRID AB believes that the Commission's decision is in conflict with the legal acts, thus both the transmission service price cap for 2016 – 2020 and the rate of return on investment will have to be recalculated. Therefore LITGRID AB made an assumption in valuation of assets that the rate of return on investment starting from 2016 will be equal to the pre-tax weighted average cost of capital (WACC), which is 7.2%.

Having carried out an audit of LITGRID AB expenses of regulated activities for 2011-2013, the Commission concluded that LITGRID AB had excess profit (profit exceeding the amount of return on investment permitted by the Commission) and resolved to reduce the Company's revenue for 2015–2017 by the amount of the excess profit of EUR 21,335 thousand or by EUR 7,112 thousand per year. This reduction of revenue was taken into account in determining the fair value of assets although LITGRID AB has appealed against this resolution of the Commission.

Net cash flows generated by the assets were discounted using the discount rate (pre-tax WACC recalculated) equal to 7.2% which was calculated by the Company.

As a result of estimation of fair value of property, plant and equipment of LITGRID AB, an impairment of assets was recorded in the amount of EUR 238,442 thousand, including EUR 62,494 thousand decrease in the revaluation reserve (whereof effect on non-controlling interest amounts to EUR 1,570 thousand), and the remaining amount of EUR 175,948 thousand was recognised as impairment expenses.

Income from write-off of grants related to revalued assets of LITGRID AB amounting to EUR 49,279 thousand was recognised in the statement of comprehensive income as a reduction of revaluation expenses of property, plant and equipment. Income from write-off of accrued non-amortised new consumer connection fees related to revalued assets amounting to EUR 3,478 thousand were recognised in the statement of comprehensive income as a reduction of revaluation expenses of the related assets. Impairment was mainly caused by the changes in regulatory environment that occurred after the last revaluation of assets performed in 2008.

The estimated fair value of property, plant and equipment depends on the above-described key assumptions that represent estimation uncertainties. Sensitivity analysis of revaluation result to key assumptions affecting the fair value is presented below.

If the revaluation did not include the additional return on investment arising from the difference between the carrying amount and the regulated assets value as stipulated in the Procedure Description, the impairment of assets would be EUR 88,520 thousand higher.

If the assets valuation did not include an adjustment for excess profit for 2011-2013, the impairment of assets would be EUR 16,608 thousand lower.

Sensitivity of the revaluation result to changes in the discount rate (with respective change in the rate of return on investments) and in the rate of return on investments is presented in the tables below:

Change in discount rate with respective changes in rate of return on investment*, %	Impact on fair value of assets of LITGRID AB, EUR thousands
-2%	-18,064
-1%	-82,52
1%	6,949
2%	12,802

* Given the current regulatory environment, rate of return on investments is calculated as a pre-tax weighted average cost of capital.

Change in rate of return on investments, %	Impact on fair value of assets of LITGRID AB, EUR thousands
-2%	-50,602
-1%	-25,301
1%	12,651
2%	50,602

Revaluation of property, plant and equipment of AB Amber Grid

Based on the Group's accounting policies, revaluation of property, plant and equipment of the Group entity AB Amber Grid as at 31 December 2014 excluded the categories of gas transmission pipelines and related installations, gas distribution pipelines and related installation, and technological gas equipment and installations. The revaluation was performed using the discounted cash flow approach (corresponding to level 3 in fair value measurement hierarchy (Note 2.27)). As a result of revaluation, impairment was determined for asset acquired from grants because under the current regulatory mechanism asset acquired from grants do not generate any income. Revaluation expenses of such assets amounted to EUR 7,184 thousand (LTL 24,805 thousand). Income from write-off of grants related to revalued assets amounted to EUR 7,184 thousand (LTL 24,805 thousand), and they were recorded in the statement of comprehensive income. The total result of revaluation after the write-off of related grants was equal to nil in the statement of comprehensive income.

When preparing the financial statements for 2015 and seeking to identify whether there occurred any indications of impairment of property, plant and equipment, AB Amber Grid assessed whether the events which took place in 2015 or future events might affect the assumptions used in valuation of assets. As a result of the assessment, AB Amber Grid did not identify any substantial changes in respect of the discount rate or regulatory environment, and based on available data, AB Amber Grid did not expect any such changes in the foreseeable future, therefore, it concluded that no indications of impairment existed.

Valuation of investment in LITGRID AB and contingent consideration adjustment liability

As part of the implementation of Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 and the requirements of the Law on Electric Energy, on 4 July 2014 the Lithuanian Government adopted Resolution No 826 *On the establishment of a private limited liability company and investment of state-owned assets*, under which the Ministry of Energy was committed to establish a private limited liability company and make all the decisions necessary to transfer the shares of LITGRID AB held by Lietuvos Energija UAB (the former Visagino Atominė Elektrinė UAB) to the newly established private limited liability company EPSO-G in return for consideration based on the market value of shares determined by independent valuers.

By its Letter No (11.2-13)3-2428 of 10 July 2012 *On the implementation of the Lithuanian Government Resolution*, the Lithuanian Ministry of Energy committed Lietuvos Energija UAB to ensure that all the decisions necessary for unbundling of LITGRID AB will be made. In September 2012, an agreement was signed between Lietuvos Energija UAB and the Company on sale of shares of electricity transmission system operator LITGRID AB. Under the agreement, 97.5% shareholding in LITGRID AB was sold to the Company by Lietuvos Energija UAB at the market value.

In September 2012, an independent valuation of shares of LITGRID AB was performed. The basic sale price of shares specified in the agreement on sale/purchase of shares of LITGRID AB was equal to the market value determined by independent valuer, i.e. EUR 217,215 (LTL 750,000 thousand), and to the estimated premium to the final price considering the uncertainties of future changes in the principles of determining the tariffs for regulated services. In view of the results of the independent valuation, assumptions used and uncertainties pertaining to future changes in the principles of determining the tariffs for regulated services (the implementation of which is prescribed by the new provisions of the Lithuanian Law on Electric Energy adopted on 17 January 2012), the agreement on sale/purchase of shares of LITGRID AB provided for a premium to the final sale price that depends on potential future changes in the regulatory environment.

The premium to the final price was calculated with reference to the assumptions used in calculation of return on investments for 2015-2018. The above-described assumptions used in valuation of assets of LITGRID AB included both – return on investments

from premium to RAB (as defined in the Lithuanian Government Resolution) and excess profit adjustment to return on investments in 2011-2013. Under the agreement, "the premium to the final price is determined in view of the substantial changes in the principles of determining the tariffs for regulated services of LITGRID AB". In the opinion of management, additional return on investments from premium to RAB and excess profit adjustment to return on investments are treated as substantial changes in the principles of determining the tariffs that were applied when calculating the initial value of shares of LITGRID AB, and accordingly, these assumptions should be included in the assumptions for calculation of the premium.

In view of these assumptions, the Company assessed the premium to the final price and concluded that it remained unchanged and was equal to nil as at 31 December 2015.

Impairment of investments

The shares of the Group's subsidiaries, associates and joint ventures are not publicly traded, therefore, management estimated their probable recoverable amount (with reference to the reports of independent valuers, if any) using the discounted future cash inflows indicated in the financial forecasts covering a period of several years or based on indirectly observable inputs of similar transactions.

The recoverable amount of the investment in TETAS UAB as at 31 December 2015 was estimated using the discounted cash flow method, considering a decrease in financial liabilities and an improved forecast of cash flows to be generated by TETAS UAB which was positively affected by the result of operations in 2015. The reversal of impairment charge on the investment amounted to EUR 1,540 thousand. The discount rate used (post-tax WACC) was equal to 8.19%.

The recoverable amount of other investments was estimated using indirectly observable market inputs.

2.27 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company/Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company/Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the management at each reporting date. For the purpose of fair value disclosures, the Company/Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

As at 31 December 2015 and 2014, the Group and the Company did not have significant assets or liabilities measured at fair value on a recurring or not recurring basis in the financial statements, except for the available-for-sale financial assets (Notes 2.9 and 7) and property, plant and equipment (Notes 2.26 and 5).

Assets and liabilities for which fair value is disclosed in the financial statements comprise cash and cash equivalents, trade and other receivables, trade and other payables and borrowings. The management estimated that the fair value of the borrowings as at 31 December 2015 and 2014 approximated their carrying amounts as they were subject to variable interest rates, and the fair value

of other above-mentioned financial assets and liabilities approximated their carrying amount largely due to the short-term maturities of these instruments as at 31 December 2015 and 2014.

3. Business combination

Based on the Third Energy Package of the European Union and the Lithuanian Law on Natural Gas, the members of management body or any other representation body of entities engaged in mining or supply activities or one-man management of such entities cannot be nominated to the position of the members of management bodies of AB Amber Grid. The shareholders of AB Amber Grid, E.ON Ruhrgas International GmbH and Gazprom OAO are engaged in natural gas mining or supply activities, and accordingly, AB Amber Grid control was reorganised in line with the provisions of the Lithuanian Law on Natural Gas and implementing legislation.

In 2014, the Company acquired a 96.6% shareholding in AB Amber Grid. These shares were acquired in three stages:

- On 21 February 2014, the Company's share capital was increased by way of in-kind contribution of the Ministry of Energy, i.e. state-owned shares of AB Amber Grid (31,575,724 units or 17.7%) amounting to EUR 22,450,340 (LTL 77,516,533) (Notes 1 and 14);
- On 21 May 2014, the Company signed an agreement with German concern E.ON Ruhrgas International, under which it acquired 69,416,233 (38.9%) shares of AB Amber Grid for the price of EUR 49,757,419 (LTL 171,802,416), which was settled in the form of cash contribution;
- On 14 June 2014, pursuant to Art. 31 of the Lithuanian Law on Securities, the Company implemented a mandatory uncompetitive takeover bid to buy up the remaining shares of AB Amber Grid, and acquired 71,287,168 (39.96%) shares from Russian company Gazprom and minority shareholders for the price of EUR 54,320,822 (LTL 187,558,934), which was settled in the form of cash contribution.

AB Amber Grid is a natural gas transmission system operator in Lithuania responsible for the transmission of natural gas (transportation via high pressure pipelines) to the system users, and for the operation, maintenance and development of the natural gas infrastructure.

Until 21 May 2014, EPSO-G had only 17.7% of voting rights at the general meeting of shareholders of AB Amber Grid, which means that with 17.7% of voting rights EPSO-G was not able to influence any decisions as it was necessary to hold at least 25% of voting rights in order to vote against the respective decisions (paragraph 6.1 of Articles of Association of AB Amber Grid).

EPSO-G also had no significant influence at the level of the Board of Directors, since it had only one representative in the Board of Directors from total of 5 members appointed to the Board, whereas all significant decisions are made by the Board of Directors of AB Amber Grid with majority of 4 votes (paragraph 8.11 of the Articles of Association of AB Amber Grid), i.e. the decisions could be reached only in case of joint consent of the representatives of Gazprom OAO and E.ON Ruhrgas International GmbH ("E.ON").

The increase in the number of shares of AB Amber Grid on 21 May 2014 did not result in full control, because 56.6% of voting rights at the general meeting of shareholders is insufficient in order to decide unilaterally on the most significant issues related to governance, payment of dividends, reserve or profit (loss) distribution, issue of new shares, etc. (subparagraphs 1-13 and 20 of paragraph 6.1 of Articles of Association of AB Amber Grid). All such decisions could be made at the general meeting of shareholders only with the consent of another major shareholder (Gazprom OAO holding 37.1% of voting rights).

3 voting rights held at the level of the Board of Directors during the period between 21 May 2014 and 19 June 2014 also did not ensure a decisive role in the decision-making process, because 4 out of 5 votes were necessary for that purpose. It is important to note that the remaining 2 Board members were appointed by Gazprom OAO.

Given the above, during the period between 21 May 2014 and 19 June 2014 EPSO-G was able to reach decisions at the Board of Directors and at the general meeting of shareholders of AB Amber Grid only by acting jointly with Gazprom OAO. By acting individually or jointly with other minority shareholders, EPSO-G was not able to reach any decisions or have impact on the most significant decisions at the company level, because based on the Articles of Association of AB Amber Grid, the most significant decisions can be reached only if there is a qualified majority votes (2/3, 3/4 or 4/5). Accordingly, in the opinion of management, the Company had no control over AB Amber Grid, and was controlling AB Amber Grid jointly with Gazprom OAO.

Following the completion of acquisition of AB Amber Grid, the Company's shareholding in AB Amber Grid was 96.6%, whereas the shareholding of minority shareholders was 3.4%. This means that following the acquisition of shares of AB Amber Grid from Gazprom OAO on 19 June 2014, EPSO-G acquired control over AB Amber Grid. The Company considered the accounting for acquisition of AB Amber Grid for consolidation purposes and started consolidating AB Amber Grid with effect from 30 June 2014.

The Company determined the fair value of property, plant and equipment of AB Amber Grid using the discounted cash flow approach. The discounted cash flows were estimated using a pre-tax discount rate of 7.51%. The assumptions used in determining the discount rate were substantially in line with the assumptions used in assessing the return on investments applied by the Commission in the regulation of tariffs. Deferred income and grants were written off at the time of acquisition (the fair value was equal to nil). The fair value of current assets and current liabilities approximated their carrying amount. Non-controlling interest was estimated as a proportionate share of the fair value of net assets of AB Amber Grid at the date of acquisition. Acquisition-related costs were not material and were recorded within other expenses in the statement of comprehensive income.

During the period of joint control, i.e. between 21 May 2014 and 19 June 2014, the result of operations of AB Amber Grid was not material for the consolidated financial statements of EPSO-G, and accordingly, it was not reflected therein.

At the date of acquisition of control over AB Amber Grid, EPSO-G performed revaluation of its 56.6% shareholding in AB Amber Grid to fair value and accounted for revaluation result of EUR 4,821 thousand (LTL 16,645 thousand) in the statement of comprehensive income.

On acquisition the following assets and liabilities of AB Amber Grid were identified with the following fair values at the date of acquisition:

	Fair value at 30 June 2014
Property, plant and equipment	267,689
Intangible assets	452
Other non-current assets	126
Current assets	38,805
Cash	10,089
Deferred income tax liability	(8,490)
Other non-current liabilities	(32,931)
Current liabilities	(47,020)
Fair value of net assets acquired	229,720
Non-controlling interest estimated as a proportionate share of fair value of net assets	(7,860)
Total purchase consideration of the shares acquired	(131,349)
Gain on acquisition of subsidiary	90,511
Acquisition cost of previously held investment	72,208
Group's gain on revaluation of previously held investment to fair value	4,821
Fair value of previously held investment at acquisition date	77,029
Purchase consideration settled in cash as at 19 June 2014	54,321
Total purchase consideration of the shares acquired	131,350
Gain on acquisition of investment	90,511
Group's gain on revaluation of previously held investment to fair value	4,821
Total gain on acquisition of subsidiary recognised in the Group's statement of comprehensive income	95,332
Purchase consideration settled in cash	104,078
Less: cash acquired	(10,089)
Purchase consideration settled in cash, net of cash acquired	93,989

Gain on acquisition of AB Amber Grid was recognised for the following reasons:

- The shares of AB Amber Grid were acquired from E.ON as a package together with the shares of other entities (Lietuvos Dujos AB and LESTO AB), which resulted in a discount on the purchase price.
- At the time of acquisition of shares of AB Amber Grid, the prices for the shares was estimated with reference to the forecast results for 2013, whereas the actual normalised results appeared to be better.
- The shares of AB Amber Grid were acquired from the shareholders who had no control over AB Amber Grid, therefore, the purchase consideration excluded the control premium, which would have been paid in case the shares had been acquired from the controlling shareholder.

The table below reflects the fair value of amounts receivable of AB Amber Grid at the acquisition date:

	Amounts receivable	Other current receivables
Amounts receivable under contracts	3,803	14,336
Impairment allowance for uncollectible receivables at the date of acquisition	(17)	-
Fair value of amounts receivable	3,786	14,336

The table below reflects revenue and profit (loss) of AB Amber Grid as from the date of acquisition and as from the beginning of the reporting period:

	As from the date of acquisition	As from 1 January 2014
Revenue	26,905	51,791
Profit (loss)	(116,943)*	(84,446)*

* The result of operations of AB Amber Grid was mostly affected by the impairment of property, plant and equipment of EUR 141,937 thousand (LTL 490,079 thousand) recognised in separate financial statements of AB Amber Grid. Since at the time of acquisition of AB Amber Grid the property, plant and equipment of AB Amber Grid was measured at fair value (see the note above), the aforementioned impairment recognised in separate financial statements of AB Amber Grid had no impact on the result of operations of AB Amber Grid for 2014.

4. Intangible assets

Group	Patents and licences	Software	Other intangible assets	Total
Net book amount at 31 December 2013	17	661	7	685
Additions	48	589	-	637
Acquisition of AB Amber Grid	181	271	-	452
Write-offs	-	-	-	-
Reclassification from property, plant and equipment	6	142	-	148
Amortisation charge	(47)	(274)	(4)	(325)
Net book amount at 31 December 2014	205	1,389	3	1,597
At 31 December 2014				
Cost	260	2,824	21	3,105
Accumulated amortisation and impairment	(55)	(1,435)	(18)	(1,508)
Net book amount	205	1,389	3	1,597
Net book amount at 31 December 2014	205	1,389	3	1,597
Additions	58	556	64	678
Write-offs	-	(4)	(1)	(5)
Reclassification from property, plant and equipment	-	66	-	66
Amortisation charge	(88)	(536)	(11)	(635)
Net book amount at 31 December 2015	175	1,471	55	1,701
At 31 December 2015				
Cost	310	3,348	120	3,778
Accumulated amortisation and impairment	(135)	(1,877)	(65)	(2,077)
Net book amount	175	1,471	55	1,701

5. Property, plant and equipment

Group	Land	Buildings	Plant and machinery	Gas transmission pipelines and related installations	Gas distribution pipelines and related installations	Technological gas equipment and installations	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2013										
Cost	568	12,099	623,025	-	-	-	711	30,249	58,496	725,148
Accumulated depreciation	-	(2,581)	(131,214)	-	-	-	(505)	(18,397)	7	(152,690)
Accumulated impairment	-	(41)	(355)	-	-	-	-	-	-	(396)
Net book amount	568	9,477	491,456	-	-	-	206	11,852	58,503	572,062
Net book amount at 31 December 2013	568	9,477	491,456	-	-	-	206	11,852	58,503	572,062
Additions	1	-	140	-	-	115	362	1,070	91,914	93,602
Acquisition of AB Amber Grid (Note 3)	112	6,543	5,566	183,724	109	60,615	1,271	3,426	6,324	267,690
Revaluation	(34)	(485)	(226,803)	-	-	-	-	(366)	(17,938)	(245,626)
Disposals	-	-	(1)	-	-	-	(1)	-	-	(2)
Write-offs	-	(44)	(1,465)	(3)	-	-	-	(43)	-	(1,555)
Reclassification to/(from) inventories	-	(23)	(22)	-	-	-	-	(7)	26	(26)
Reclassification to property, plant and equipment	-	-	-	-	-	-	-	(148)	-	(148)
Reclassifications between groups	-	1,318	57,112	6,937	-	2,137	-	(2,006)	(65,498)	-
Depreciation charge	-	(915)	(37,082)	(3,482)	(2)	(2,396)	(343)	(2,707)	-	(46,927)
Net book amount at 31 December 2014	647	15,871	288,901	187,176	107	60,471	1,495	11,071	73,331	639,070
At 31 December 2014										
Cost	647	15,871	288,901	190,658	109	62,867	1,495	11,071	73,331	644,950
Accumulated depreciation	-	-	-	(3,482)	(2)	(2,396)	-	-	-	(5,880)
Accumulated impairment	-	-	-	-	-	-	-	-	-	-
Net book amount	647	15,871	288,901	187,176	107	60,471	1,495	11,071	73,331	639,070
Net book amount at 31 December 2014	647	15,871	288,901	187,176	107	60,471	1,495	11,071	73,331	639,070
Additions	-	-	14	-	-	102	300	1,673	282,635	284,724
Write-offs	-	(189)	(2,426)	-	-	-	-	-	-	(2,615)
Reclassification to/(from) inventories	-	-	-	2,482	-	-	(3)	-	13	2,492
Reclassification to property, plant and equipment	-	-	-	-	-	-	-	(7)	(59)	(66)
Reclassifications between groups	-	3,728	276,391	51,830	-	1,715	-	3,579	(337,243)	-
Depreciation charge	-	(840)	(19,285)	(7,344)	(2)	(4,843)	(483)	(3,414)	-	(36,211)
Net book amount at 31 December 2015	647	18,570	543,595	234,144	105	57,445	1,309	12,902	18,677	887,394
At 31 December 2015										
Cost	647	19,566	562,761	241,488	107	62,288	2,412	17,057	18,677	925,003
Accumulated depreciation	-	(996)	(19,166)	(7,344)	(2)	(4,843)	(1,103)	(4,155)	-	(37,609)
Accumulated impairment	-	-	-	-	-	-	-	-	-	-
Net book amount	647	18,570	543,595	234,144	105	57,445	1,309	12,902	18,677	887,394

Write-offs mainly represent derecognition of replaced parts of the assets during the reconstruction.

In 2015, the Group capitalised part of its borrowing costs. In 2015, the total amount of capitalised borrowing costs was EUR 1,262 thousand (2014: EUR 451 thousand).

In 2015, the Group performed the valuation of property, plant and equipment and in 2014 the Group performed revaluation of property, plant and equipment and determined its fair value corresponding to level 3 of the fair value measurement hierarchy. The fair value was mostly affected by the assumptions used in assessing the future tariff for transmission services. The assumptions used in determining the fair value of property, plant and equipment are described in more detail in Note 2.26.

As at 31 December 2015, the Group had contractual commitments to purchase property, plant and equipment that was not recognised in these financial statements for the amount of EUR 32,170 thousand (31 December 2014: EUR 241,781 thousand).

The table below includes the net book amounts of the Group's property, plant and equipment that would have been recognised, had these assets been carried at historical cost as at 31 December 2015 and 2014:

Group	Land	Buildings	Plant and machinery	Gas transmission pipelines and related installations	Gas distribution pipelines and related installations	Technological gas equipment and installations	Motor vehicles	Other PP&E	Construction in progress	Total
At 31 December 2015	633	17,654	501,443	241,328	105	57,445	1,216	12,641	15,556	848,021
At 31 December 2014	632	15,220	421,380	187,175	107	60,471	1,495	11,154	80,540	778,174

6. Investments in subsidiaries, associates and joint ventures

The Company's investments in subsidiaries

As at 31 December 2015 and 2014, the Company's investments in the Group entities were as follows:

Group entity	Investment cost	Impairment	Carrying amount	Ownership interest, %
LITGRID AB	217,215	-	217,215	97.5
AB Amber Grid (Note 3)	126,529	-	126,529	96.6
Total	343,744	-	343,744	

As at 31 December 2014, the Group and the Company had pledged to the bank the intangible ordinary shares of AB Amber Grid with the value of EUR 125,673 thousand (Note 19). As at 31 December 2015, the Group and the Company had no such pledges.

The table below presents the financial information of subsidiaries holding significant minority interest:

LITGRID AB

Summarised statement of financial position	At 31 December 2015	At 31 December 2014
Property, plant and equipment	408,757	363,431
Other non-current assets	64,607	89,223
Current assets	36,890	75,923
Grants	3,870	108,140
Financial liabilities	132,600	118,800
Other non-current liabilities	10,581	14,576
Other current liabilities	118,807	46,753
Total equity	244,396	240,308
Attributable to:		
Owners of the Company	238,286	234,300
Minority interest	6,110	6,008
Summarised income statement	2015	2014
Revenue	85,565	105,997
Expenses	(80,897)	(237,947)
Finance costs, net	(496)	(215)
Profit before income tax	4,172	(132,166)
Income tax	(381)	19,318
Net profit (loss)	3,791	(112,848)
Minority interest	95	(2,821)
Summarised statement of cash flows	2015	2014
Net cash flows from operating activities	41,514	15,584
Net cash flows from investing activities	(149,081)	(37,441)
Net cash flows from financing activities	83,047	23,472
Net increase (decrease) in cash flows	(24,520)	1,616

AB Amber Grid

Summarised statement of financial position	At 31 December 2015	At 31 December 2014
Property, plant and equipment	311,422	274,669
Other non-current assets	1,023	775
Current assets	98,442	54,024
Grants	20,419	-
Financial liabilities	138,010	39,133
Other non-current liabilities	4,968	7,743
Other current liabilities	52,826	45,977
Total equity	194,664	236,615
Attributable to:		
Owners of the Company	188,004	228,519
Minority interest	6,660	8,096
Summarised income statement	2015	As from the date of acquisition
Revenue	55,800	26,905
Expenses	(40,671)	(20,408)
Finance costs, net	(442)	(195)
Profit before income tax	14,687	6,302
Income tax	1,291	593
Net profit (loss)	15,978	6,895
Minority interest	547	236
Summarised statement of cash flows	2015	As from the date of acquisition
Net cash flows from operating activities	26,407	11,053
Net cash flows from investing activities	(41,498)	(2,502)
Net cash flows from financing activities	40,346	(6,836)
Net increase (decrease) in cash flows	25,255	1,715

Investments in associates and joint ventures

Movement in the account of investments in associates and joint ventures is given in the table below:

	Group 2015	Company 2015	Group 2014	Company 2014
Carrying amount at the beginning of the period	1,211	-	4,611	-
Acquisition of AB Amber Grid (Note 3)	131	-	126	-
Annulment of shares	-	-	(2,654)	-
Impairment of investments	(375)	-	(959)	-
Share of result of associates and joint ventures	(25)	-	87	-
Carrying amount at the end of the period	942	-	1,211	-

On acquisition of shares of AB Amber Grid in 2014 the Group also acquired investment in associate GET Baltic UAB. On 6 November 2015, the Group acquired additional 34% of shares of GET Baltic UAB and became the major shareholder of GET Baltic UAB holding 66% of its share capital.

In 2015, the Company recognised the impairment of EUR 295 thousand for investment in LitPol Link Sp.z.o.o. Due to uncertainties pertaining to going concern, the impairment established by the Company was equal to the cost of investment.

In 2014, the impairment of EUR 736 thousand for investment in Duomenų Logistikos Centras UAB was recognised to write down its value to the recoverable amount that was estimated using the discounted cash flow method. The pre-tax discount rate of 12.35% was applied.

On 17 July 2014, the share capital of Duomenų Logistikos Centras UAB was reduced for the purpose of distributing funds to the shareholders. Until the reduction of the share capital, the Company held 11,995,748 shares. After annulment of 9,163,806 shares Duomenų Logistikos Centras UAB paid out EUR 2,654,022 to the Company on 22 August 2014.

The financial position and the results of operations of the associate and the joint venture as at 31 December 2015 and for the year then ended:

	Assets	Liabilities	Revenue	Net profit (loss)
Duomenų Logistikos Centras UAB	8,372	3,985	4,893	(161)
LitPol Link Sp.z.o.o.	519	172	765	13
GET Baltic UAB	1,016	753	110	(100)

The financial position and the results of operations of the associate and the joint venture as at 31 December 2014 and for the year then ended:

	Assets	Liabilities	Revenue	Net profit (loss)
Duomenų Logistikos Centras UAB	9,235	4,416	5,534	389
LitPol Link Sp.z.o.o.	437	105	782	25
GET Baltic UAB	3,997	3,635	151	(50)

7. Available-for-sale financial assets

Available-for-sale financial assets consisted of the shares of the following entities:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
NT Valdos UAB (0.35%)	-	-	314	-
NordPool Spot (2%)	2,273	-	1,923	-
Technologijų ir Inovacijų Centras UAB (0.01%)	-	-	-	-
Carrying amount	2,273	-	2,237	-

In the management's opinion the fair value did not change significantly from the last year (fair value measurement of level 3).

8. Inventories

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Raw materials, spare parts, other consumables, and assets held for sale	3,978	-	3,756	-
Natural gas	1,779	-	5,777	-
Less: impairment	(290)	-	(197)	-
Carrying amount	5,467	-	9,336	-

As at 31 December 2015, the carrying amount of the Group's inventories stated at net realisable value was EUR 2,234 thousand (31 December 2014: EUR 1,520 thousand). The Group's inventories recognised as expenses amounted to 13,103 thousand (31 December 2014: EUR 5,022 thousand).

Movements in write-down allowance for inventories in 2015 and 2014 are indicated below:

	Group 2015	Company 2015	Group 2014	Company 2014
Carrying amount at 1 January	197	-	141	-
Change in write-down allowance	93	-	56	-
Carrying amount at 31 December	290	-	197	-

The impairment charge was included in other expenses in the statement of comprehensive income.

9. Trade receivables

Trade receivables comprise as follows:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Receivables from transmission of electricity	15,860	-	18,765	-
Receivables from transmission and transit of gas	9,417	-	6,852	-
Receivables for contractual works and other services	4,198	-	3,709	-
Receivables from connection of new consumers	-	-	-	-
Other trade receivables	163	-	11	-
Less: impairment of trade receivables	(7,249)	-	(7,238)	-
Carrying amount	22,389	-	22,099	-

The fair value of current trade receivables approximate their carrying amount.

In 2015, the Group recognised an additional impairment of EUR 791 thousand (2014: EUR 1,109 thousand) for individually assessed doubtful receivables related to debts for the purchased balancing energy. The impairment was recorded within other expenses in the statement of comprehensive income

The ageing analysis of trade receivables not impaired is given below:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Not overdue	20,734	-	20,177	-
Overdue up to 30 days	1,123	-	600	-
Overdue from 30 to 60 days	34	-	111	-
Overdue from 60 to 90 days	30	-	43	-
Overdue more than 90 days	468	-	1,168	-
Carrying amount	22,389	-	22,099	-

10. Other amounts receivable

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Administered PSO funds receivable	37,234	-	33,803	-
Administered LNG Terminal funds receivable	9,473	-	17,371	-
Accrued income for PSO services rendered	19,817	-	3,894	-
VAT receivable from the state budget	563	563	8,939	558
Grants receivable	34,645	-	10,488	-
Accrued interest receivable	4	-	85	3
Other accrued receivables	-	-	232	-
Receivables for lease of assets	149	-	174	-
Other receivables	194	-	549	-
Carrying amount	102,079	563	75,535	561

The fair value of other amounts receivable approximates their carrying amount.

The ageing analysis of other amounts receivable not impaired is given below:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Not overdue	79,111	563	49,071	561
Overdue up to 30 days	3,000	-	1,063	-
Overdue from 30 to 60 days	1,038	-	564	-
Overdue from 60 to 90 days	792	-	194	-
Overdue more than 90 days	18,138	-	24,643	-
Carrying amount	102,079	563	75,535	561

11. Other financial assets

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Administered PSO funds	-	-	-	-
Administered LNG Terminal funds	31,386	-	14,616	-
Funds deposited for guarantees and deposits	2,574	-	3,236	-
Monetary contributions of participants of the exchange	4,061	-	26	-
Carrying amount	38,021	-	17,879	-

According to the requirements prescribed by laws, the PSO funds and the LNG Terminal funds intended for beneficiaries should be reported separately from other cash and cash equivalents of the Group and can only be used for the disbursement of PSO funds and LNG Terminal funds, respectively.

The fair value of other financial assets as at 31 December 2015 and 2014 approximated their carrying value.

12. Time deposits and held-to-maturity investments

Time deposits

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Deposit placed with Pohjola bank PLC Lithuania branch, maturity date 18 May 2015			6,000	6,000
Carrying amount			6,000	6,000

As at 31 December 2014, the annual interest rate for the deposit was 0.22%.

Held-to-maturity investments

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Swedbank AB bonds denominated in LTL, redemption date 22 January 2015	-	-	15,929	-
Closing balance	-	-	15,929	-

As at 31 December 2014, the annual interest rate for held-to maturity investments was 0.61%.

As at 31 December 2014, held-to-maturity investments could be used only for the purpose of implementation of the NordBalt project for electricity interconnection.

The carrying amount of time deposit and held-to-maturity investments as at 31 December 2014 approximated the fair value.

13. Cash and cash equivalents

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Cash at bank	28,745	565	25,955	509
Overnight deposits	4,910	4,910	1,562	-
Carrying amount	33,655	5,475	27,517	509

As at 31 December 2015, the Group's cash amounting to EUR 23.9 million could only be used for the purpose of implementation of the NordBalt project for electricity interconnection.

The carrying amount of cash and cash equivalents approximates the fair value.

14. Share capital

Pursuant to the Lithuanian Law on the Adoption of the Euro in the Republic of Lithuania and the provisions of the Procedure for the conversion of the nominal value of the share capital of Lietuvos Centrinis Vertybinių Popierių Depozitoriumas (Central Securities Depository of Lithuania) to the euros, on 1 January 2015 the Company's share capital was converted to the euros. As at 31 December 2015, the share capital of the Company amounted to EUR 22,482,694.57 and it was divided into 77,526,533 ordinary registered shares with the nominal value of EUR 0.29 each (31 December 2014: LTL 1). The result of the conversion of the nominal value of shares amounted to EUR 30 thousand. As at 31 December 2014, the Company's share capital amounted to EUR 22,453,235.92. All the shares are fully paid.

Based on its Resolution No 120 of 12 February 2014 (*Regarding the investment of state-owned assets and increase of share capital of the companies*), the Lithuanian Government gave its consent to the decision made by the Ministry of Energy ("the Ministry"), implementing the shareholder's property and non-property rights in respect of the Company, to increase the Company's share capital from additional contributions by way settling the newly issued shares with an in-kind contribution. Based on this Resolution, on 21 February 2014 the Ministry and the Company signed an Agreement on Subscription for Shares No 7-14, under which the Company was committed to provide 77,516,533 ordinary registered shares with par value of LTL 1 each, whereas the Ministry was committed to subscribe and pay for the issue price of the newly issued shares in a form of in-kind contribution – state-owned 31,575,724 shares of AB Amber Grid.

On 28 February 2014, the Company's share capital was increased from LTL 10,000 to LTL 77,526,533. The issue price of the newly issued shares was equal to their par value, i.e. LTL 1 each. The value of 17.7% shareholding in AB Amber Grid contributed by the Ministry was determined in accordance with the provisions of the Lithuanian Law on Companies, and was equal to the weighted average market price of in-kind contributions over 6 months until the settlement date – LTL 77,516,533.

Capital management

Capital consists of equity recorded in the statement of financial position.

According to the requirements of the Lithuanian Law on Companies, the Company's equity must not be less than 1/2 of its authorised share capital. As at 31 December 2015 and 2014, the Company was in compliance with the above-mentioned requirement. No other external capital requirements have been imposed on the Company.

The Company's main objectives when managing capital are to safeguard the Company's ability to continue as a going concern. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell some of its assets. There were no changes in the capital management objectives compared to the previous year.

15. Revaluation reserve

Revaluation reserve arises from revaluation of property, plant and equipment resulting in increase in value. In accordance with the Lithuanian legislation, the revaluation reserve can be used to increase the share capital. However, this reserve cannot be used to cover losses.

Group	Revaluation reserve	Deferred income tax	Net of deferred income tax
Balance at 31 December 2013	75,137	(11,271)	63,867
Depreciation of revaluation reserve	(6,159)	924	(5,235)
Write-offs of property, plant and equipment	(207)	31	(176)
Change in ownership interest in subsidiary	(60,925)	9,139	(51,786)
Balance at 31 December 2014	7,846	(1,177)	6,670
Depreciation of revaluation reserve	(673)	101	(572)
Write-offs of property, plant and equipment	(29)	4	(25)
Revaluation of property, plant and equipment	-	-	-
Balance at 31 December 2015	7,143	(1,072)	6,072

16. Legal reserve and other reserves

Legal reserve

The legal reserve is established in accordance with the Lithuanian laws. Annual transfers of not less than 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve can only be used to cover future losses. As at 31 December 2015, the legal reserve was not fully formed.

Reserve of changes in fair value of financial assets

Reserve of changes in fair value of financial assets arises from revaluation of financial assets resulting in increase in value. In accordance with the Lithuanian legislation this reserve can be used to increase the share capital. However, this reserve cannot be used to reduce losses.

Other reserves

Other reserves are formed based on the decision of shareholders and can be redistributed on the distribution of the next year's profit.

The Ordinary General Meeting of Shareholders of LITGRID AB held on 24 April 2015 approved the proposed profit appropriation and resolved to transfer EUR 108,608 thousand from other reserves to retained earnings. As a result, the share of the reserve attributable to the owners of the Company amounting to EUR 105,893 thousand was transferred to the Group's retained earnings.

The Ordinary General Meeting of Shareholders of LITGRID AB held on 7 April 2014 approved the proposed profit appropriation and resolved to transfer EUR 18,246 thousand from other reserves to retained earnings. As a result, the share of the reserve attributable to the owners of the Company amounting to EUR 17,790 thousand was transferred to the Group's retained earnings.

17. Dividends

During the Ordinary General Meeting of Shareholders of AB Amber Grid held on 23 April 2015, the decision was made in relation to the payment of dividends in the amount of EUR 57,997 thousand, whereof dividends received by the Company amounted to EUR 56,013 thousand.

18. Grants

Movements in grants in 2015 and 2014 were as follows:

	<u>Group</u>
Balance at 31 December 2013	122,786
Grants received during the period	43,186
Write-off of grants related to revaluation of property, plant and equipment (Note Error! Reference source not found.)	(56,463)
Other write-off of grants	(379)
Depreciation of property, plant and equipment	(989)
Balance at 31 December 2014	108,140
Grants received during the period	82,886
Other write-off of grants	(1)
Depreciation of property, plant and equipment	(416)
Balance at 31 December 2015	190,609

The grants received during 2015 comprised as follows:

- Financial assistance received from the EU structural funds to finance the reconstruction of property, plant and equipment of LITGRID AB in amount of EUR 8,650 thousand (2014: EUR 8,703 thousand);
- Financial assistance received from the EU funds to finance the implementation of the interconnection Lithuania-Poland (LitPolLink) of LITGRID AB in amount of EUR 10,950 thousand (2014: EUR 2,366 thousand);
- Funds received from the Ignalina International Decommissioning Support Fund to finance the implementation of the interconnection Lithuania-Poland (LitPolLink) of LITGRID AB in amount of EUR 0 (2014: EUR 69 thousand);
- PSO service funds received for the implementation of the interconnection Lithuania-Sweden (NordBalt) of LITGRID AB in amount of EUR 20,273 thousand (2014: EUR 23,170 thousand);
- Financial assistance received from the EU funds to finance the project for the construction of gas transmission pipeline Jurbarkas–Klaipėda of AB Amber Grid in amount of EUR 0 (2014: EUR 695 thousand);

- Financial assistance received from the EU funds to finance the project for the construction of gas transmission pipeline Klaipėda–Kuršėnai DN800 (capacity enhancement for gas transmission pipeline Klaipėda-Kiemėnai) of AB Amber Grid in amount of EUR 19,033 (2014: EUR 6,185 thousand);
- Gratuitous assets received by AB Amber Grid under Agreement No 1567 of 13 February 2014 for relocation of gas transmission pipeline crossing over the railway, in amount of EUR 0 (2014: EUR 281 thousand);
- Cross-border cost allocation in amount of EUR 1,236 intended for the natural gas transmission system operator in Latvia;
- Financial assistance received from the EU funds to finance the project for the design engineering of the gas interconnection Poland-Lithuania of AB Amber Grid in amount of EUR 455 (2014: EUR 42 thousand).

19. Borrowings

Borrowings of the Group/Company were as follows:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Non-current borrowings				
Borrowings from banks	237,407	-	114,666	-
Other non-current borrowings	29,000	29,000	29,000	29,000
Current borrowings				
Current portion of non-current borrowings	33,193	-	43,233	-
Borrowings from banks	-	-	52,000	52,000
Overdraft	92,069	-	10,580	-
Total borrowings	391,669	29,000	249,479	81,000

Borrowings grouped by maturity profile:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Between 1 and 2 years	42 693	9 500	42,115	-
From 2 to 5 years	122 072	19 500	66,280	29,000
After 5 years	101,642	-	35,271	-
Total	266,407	29,000	143,666	29,000

As at 31 December 2015 and 2014, no significant assets were pledged by the Group/Company, except for the pledge of intangible ordinary registered shares of AB Amber Grid (Note 6).

The loan agreements provide for financial and non-financial covenants that the individual Group entities are obliged to comply with. The Group entities comply with all such covenants.

As at 31 December 2015, the weighted average interest rate on the Group's and the Company's borrowings was 0.85% and 1.76%, respectively (31 December 2014: 1.06% and 0.98%, respectively).

As at 31 December 2015, the Group's unwithdrawn balance of loans and overdrafts amounted to EUR 79,981 thousand (31 December 2014: EUR 205,245 thousand).

20. Other non-current amounts payable and liabilities

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Amounts payable for the shares of LITGRID AB	209,975	209,975	209,975	209,975
Advance amounts received from connection of new consumers	40	-	2,720	-
Provisions for pension benefit obligations to employees	582	-	692	-
Other	2	-	-	-
Carrying amount	210,599	209,975	213,387	209,975

Under the agreement for sale/purchase of shares signed on 27 September 2012 with Lietuvos Energija UAB, the outstanding amount of the price for the shares of LITGRID AB without adjustment to the final price (as described in Note 2.26) was equal to EUR 209,975 thousand as at 31 December 2015 and 2014. Accrued interest payable of EUR 982 thousand as at 31 December 2015 (31 December 2014: EUR 1,397 thousand) was recorded within 'Other current amounts payable and liabilities'.

Provisions for pension benefit obligations to employees represent amounts calculated according to the Lithuanian laws and to be paid under the collective agreement applicable at the Group entities (Note 2.17).

21. Current income tax and deferred income tax

Income tax expense components:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Current year income tax	3,139	-	3,932	-
Deferred income tax (benefit)	(4,123)	(1)	(23,723)	(1)
Current year income tax expense (benefit)	(984)	(1)	(19,790)	(1)

The movement in deferred tax assets and liabilities prior to offsetting the balances with the same fiscal authority was as follows:

Group	PP&E revaluation (impairment)	Impairment of assets	Accrued expenses/ income	Other	Total
Deferred income tax assets					
At 31 December 2013	496	3,729	114	91	4,430
Acquisition of AB Amber Grid (Note 3)	-	21,851	-	1,339	23,190
Recognised in profit or loss	18,434	71	6	944	19,454
Recognised in other comprehensive income	-	-	-	-	-
At 31 December 2014	18,930	25,651	120	2,374	47,074
Recognised in profit or loss	-	-	-	-	-
Recognised in other comprehensive income	659	(3,639)	293	2,196	(491)
At 31 December 2015	19,589	22,012	413	4,570	46,583
Deferred income tax liabilities					
At 31 December 2013	(45,343)	(,141)	(2,485)	(50)	(48,019)
Acquisition of AB Amber Grid (Note 3)	-	(31,681)	-	-	(31,681)
Recognised in profit or loss	3,870	292	167	(60)	4,268
Recognised in other comprehensive income	9,373	-	-	-	9,373
At 31 December 2014	(32,100)	(31,530)	(2,318)	(110)	(66,058)
Recognised in profit or loss	2,870	1,634	180	(70)	4,614
Recognised in other comprehensive income	(52)	-	-	-	(52)
At 31 December 2015	(29,282)	(29,896)	(2,138)	(180)	(61,496)
Net deferred income tax assets at 31 December 2014					92
Net deferred income tax assets at 31 December 2015					66
Net deferred income tax liability at 31 December 2014					(19,075)
Net deferred income tax liability at 31 December 2015					(14,979)

Income tax expense reported in the statement of comprehensive income can be reconciled to income tax expense that would arise using a statutory income tax rate applicable to profit before income tax:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Profit (loss) before income tax	11,663	51,447	(33,082)	27,272
Income tax calculated at a rate of 15%	1,749	7,717	(4,962)	4,091
Investment relief effect	(3,626)	-	(1,568)	-
Unrecognised deferred income tax on tax losses	679	683	(125)	687
Adjustment relating to prior years	(80)	-	-	-
Tax effect of non-taxable income and non-deductible expenses*	294	(8,401)	(13,135)	(4,779)
Income tax expenses/(benefit recognised in profit or loss)	(984)	(1)	(19,790)	(1)

* In 2014, largely relates to the Group's negative goodwill recognised on acquisition of AB Amber Grid. The Company's non-taxable income relates to dividend income.

22. Trade payables

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Amounts payable for electricity	1,951	-	3,044	-
Amounts payable for contractual works, services	5,617	92	29,874	10
Amounts payable for property, plant and equipment and inventories	28,040	-	12,223	-
Amounts payable for electricity transit	234	-	890	-
Other trade payables	898	-	566	-
Carrying amount	36,740	92	46,597	10

The fair values of trade payables approximate their carrying amounts.

23. Advance amounts received

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Guarantee to secure fulfilment of obligations	6,005	-	1,353	-
Other advance amounts received	1,331	-	1,567	-
Carrying amount	7,336	-	2,919	-

The Group's guarantees to secure fulfilment of obligations consist of received deposits, including those pertaining to the trade on exchange.

24. Other current amounts payable and liabilities

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Payable administered PSO funds	30,192	-	14,472	-
Difference between PSO service funds collected and disbursed	49	-	10,334	-
Payable administered LNG Terminal funds	25,794	-	14,616	-
Accrued administered LNG Terminal funds	15,316	-	17,399	-
Advance amounts received from connection of new consumers*	2,900	-	860	-
Employment-related liabilities	1,443	-	1,046	-
Accrued expenses relating to vacation reserve	940	7	876	3
VAT payable	1,413	-	1,639	-
Real estate tax payable	896	-	805	-
Dividends payable	412	-	427	-
Interest payable	982	982	1,531	1,398
Other accrued expenses	13,923	8	1,390	13
Accrued liabilities for electricity	1,526	-	2,263	-
Other payables and current liabilities	1,682	-	905	-
Carrying amount	97,468	997	68,563	1,414

*Advance amounts received from connection of new consumers represent prepayments received from new consumers for their connection to the electricity network. These advance amounts will be recognised as income upon the provision of connection services.

The fair value of current other amounts payable approximates their carrying amounts.

25. Revenue from sale of electricity and related services

	Group 2015	Company 2015	Group 2014	Company 2014
Electricity transmission services	50,419	-	60,621	-
Trade in balancing/regulating electricity	14,569	-	22,439	-
Capacity reserve services	9,370	-	12,457	-
Revenue from other sale of electricity and related services	4,115	-	4,076	-
Revenue from PSO services	4,313	-	3,093	-
Revenue from connection of new consumers	694	-	1,956	-
Other income	-	-	93	-
Total	83,480	-	104,734	-

Revenue from trade in balancing/regulating electricity decreased by 27% to EUR 14.6 million. The common balancing electricity market of the Baltic countries operating from 1 January 2015 allowed reducing prices for PSO balancing energy by 30% resulting in lower revenue from sale of balancing/regulating electricity.

26. Revenue from natural gas transmission and related services

	Group 2015	Company 2015	Group 2014	Company 2014
Natural gas transmission and transit	49,841	-	25,636	-
Revenue from balancing in the transmission system	5,405	-	1,182	-
Total	55,246	-	26,819	-

27. Other income

	Group 2015	Company 2015	Group 2014	Company 2014
Repairs and other services	15,115	-	12,920	-
Lease of assets	1,594	-	1,713	-
Engineering works	233	-	840	-
Grants recognised as income	338	-	19	-
LNG terminal administration funds	145	-	47	-
Other income	686	-	12	-
Total	18,111	-	15,552	-

28. Related-party transactions

The Company's/Group's related parties in 2015 and 2014 were as follows:

- the Ministry of Energy of the Republic of Lithuania (controlling shareholder of the Company);
- the Company's subsidiaries;
- the Company's associates and joint ventures;
- the Company's management.

Transactions with related parties are carried out on an arm's length basis in line with the tariffs approved under relevant legal acts or in accordance with the requirements of the Law on Public Procurement. As set in IFRSs, the Group/Company did not disclose information on transactions with other entities controlled by the state conducted in line with the tariffs approved under relevant legal acts or in accordance with the requirements of the Law on Public Procurement, except for Lietuvos Energija UAB with which the Group/Company has individually significant transactions.

The Group's transactions conducted with related parties in 2015 and balances arising from these transactions as at 31 December 2015 were as follows:

Related party	Finance income	Finance costs	Amounts payable	Amounts receivable	Purchase	Sale
Lietuvos Energija UAB (controlled by the state)	1	3,981	239,146	127	-	-
Group's associates	-	-	94	144	593	1,515

Total	1	3,981	239,240	271	593	1,515
--------------	----------	--------------	----------------	------------	------------	--------------

The Company's transactions conducted with related parties in 2015 and balances arising from these transactions as at 31 December 2015 were as follows:

Related party	Amounts payable	Amounts receivable	Purchase	Sale	Finance costs
Lietuvos Energija UAB (controlled by the state)	239,146	-	-	-	3,919
Company's subsidiaries	2	-	19	-	-
	239,148	-	19	-	3,919

The Group's transactions conducted with related parties in 2014 and balances arising from these transactions as at 31 December 2014 were as follows:

Related party	Amounts payable	Amounts receivable	Purchase	Sale	Finance costs
Lietuvos Energija UAB (controlled by the state)	240,372	-	-	-	4,062
Group's associates	32	158	774	1,563	-
	240,404	158	774	1,563	4,062

The Company's transactions conducted with related parties in 2014 and balances arising from these transactions as at 31 December 2014 were as follows:

Related party	Amounts payable	Amounts receivable	Purchase	Sale	Finance costs
Lietuvos Energija UAB (controlled by the state)	240,372	-	9	-	4,062
Company's subsidiaries	3	-	-	-	-
	240,375	-	9	-	4,062

Compensation to the key management personnel

	Group 2015	Company 2015	Group 2014	Company 2014
Employment-related payments	1,228	130	834	78
Whereof: termination benefits	17	1	-	-
Number of the key management personnel (average annual)	22	2	20	1

Key management personnel consists of heads of administration and their deputies (directors of departments) and chief financiers.

29. Financial risk management

The Group and the Company are exposed to financial risks in their operations. In managing these risks, the Group companies seek to mitigate the impact of factors which could adversely affect the Group's and the Company's financial performance.

Financial instruments by category (as per the statement of financial position)

Financial assets	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Trade receivables	22,389	-	22,099	-
Other receivables	101,516	-	66,596	3
Other financial assets	38,021	-	17,879	-
Time deposits	-	-	6,000	6,000
Cash and cash equivalents	33,655	5,475	27,517	509
Loans and receivables	195,581	5,475	140,091	6,512
Other financial assets				
Held-to-maturity investments	-	-	15,929	-
Available-for-sale financial assets	2,273	-	2,237	-
Total financial assets	197,854	5,475	158,257	6,512
Financial liabilities				
	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Liability for acquisition of LITGRID AB	213,516	213,516	211,000	211,000
Borrowings	391,669	29,000	249,479	81,000
Trade payables	36,740	92	46,597	10
Other amounts payable and liabilities	87,300	314	60,197	388
Total	729,225	242,922	567,273	292,399

Credit risk

As at 31 December 2015 and 2014, exposure to credit risk was related to the following items:

	Group At 31 December 2015	Company At 31 December 2015	Group At 31 December 2014	Company At 31 December 2014
Financial assets other than available-for-sale financial assets	195,581	5,475	156,020	6,512

The Group has a significant credit risk concentration, because exposure to credit risk is shared among 10 main customers, amounts receivables from which accounted for approximately 63% as at 31 December 2015 (31 December 2014: 73%) of the Group's total trade receivables (financial assets). As at 31 December 2015, amounts payable by the major customer, distribution network operator Energijos Skirstymo Operatorius AB (former LESTO AB), accounted for 5% (31 December 2014: 31%) of the Group's total receivables (financial assets). Receivable administered PSO and LNG Terminal funds from Other amounts receivable are not included in calculation of credit risk. If these funds were not collected, the Group would not incur any loss because the Group is not a beneficiary, but an administrator.

The Group and the Company invest their free liquid funds only in low risk money market and debt instruments, i.e. time deposits, bonds of creditworthy financial institutions, and government securities. When making investments the priority objective is to ensure the security of funds and in pursue of this objective to maximise return on investments. Investments are made only in debt financial instruments of financial institutions or governments with not lower than A- rating according to *Fitch Rating* agency (or equivalent rating of other rating agencies). The tables below provide the ratings of the banks where the Group and the Company hold their cash and cash equivalents (Note 13) and other financial assets (Note 12):

Nordea	AA-
Danske bank	A-
Swedbank	A+
SEB	A+
Pohjola Bank plc	A+
DNB Bank	A+

Trade and other receivables are mainly from the state-controlled entities and large manufacturers with no history of significant defaults.

For ageing analysis of the Group's/Company's trade and other receivables see Notes 9 and 10.

Liquidity risk

The Group's policy is to ensure funding of its operations so that the Group will have sufficient cash and/or committed credit facilities and overdrafts to meet its contractual obligations at any time. The liquidity risk is managed by making forecasts of cash flows of the Group companies.

The Group's cash flows from operating activities were positive in 2015, therefore its exposure to liquidity risk is not significant. As at 31 December 2015, the Group's current ratio (total current assets / total current liabilities) and quick ratio ((total current assets – inventories) / total current liabilities) were 0.76 and 0.74, respectively (31 December 2014: 0.78 and 0.73, respectively). The Company's current and quick ratios as at 31 December 2015 were 5.5 and 5.5, respectively (31 December 2014: 0.13 and 0.13, respectively).

Liquidity risk is managed by making regular short-term and long-term cash flow forecasts of the Company. Liquidity is ensured with the help of solutions supporting the solvency of the Company – the dividends to be received. Liquidity risk of EPSO-G group is managed with the help of loan restructuring solutions.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted payments. This table has been prepared based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Balances with repayment terms up to 12 months are equal to their carrying amounts, because the impact of discounting is insignificant.

Group	Up to 3 months	Between 4 months and 1 year	Between year 2 and year 5	After 5 years
At 31 December 2015				
Trade and other amounts payable	154,290	14,331	39,292	184,946
Borrowings	7,511	54,426	234,905	82,790
At 31 December 2014				
Trade and other amounts payable	86,942	6,625	51,552	181,795
Borrowings	1,740	106,406	112,753	36,188
Company	Up to 3 months	Between 4 months and 1 year	Between year 2 and year 5	After 5 years
At 31 December 2015				
Trade and other amounts payable	1,081	2,041	39,292	184,946
Borrowings	4,614	325	25,040	-
At 31 December 2014				
Trade and other amounts payable	1,402	3,066	51,552	181,795
Borrowings	198	52,502	30,542	-

Market risk

a) Interest rate risk

The Group's and the Company's income, expenses and cash flows from operating activities are substantially independent of changes in market interest rates. The Group has non-current and current borrowings and an overdraft that are subject to interest rate linked with EURIBOR. A +/- 0.1% shift in interest rate would result in EUR 346 thousand impact on the Group's profit before tax as at 31 December 2015 (2014: EUR 346 thousand).

b) Foreign exchange risk

In order to manage the foreign exchange risk, the Group and the Company enter into purchase/sale contracts only in euros.

c) Natural gas price risk

Natural gas purchase price depends on the price of heavy fuel oil and gasoline in the world market, on the USD to EUR exchange rate set by the European Central Bank, and on the actual calorific value of natural gas. In 2015, the Group did not take any measures to mitigate the natural gas price risk.

30. Fair value of financial assets and liabilities

The Group's and the Company's principal financial assets and liabilities not carried at fair value are trade and other amounts receivable, time deposits, cash and cash equivalents, loans, trade and other amounts payable, and held-to-maturity investments.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- The carrying amount of current trade and other amounts receivable, time deposits, cash and cash equivalents, current borrowings, current trade and other amounts payable approximates their fair value (level 3).
- The fair value of non-current borrowings is based on the quoted market price for the same or similar issues or on the current rates available for borrowings with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts (level 3).
- The fair value of held-to-maturity investments is determined based on the value of bonds of similar risk level (level 3).

31. Contingent liabilities

Litigations

LITGRID AB group litigations

Currently, LITGRID AB is involved in 29 legal proceedings: 18 civil and 11 administrative cases. The majority of cases are investigated by the Lithuanian courts and also by Vilnius Court of Commercial Arbitration. LITGRID AB is a third party to 12 cases; in 10 cases it acts as a claimant and is a defendant in 7 cases.

Disputes regarding default interest

1. Main court rulings that came into force

1.1. A dispute arose between Tetas UAB and LITGRID AB regarding LITGRID AB's set-off of EUR 123,609.82 default interest that was charged for delay in the implementation of works under the agreement of 25 March 2013 on the repair works (cleaning of routes) of 110 kV and 330 kV voltage overhead lines of LITGRID AB's Klaipėda group against amounts payable to contractor Tetas UAB (the claim amount is EUR 123,700.27). In view of the arguments presented in LITGRID AB's response to the claim, in its reply the claimant TETAS UAB revised the claim requirements by reducing the amount claimed to EUR 116,709.66. Vilnius County Court passed the ruling on 4 May 2015 whereby the partial withdrawal by TETAS UAB in the case was accepted and the remainder of the claim was satisfied; the court followed the principle of prudence and awarded from LITGRID AB default interest set off, procedural interest and legal expenses amounting to EUR 116,709.66. The ruling has been executed.

1.2. A dispute arose between Tetas UAB and LITGRID AB regarding LITGRID AB's set-off of EUR 310,183.04 default interest that was charged for delay in the implementation of works under the construction agreement No SUT-20-12 of 31 January 2012 on the reconstruction of 330/110/10 kV voltage Klaipėda transformer substation and regarding EUR 127,998.42 owed for additional works performed (the claim amount is EUR 445,972.90). Vilnius County Court passed the ruling on 4 November 2015 whereby the amount owed, procedural interest and legal expenses amounting to EUR 273,244.95 were awarded from LITGRID AB. The ruling has been executed.

1.3. A dispute arose between Archstudija UAB and LITGRID AB regarding LITGRID AB's set-off of EUR 43,504.40 default interest that were charged for delay in the provision of services under the service provision agreement No SUT-358-11 of 5 October 2011 on the environmental impact assessment and related services in respect of the construction of 330 kV voltage electricity transmission line for Kruonis Pumped Storage Power Plant–Alytus (the claim amount is EUR 43,504.40). The Lithuanian Court of Appeals passed the ruling on 21 January 2016 whereby the ruling of Vilnius County Court of 31 August 2015, according to which the investigation of the claim of Archstudija UAB for the recognition of LITGRID AB's set-off of EUR 43,504.40 (default interest charged) as null and void and for the awarding of the debt was not proceeded, was left unchanged. As at 31 December 2015, LITGRID AB established the provision for the potentially uncollectible amount.

1.4. A dispute arose between Energetikos Paslaugų ir Rangos Organizacija UAB and LITGRID AB regarding LITGRID AB's set-off of EUR 17,694.90 default interest that was charged for delay in the implementation of works under the route cleaning agreement No SUT-178-13 of 11 June 2013 and the route cleaning agreement No SUT-41-14 of 17 February 2014. Vilnius County Court passed the ruling on 1 March 2016 whereby the claim of Energetikos Paslaugų ir Rangos Organizacija UAB (the claim amount is EUR 17,694.90) against LITGRID for the recognition of the set-offs (default interest charged) as null and void and for the awarding of the debt was rejected. The ruling has not come into force.

2. Ongoing and potential disputes:

2.1. A dispute arose between Tetas UAB and LITGRID AB regarding LITGRID AB's set-off of EUR 249,707.73 default interest that were charged for delay in the implementation of works under the construction agreement No SUT-4-13 of 4 January 2013 on the reconstruction of 110.35/10 kV voltage Mariiai transformer substation. Tetas UAB filed the claim to Vilnius County Court requesting to award from LITGRID AB the amount owed of EUR 249,707.73 (default interest set off), interest on late payment, procedural interest, legal expenses amounting to EUR 12,734.10 (the claim amount is EUR 262,441.83). On 23 February 2016, LITGRID AB's response was submitted; the preparation for the investigation of the case by the court is carried out by way of preparatory documents. As at 31 December 2015, LITGRID AB established a provision for potentially uncollectible amount of EUR 249,707.73.

2.2. For the delay in the implementation of works under the construction agreement No SUT-325-13 of 11 November 2013 on the construction works of 400 kV voltage electricity transmission overhead line from Alytus to the Lithuanian-Polish border, AB "Litgrid" performed set-offs on 11 January 2016 and 25 January 2016 for the total amount of EUR 1,136,885.99 against the amounts payable

to the contractor A.Žilinskio ir Ko UAB. The dispute is highly probable, therefore in 2016 LITGRID AB established a provision for full amount.

Disputes related to public service obligations (PSO):

1. In view of the amendments to the Procedure for the Administration of Public Service Obligations in the Electricity Sector that were approved by Resolution No 1002 of 16 September 2015 of the Government, with effect from 1 October 2015 LITGRID AB is no longer engaged in the collection of PSO funds from entities connected to the transmission network. The latter function was taken over by the PSO funds administrator BALTPPOOL UAB. Subject to the above-mentioned legislative amendments under the claim transfer agreements LITGRID AB transferred the claim rights to PSO funds debtors (Achema AB, ORLEN Lietuva AB, Lifosa AB and Dirbtinis Pluoštas UAB) on 23 December 2015. LITGRID AB filed claims against these debtors in four civil cases within the scope of the requirements presented in these cases. Other claim rights obtained by LITGRID AB in connection with PSO funds collection activity performed until 1 October 2015 are also expected to be transferred to the PSO funds administrator. The final outcome of this dispute will have no impact on the financial performance of LITGRID AB, because LITGRID AB acted only as an intermediary, and PSO funds are recorded only within amounts receivable and payable.

2. LITGRID AB is a defendant in a civil case in which Achema AB requests recognising the contractual provisions relating to the obligation to pay PSO funds as null and void and application of the restitution (EUR 889,619.56). The court's hearing in this case is scheduled on 15 April 2016, 13.00 pm. Following the court's ruling in this case the case investigated by Kaunas County Court will be renewed (it is currently suspended) in which LITGRID AB filed the claim against Achema AB with the request to award the PSO funds owed amounting to EUR 657,758.53 for the period between April and May 2011. The final outcome of this dispute will have no impact on the Company's financial performance, because LITGRID AB acted only as an intermediary and PSO funds were recorded only within amounts receivable and payable.

Disputes with the independent suppliers:

Currently, four bankruptcy proceedings were instituted in respect of the independent electricity suppliers that have amounts payable to LITGRID AB:

1. ECO Energy Systems UAB (LITGRID AB's financial claim approved by the court amounts to EUR 783,937.40; the amount recovered during the bankruptcy proceedings equals EUR 202,961.65);
2. Elektra Visiems UAB (LITGRID AB's financial claim approved by the court amounts to EUR 3,733,593.36);
3. Elektros Energijos Prekyba UAB (LITGRID AB's financial claim approved by the court amounts to EUR 368,673.20);
4. Saurama UAB (LITGRID AB's financial claim approved by the court amounts to EUR 3,101,890.21).

The likelihood that LITGRID AB's claims will be satisfied to a larger extent in the bankruptcy proceedings instituted in respect of the former independent electricity suppliers is low.

Regulatory disputes:

LITGRID AB continues to challenge the decisions passed by the National Control Commission for Energy and Prices by which the prices of the regulated electricity transmission services were set and announced. With regard to these disputes LITGRID AB holds the opinion that the National Control Commission for Energy and Prices incorrectly established the price caps of the electricity transmission service tariffs for 2015 and also on the ground of these price limits illegitimately announced the electricity transmission service prices applicable to LITGRID AB. It should be noted that LITGRID AB withdrew its claim filed to the court regarding the establishment of the price caps for electricity transmission service for 2016 after the National Control Commission for Energy and Prices recalculated for the benefit of LITGRID AB and approved new price caps for electricity transmission service for 2016.

LITGRID AB has also brought a lawsuit requesting to annul the decision of the National Control Commission for Energy and Prices under which an economic sanction of EUR 100 thousand was imposed on LITGRID AB for violations relating to the regulated activity that were allegedly made during the regulatory period of 2011-2013. Based on LITGRID AB's request the court suspended the investigation of this case until the resolution of another administrative case related to the electricity transmission service price caps for 2015 applicable to LITGRID AB.

Disputes in the field of public procurement:

In 2015, LITGRID AB was involved in 2 cases in the field of public procurement as a result of the claims filed by claimant Kauno Energetikos Remontas UAB. No potential losses arise for LITGRID AB in respect of these cases.

AB Amber Grid litigations

Pursuant to the Lithuanian Law on the Liquefied Natural Gas Terminal and the resolutions adopted by the Commission, the users of the natural gas system transporting natural gas through the transmission system are required to pay an additional component to be included in the natural gas transmission price (the LNG terminal component) as they make payments for natural gas transmission services. Since Achema AB, as a transmission system user, has systematically failed to pay the LNG terminal component, a claim was filed to the court. Based on its ruling of 12 December 2013, the Court of First Instance satisfied in part the claim of AB Amber Grid, i.e. adjudged full amount of claimed debt plus procedural interest, but reduced the awarded penalties from 0.04 to 0.02%. By its ruling of 2 July 2015, the Lithuanian Court of Appeal satisfied the claim of AB Amber Grid, i.e. adjudged full amount of claimed debt of EUR 11,073,428 for the period from January to the end of August 2013, plus procedural interest and penalties of EUR 488,678. For the purpose of implementing the above-mentioned court ruling, on 9 July 2015 Achema AB paid EUR 12,953 thousand to AB Amber Grid.

On 6 January 2016, the case will be heard at the Supreme Court of Lithuania. The Court will announce its ruling on 5 February 2016.

On 7 March 2014, AB Amber Grid applied to Kaunas County Court with request to adjudge the debt from Achema AB for unpaid LNG terminal component for the period from 1 September 2013 to 31 December 2013, also to adjudge penalties on late payment of the LNG terminal component for the above-mentioned period. On 16 March 2015, AB Amber Grid applied to Kaunas County Court with a new claim, whereby it requested to adjudge from Achema AB the debt for the LNG terminal funds intended to compensate for the fixed operating costs of the LNG terminal, its infrastructure and connector (hereinafter "the additional supply security component"), the collection of which was started from 3 December 2014, plus penalties and 6% annual interest. As the Court combined the above-mentioned two cases, on 29 September 2015 Kaunas County Court satisfied in full the claim of AB Amber Grid and adjudged from Achema AB the debt of EUR 3,188,444 for the period from 1 September 2013 to 31 December 2013, penalties of EUR 544,980, procedural interest and debt of EUR 14,720,648 for the period from 3 December 2014 to 30 April 2015, penalties of EUR 304,823 and procedural interest. Achema AB appealed against the above-mentioned court ruling.

On 19 November 2012, Achema AB applied to Vilnius County Administrative Court with request to annul paragraphs 3.1 and 4 of the Commission's Resolution No 03-317 of 19 October 2012 On the establishment of funds for the year 2013 intended to compensate for all or part of the construction and operating costs of the liquefied natural gas terminal, its infrastructure and connector, and to annul paragraph 2 of the Commission's Resolution No 03-330 of 26 October 2012 On Lietuvos Dujos AB natural gas transmission and distribution price cap adjustment and establishment of additional component to be included in the natural gas transmission price cap (the LNG terminal component) for the year 2013. AB Amber Grid acts as a third party in the lawsuit. On 28 May 2015, Vilnius County Administrative Court rejected in full the claim of Achema AB. Achema AB appealed against the court ruling.

On 22 December 2014, Achema AB applied to Vilnius County Administrative Court with request to annul paragraphs 1.1, 2.2.1, 2.3 and of the Commission's Resolution No 03-895 of 20 November 2014 On the establishment of the upper gasification limit of natural gas (additional natural gas supply security component to be included in the natural gas transmission price) for the years 2015-2019. Based on the Court ruling of 7 July 2015, AB Amber Grid joined the lawsuit as a third party. Based on the court ruling of 11 November 2015, the lawsuit was suspended. A separate complaint was filed.

As at 31 December 2015, the Group had agreements on purchase of non-current assets that are not recognised in these financial statements in the amount of EUR 6,614 thousand (31 December 2014: EUR 43,319 thousand).

32. Additional information on cash flows

In 2015, cash flows from investing activities were calculated by taking into consideration the change in the Group's amounts payable for non-current assets equal to EUR 5,730 thousand (2014: EUR 21,277 thousand) and capitalised interest of EUR 1,262 thousand (2014: EUR 451 thousand), and the value added tax was offset against the payable income tax of EUR 1,509 thousand (2014: EUR 2,635 thousand).

In 2015, grants received in cash flows from financing activities were calculated by taking into consideration the change in the Group's receivable grants equal to EUR 11,636 thousand (2014: EUR 6,201 thousand) and grants received in the form of assets for relocation of gas pipeline equal to EUR 330 thousand).

33. Events after the reporting period

In January 2016, the Company repaid part of its loan (EUR 4,500 thousand) before maturity to Lietuvos Energija AB. As a result, the outstanding balance of the loan to be repaid to Lietuvos Energija AB amounts to EUR 24,500 thousand.

On 5 February 2016 the Company and LITGRID AB signed the agreement on the purchase/sale of shares. Under this agreement the Company acquired 478,800 ordinary registered intangible shares of BALTPOOL UAB from LITGRID AB, representing 67% of the total share capital of BALTPOOL UAB. The agreement stipulates that the right of ownership is to be transferred to the Company with effect from 1 March 2016. The shares of BALTPOOL UAB were sold for the market price of the shareholding of EUR 387,828 as established by an independent property valuer.

According to paragraph 16¹ of the Procedure for the Administration of Public Service Obligations in the Electricity Sector, with effect from 1 October 2015 BALTPOOL UAB started to collect PSO funds from individuals whose electricity generation and/or consumption equipment is connected to the transmission network. Until 30 September 2015, funds from these individuals were collected via LITGRID AB. As a result of these changes, BALTPOOL UAB gradually takes over from LITGRID AB all amounts receivable related to the collection of PSO funds and their transfer to the PSO budget. On 8 January 2016, the agreements were signed on the transfer of claim rights to PSO funds receivable from Achema AB (the amount of EUR 374,551.62), Lifosa AB (the amount of EUR 104,102.44), ORLEN Lietuva AB (the amount of EUR 105,348.51) and Dirbtinis Pluoštas UAB (the amount of 167,949.12).

On 27 January 2016, the tender for the purchase of financial services was completed at TETAS UAB. The lowest price for the services of the credit limit (EUR 2 million), provision of guarantees (EUR 4.3 million) and factoring (EUR 1.5 million) was offered by SEB Bankas AB. The amendment to the agreement will be signed in March 2016.

In January 2016, AB Amber Grid repaid part of its loan (EUR 10,000 thousand) before maturity to Swedbank AB. As a result, the outstanding balance of the loan to be repaid to Swedbank AB amounts to EUR 103,000 thousand.

On 5 February 2016, the Supreme Court of Lithuania rejected the claim of Achema AB and the ruling of the Court of Appeal adopted in July 2015 remained in force. Based on the ruling, Achema AB is required to pay the outstanding amount of the LNG terminal

component of EUR 11.073 million for the period from January to August 2013, penalties of EUR 488.7 thousand, procedural interest and almost EUR 20 thousand of litigation costs.

AB Amber Grid and a public enterprise Lithuanian Business Support Agency concluded eight agreements on project co-financed from the European Union (EU) Structural Funds. Based on the agreements, the EU financial assistance of EUR 14.6 million was granted to finance eight natural gas transmission infrastructure projects as part of the Operational Programme for the European Union Funds' Investments in 2014-2020, priority axis 6 Developing sustainable transport and key network infrastructures, measure 06.3.1-LVPA-V-104 Modernisation and development of natural gas transmission system.

The projects to be financed by AB Amber Grid encompass installation of software and hardware, and modernisation of the current gas transmission system through the implementation of smart infrastructure elements.

THE 2015 CONSOLIDATED ANNUAL REPORT OF THE EPSO-G GROUP

I. General information about the Group of companies

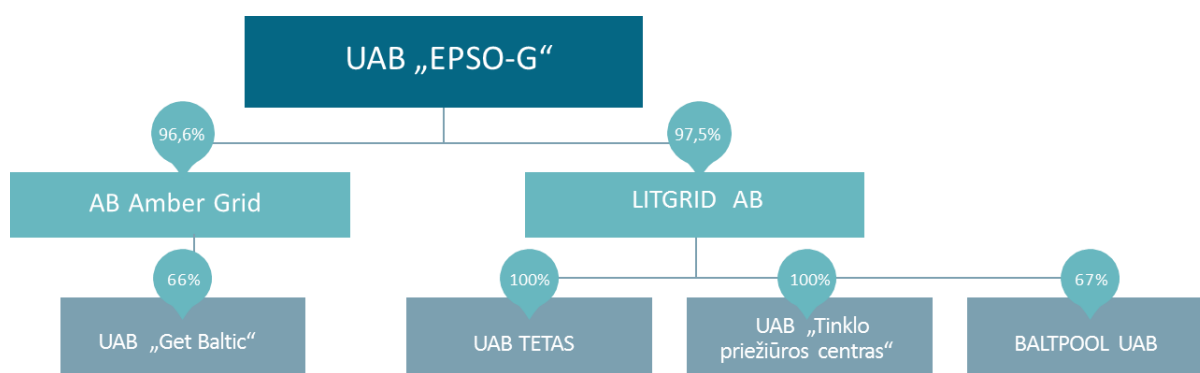
The consolidated report covers the 12-month period ended 31 December 2015.

Main data of the parent company:

Company name	UAB „EPSO-G“
Legal form	Private limited liability company
Date and place of registration	25 July 2012, the Lithuanian Register of Legal Entities
Company code	302826889
Registered office address	A. Juozapavičiaus g. 13, LT-09311 Vilnius
Address for correspondence	Gedimino pr. 20, LT-01103 Vilnius
Telephone	+370 665 20038
Email	info@epsog.lt
Website	www.epsog.lt
Authorised share capital	EUR 22,482,695
Sole shareholder	Republic of Lithuania whose property and non-property rights are implemented by the Ministry of Energy of the Republic of Lithuania

As at 31 December 2015, the EPSO-G group (“the EPSO-G Group” or “the Group”) consisted of the parent company EPSO-G UAB (“EPSO-G” or “the Company”), two companies directly controlled by the EPSO-G Group (LITGRID AB (“Litgrid”) and Amber Grid AB (“Amber Grid”)) and four indirectly controlled companies (BALTPPOOL UAB (“Baltpool”), TETAS UAB (“Tetas”), Tinklo Priežiūros Centras UAB (“TPC”) and GET Baltic UAB (“Get Baltic”)).

The structure of the EPSO-G Group at the end of the reporting period:



On 5 February 2016, EPSO-G signed the agreement on the acquisition of shares of Baltpool UAB from Litgrid as of 1 March 2016.

The companies of the EPSO-G Group and profile of their activities:

Company name	LITGRID AB	Amber Grid AB	Baltpool UAB	Tinklo Priežiūros Centras UAB	TETAS UAB	GET Baltic UAB
Legal form	Public limited liability company	Public limited liability company	Private limited liability company	Private limited liability company	Private limited liability company	Private limited liability company
Date and place of registration	16 Nov 2010, the Lithuanian Register of Legal Entities	11 Jun 2013, the Lithuanian Register of Legal Entities	10 Dec 2009, the Lithuanian Register of Legal Entities	24 Feb 2014, the Lithuanian Register of Legal Entities	8 Dec 2005, the Lithuanian Register of Legal Entities	13 Sep 2012, the Lithuanian Register of Legal Entities
Company code	302564383	303090867	302464881	303249180	300513148	302861178
Registered office address	A. Juozapavičiaus g. 13, LT-09311 Vilnius	Savanorių pr. 28, LT-03116 Vilnius	A. Juozapavičiaus g. 9-3, LT-09311, Vilnius	A. Juozapavičiaus g. 13, LT-09311, Vilnius	Senamiesčio g. 102B, LT-35116, Panevėžys	Savanorių pr. 28, LT-03116 Vilnius
Telephone	+370 5 278 2777	+370 5 236 0855	+370 5 278 2762	+370 5 278 2766	+370 45 504 670	+370 5 236 0000
Fax	+370 5 272 3986	+370 5 236 0850	+370 5 278 2707	+370 5 272 3986	+370 45 504 684	+370 5 236 0001
Email	info@litgrid.eu	info@ambergrid.lt	info@baltpool.lt	-	info@tetas.lt	info@getbaltic.lt
Website	www.litgrid.eu	www.ambergrid.lt	www.baltpool.lt	-	www.tetas.lt	www.getbaltic.lt
Profile of activities	Electricity transmission system operator	Natural gas transmission system operator	Energy resources exchange operator	Preparation for the installation, operation and maintenance of high-voltage direct current electricity interconnections with the electric power systems of Poland and Sweden	Specialised services such as technical maintenance, repair and installation of transformer substations, distribution stations, testing works, engineering of energy facilities	Natural gas exchange operator
Effective ownership interest held by EPSO-G	97.5%	96.6%	65.3%	97.5%	97.5%	63.8%

II. Major events of 2015

Major events at the EPSO-G Group:

February

Rolandas Zukas was appointed as the Chief Executive Officer of EPSO-G replacing Virgilijus Poderys in this position.

April

Amber Grid was issued the natural gas transmission system operator licence of unlimited validity.

Litgrid sold its ownership interest in NT Valdos, UAB (representing 0.35% of the share capital of NT Valdos, UAB).

September

The Minister of Energy Rokas Masiulis approved the corporate governance guidelines of EPSO-G which provide for the reorganisation of the EPSO-G Group management aiming to achieve compliance with the latest recommendations of the international organisations.

October

Amber Grid became a full-fledged member of the European Network of Transmission System Operators for Gas (ENTSOG).

November

Amber Grid acquired a block of shares of GET Baltic and will hold 66% of the share capital of the natural gas exchange operator.

December

The new Articles of Association of EPSO-G drawn up based on the latest recommendations of the international organisations were registered. The new Articles of Association is the main document which creates conditions for a more effective management and control of the state-owned assets.

The new electricity interconnections LitPol Link and NordBalt were symbolically launched.

The construction of a new gas pipeline from Klaipėdos to Kuršėnai was completed which is an important event for the entire Baltic region.

During 2015 the works relating to the natural gas interconnection between Lithuania and Poland were started (the EU financing for engineering and planning works was received, the environmental impact assessment report was approved, the preparation of the special plan was started, the EU support for the interconnection construction works was received).

III. Operational strategy and objectives

The EPSO-G Group is a state-owned group of companies. The rights and obligations of the Group's shareholders are implemented by the Ministry of Energy of the Republic of Lithuania. The principal objective of the Group's activities is to ensure an uninterrupted, stable electricity transmission via high-voltage networks and natural gas transportation via high-pressure pipelines and to engage in the management, maintenance and development of these transmission systems.

EPSO-G, the parent company of the Group, is responsible for the management of the blocks of shares of the Lithuanian transmission system operators for electricity and gas. In its operations the Company aims to

transparently manage and coordinate the Group's operations, enhance efficiency, safeguard a stable and uninterrupted provision of transmission services by the Group companies, focuses on the expansion of socially responsible infrastructure, increase of the socially responsible long-term value for shareholders and a timely implementation of the strategic projects of the Group companies.

Litgrid, the Lithuanian electricity transmission system operator, ensures the stability of operation of the country's electric power system, controls electricity flows, and enables competition in an open domestic electricity market.. Litgrid is responsible for the integration of the Lithuanian electric power system with the European electricity infrastructure and the single market for electricity.

Amber Grid, the natural gas transmission system operator, is responsible for the transmission of natural gas and maintenance of the gas pipelines as well as a safe and reliable operation of the gas transmission system and its expansion.

IV. Main infrastructure projects

In 2015, the EPSO-G Group continued strategic infrastructure projects aimed at integrating Lithuania with the regional energy resources markets.

Electricity interconnection LitPol Link

In 2015, the construction of the electricity interconnection LitPol Link, which ensures electricity transmission between the electric power systems of Lithuania and Poland (operating in different synchronous zones), was completed and the operation of the link under the trial regime was started on 9 December.

Investments in LitPol Link interconnection totalled EUR 580 million, whereof EUR 430 million (EUR 200 million of the latter amount was financed using the EU support) were invested in the territory of Poland. Investments in Lithuania amounted to EUR 150 million. In July 2015, the European Commission approved the allocation of EUR 27 million for the implementation of the LitPol Link project in the territory of Lithuania. The EU support received for the investments in LitPol Link totalled EUR 31 million.

Electricity interconnection NordBalt

In 2015, the construction of the electricity interconnection NordBalt, the undersea electricity connection between the electricity transmission systems of Lithuania and Sweden, was completed and the testing of the link's systems was started. From August 2015, the system and systemic tests were performed and the operation of the link under the trial regime was started on 18 February 2016.

Investments in NordBalt electricity interconnection totalled EUR 550 million, whereof EUR 130 million were received from the EU and the remaining amount was financed by the Lithuanian and Swedish electricity transmission system operators by allocating EUR 210 million each.

Klaipėda-Kiemėnai gas transmission pipeline

In October 2015, Amber Grid completed the construction of the gas pipeline from Klaipėda to Kuršėnai, which is designated for diversifying gas supply sources in the Baltic region, enabling a full utilisation of the capacities of the LNG Terminal in Klaipėda, safeguarding the security and reliability of the operation of the natural gas system. The gas pipeline with 110 km in length was built in record time, i.e. within 12 months from the receipt of the first delivery of pipes.

Investments in the project reached EUR 57.9 million, whereof EUR 28.5 million were financed by Amber Grid, EUR 27.6 million by the European Union and EUR 1.8 million by the Latvian transmission system operator.

Gas interconnection between Poland and Lithuania

The project is aimed at integrating the gas markets of the Baltic countries with the single EU gas market, diversifying gas supply sources and enhancing the security of gas supply. Amber Grid implements the gas pipeline project in the territory of Lithuania and the implementation of the project in Poland is carried out by the Polish gas transmission system operator GAZ- SYSTEM S.A.

The total expected GIPL project value amounts to EUR 558 million, whereof EUR 422 million in the territory of Poland and EUR 136 million in the territory of Lithuania. The EU financial support was received for the implementation of the project. According to the cross-border cost allocation decision of the European Agency for the Cooperation of Energy Regulators, a part of the project infrastructure costs in the territory of Poland will be covered by the Lithuanian, Latvian and Estonian transmission system operators. The remaining part of the project in the territories of Lithuania and Poland will be financed using funds of Amber Grid and GAZ- SYSTEM S.A. The gas interconnection is expected to be put into operation at the beginning of 2019.

V. Operational and financial indicators

Key operational indicators of the EPSO-G Group:

	2015	2014	Change	
			+/-	%
Electricity				
Quantity of electricity transmitted, GWh	9,220	9,344	-124	-1.2
Quantity of electricity not delivered due to disconnections (END), MWh *	4.54	5.35		
Average interruption time (AIT), minutes *	0.23	0.25		
Natural gas				
Quantity of gas transported to the internal exit point, GWh	26,183	26,650	-497	-1.8
Quantity of gas transported to the adjacent transmission systems, GWh**	22,808	21,588	1220	+5.7

*Only due to reasons falling within the responsibility of the operator and unidentified reasons.

**Transmission systems of Latvia and the Kaliningrad Region of the Russian Federation.

Electricity consumption increased in Lithuania in 2015, however the quantity of electricity transmitted decreased by 1.2%. This decrease was caused by higher production level at power plants using renewable resources which are connected to the distribution network and higher production for own needs at power plants connected to the transmission network.

The quantity of electricity transmitted to the distribution network operator ESO was equal to 8,413 GWh, which is 0.1% more than a year ago, whereas the quantity of electricity transmitted to other consumers connected to the transmission network declined by 13.1% compared to 2014 and was equal to 806 GWh.

In 2015, the total volume of natural gas transported to Lithuanian consumers to the gas distribution systems or directly connected consumer systems was equal to 26,183 GWh. The volume of natural gas transmitted

decreased by 1.8% compared to 2014 when 26,650 GWh of natural gas were transmitted. The volume of natural gas transmitted to the system users to Latvia via the transmission system through the Kiemēnai Gas Metering Station was equal to 1,029 GWh. The volume of natural gas transmitted to the Kaliningrad Region of the Russian Federation was equal to 21,779 GWh (21,584 GWh in 2014).

The largest quantity of gas was delivered to the fertilisers companies in 2015 as in the previous years, i.e. 14,111 GWh or 7.2% more than in 2014. The quantities of natural gas transmitted to all other groups of customers declined. The most significant decrease was observed with respect to the industrial companies for which only 1,176 GWh of gas were delivered representing a 25.9% drop. The quantity of gas transported to the energy companies was down to 6,984 GWh (7,811 GWh in 2014). Gas volume delivered to the supply companies dropped by 4.3% compared to the previous year and was equal to 3,912 GWh.

Key financial indicators of the EPSO-G Group:

Financial indicators, in EUR thousands	2015	2014*	2013
Revenue	156,837	147,105	170,825
Operating expenses	-140,252	-270,945	-163,270
EBITDA ¹	56,474	49,577	54,712
Net profit	12,647	-13,291	4,180
Assets	1,152,123	901,073	742,859
Equity	202,387	191,530	228,382
Net debt ²	567,989	410,007	218,433
Financial ratios			
EBITDA margin ³	36.0%	33.7%	32.0%
Return on equity (ROE) ⁴	6.4%	-6.3%	1.8%
Net debt to equity ratio	2.8	2.1	1.0
Net debt to EBITDA ratio	10.1	8.3	4.0
Equity to assets ratio	17.6%	21.3%	30.7%
Current liquidity ⁵	0.8	0.8	1.1

* Amber Grid is included in the accounting records of the Group from July 2014

1) EBITDA = profit (loss) before tax + interest expenses - interest income + depreciation and amortisation expenses + impairment expenses + write-offs of property, plant and equipment + revaluation of property, plant and equipment

2) Net debt = non-current borrowings + current borrowings + liability to Lietuvos Energija, UAB for the acquisition of shares of LITGRID AB - short-term investments - term deposits - cash and cash equivalents

3) EBITDA margin = EBITDA / Revenue

4) Return on equity = net profit / (equity at the beginning of the period + equity at the end of the period) / 2

5) Current liquidity = Total current assets / Total current liabilities

Revenue

In 2015, revenue of the EPSO-G Group increased by 6.6% compared to 2014 and amounted to EUR 156.8 million. Revenue growth resulted from income received from natural gas transmission and related services which were accounted for at the Group from July 2014 after the acquisition of the controlling block of shares of Amber Grid.

Income from electricity transmission made up the major portion of the Group's revenue, i.e. 32.1% or EUR 50.4 million; income from natural gas transmission amounted to EUR 49.8 million or 31.8% of the total revenue for the Group (natural gas transmission to Lithuanian consumers amounted to EUR 38.3 million and transportation to the Kaliningrad Region and Latvia generated income of EUR 11.5 million). Income from

sale of balancing (regulating) electricity amounted to EUR 14.6 million, whereas other income amounted to EUR 42.1 million.

Operating expenses

The Group's expenses for 2015 amounted to EUR 140.3 million.

The main elements in the total amount of expenses are purchases of energy resources and related services amounting to EUR 46.4 million or 33.1% (purchases of electricity and related services amounted to EUR 37.8 million, natural gas related expenses were equal to EUR 8.6 million). Depreciation and amortisation expenses made up 26% of the total operating expenses or EUR 36.8 million, wages and salaries and related expenses amounted to EUR 20.9 million, repair and maintenance expenses reached EUR 9.8 million, telecommunications and ITT expenses – EUR 4.0 million and the remaining amount of expenses was equal to EUR 22.4 million.

Results of operations

The Group's net profit for 2015 amounted to EUR 12.6 million or EUR 25.9 million higher than in 2014 when a loss of 13.3 million was incurred (arising from the revaluation of non-current assets of the Group companies).

The Group's EBITDA increased by 13.9% compared to 2014 and was equal to EUR 56.5 million in 2015. The EBITDA margin rose to 36.0% (2014: 33.7%).

Investments

In 2015, investments of the electricity transmission system operator Litgrid amounted to EUR 208 million, whereof 89% were allocated for the implementation of the strategic electricity projects and 11% were designated for the reconstruction and development of the domestic transmission network.

Amber Grid investments for 2015 amounted to EUR 49.5 million, the major portion of which (EUR 43.4 million or 87.7% of the total investments) comprised investments in the construction of new gas systems and investments in the reconstruction and modernisation were equal to EUR 6.0 million. In 2015, investments in financial assets amounted to EUR 131 thousand (Amber Grid acquired 34% of the share capital of GET Baltic UAB from Lietuvos Dujos AB).

Balance sheet

As at 31 December 2015, the Group's assets amounted to EUR 1,152.1 million. The Group's non-current assets represented 82.3% of the Group's total assets. During 2015, the Group's non-current assets increased by 30.6% to EUR 948.7 million due to the strategic infrastructure projects being developed. The ratio of shareholders' equity to the Group's assets was equal to 17.6%.

As at 31 December 2015, the Group's borrowings from financial institutions amounted to EUR 601.6 million (including a EUR 210 million liability to Lietuvos Energija, UAB for the acquisition of shares of LITGRID AB); the ratio of borrowings to equity was equal to 297%. Amounts repayable within one year as a portion of non-current borrowings represented 5.5% of the total borrowings. Cash and cash equivalents amounted to EUR 33.7 million.

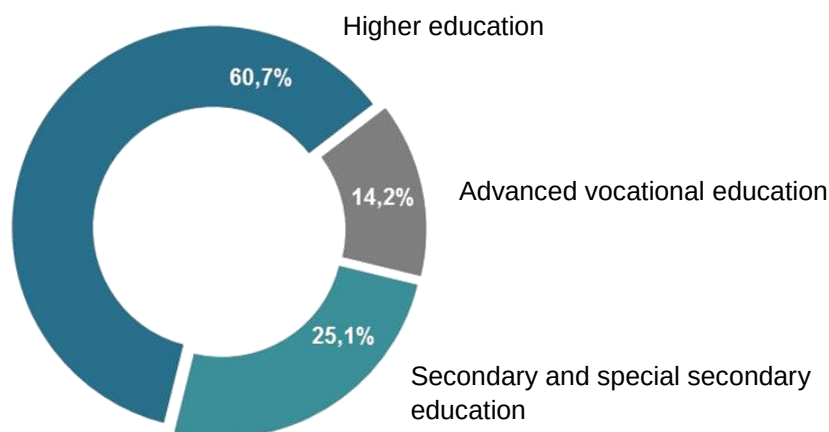
VI. Personnel

As at 31 December 2015, the EPSO-G Group had 1,030 employees: EPSO-G – 8 employees, Amber Grid – 363 employees, Litgrid – 235 employees, Tetas – 391 employees, Baltpool – 10 employees, Tinklo Priežiūros Centras – 23 employees, and Get Baltic – 3 employees.

The total wage bill of the EPSO-G Group for the reporting year amounted to EUR 16,107 thousand.

	Number of employees		Average salary (before tax)	
	At 31 Dec 2015	At 31 Dec 2014	At 31 Dec 2015	At 31 Dec 2014
All employees	1,030	1,072	1,311	1,217
Management personnel	25	22	4,532	4,073
Specialists	655	647	1,478	1,339
Workers	350	403	817	771

The structure of the EPSO-G Group's employees according to educational background at the end of the period:



VII. Corporate governance

Corporate governance guidelines

The EPSO-G corporate governance guidelines, which were approved by the Lithuanian Ministry of Energy on 7 September 2015, prescribe the key principles for the management of the Group of companies – transparency, efficiency, professionalism, consistency and responsibility. EPSO-G aims to adopt the best international practices stipulated in the guidelines published by the Organisation for Economic Cooperation and Development (OECD) for new members, the recommendations of the United Nations and NASDAQ.

Articles of Association

On 17 December 2015, the new Articles of Association of EPSO-G were registered, which were drafted referring to the OECD recommendations published in 2015 regarding the implementation of the corporate management principles by the companies owned by the State of Lithuania. The OECD report also recommends to reorganise the management of EPSO-G and form the Board at this company.

In attempt for the State, in its capacity as the owner, to effectively control its companies and for them to operate transparently and professionally, one of the main changes being planned is the separation of the state-owned companies from political influence by involving the best independent professionals in the management of the EPSO-G Group.

Management bodies

The following management bodies are stipulated in the Company's Articles of Association:

1. General Meeting of Shareholders
2. Supervisory Board
3. Management Board
4. The Company's Manager – the Chief Executive Officer of the Company.

As at 31 December 2015, the following management bodies were established at Company: the General Meeting of Shareholders and the Company's CEO. The Supervisory Board and the Management Board of EPSO-G as well as two specialised committees under the authority of the Supervisory Board, i.e. the Audit Committee and the Remuneration and Appointment Committee, are planned to be formed in the first half of 2016. Two out of five members of the Supervisory Board will be independent experts of a respective field and as regards the Management Board more than a half of its members, i.e. three out of five, will be independent members.

Transparency

The Company complies with the provisions of sections IV-VII of the Guidelines for Ensuring the Transparency of Activities of the State-owned Enterprises approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 and publicly announces the specified indicators of the operations of the EPSO-G Group (<http://vkc.turtas.lt/imones>).

VIII. Shareholders and dividends

As at 31 December 2015, the Company's authorised share capital amounted to EUR 22,482,695. As at 31 December 2015, the authorised share capital was divided into 77,526,533 ordinary registered intangible shares with the nominal value of EUR 0.29 each. All shares are fully paid and grant shareholders equal rights.

The sole shareholder of EPSO-G UAB is the Republic of Lithuania (100% of shares) whose property and non-property rights are implemented by the Ministry of Energy of the Republic of Lithuania represented by the Minister of Energy of the Republic of Lithuania in accordance with paragraph 2.3 of the Lithuanian Government's Resolution No 826 of 4 July 2012 *Regarding the establishment of the private limited liability company and investment of state-owned assets*.

EPSO-G UAB has not acquired own shares. During the reporting period EPSO-G UAB neither acquired nor disposed of its own shares. The Company's subsidiaries have not acquired the Company's shares.

The shares of LITGRID AB and Amber Grid AB that are controlled by EPSO-G are traded at NASDAQ Vilnius stock exchange:

Company	ISIN code	Securities' abbreviation	Trading list
LITGRID AB	LT0000128415	LGD1L	BALTIC SECONDARY LIST
Amber Grid AB	LT0000128696	AMG1L	BALTIC SECONDARY LIST

The securities of other companies controlled by EPSO-G are not traded at the stock exchange.

Dividends

In 2015, the Company allocated and paid to the state budget dividends amounting to EUR 171 thousand.

IX. Risk factors and risk management

When performing its activities, the EPSO-G Group companies are exposed to the following main risks:

Political and regulatory risk

The power sector has great importance for national, political and economic interests. The structure, management and operations of the electricity and natural gas sector companies are regulated the Lithuanian laws and implementing legal acts. Any amendments to the national or the EU level legal acts regulating the power sector may have impact on the results of the operations of the EPSO-G Group. Aiming to mitigate the impact of this risk on the results of operations the representatives of the companies actively participate in deliberations, inform about the decisions whose adoption is necessary and/or make proposals for the authorities that draft legal acts.

The prices of the electricity and natural gas services are regulated and the price caps are established by the National Control Commission for Prices and Energy. These decisions of the regulatory body directly affect not only the results of operations of the EPSO-G Group, but also the amount of funds allocated by the companies for necessary operating expenses, for the investments ensuring the reliability of the transmission network as well as the possibilities to finance strategic projects using own or borrowed funds. To reduce the impact of the regulatory risk on the results of operations, the companies actively cooperate with the Commission, take part in the deliberations on the amendments to the legal acts, present arguments to support their proposals by describing the influence of future decisions and the importance of long-term, strategic objectives of the companies.

Operational and technological risk

One of the main functions and responsibilities of the companies of the EPSO-G Group is to ensure a safe, reliable and effective operation of the natural gas and electricity transmission systems. To achieve this specialised information systems, modern business management systems are being installed at the companies, the plans on the management of emergencies are regularly updated, high requirements are set for contractors.

The maintenance and support of the transmission systems operated by the companies require special attention (more than a half of gas pipelines are older than 25 years, more than a half of high-voltage transmission facilities are older than 45 years). In order to avoid interruptions at the transmission systems

the companies conduct a constant monitoring of the systems, draw up respective maintenance plans and plan necessary new investments in the network in due time. The companies apply the rating scale for the investments in the network based on objective criteria and special valuation methodology which leads to optimised and balanced investments.

Financial risk

The EPSO-G Group companies are exposed to financial risks in their operations, i.e. credit risk, liquidity risk and market risk (foreign exchange risk, interest rate risk). Information on financial risks is presented in the Group's financial statements for 2015.

Competitive risk exposure

The results of operations of the EPSO-G Group are affected by competition among different energy resources. A significant decline in natural gas consumption by the Lithuanian power sector companies due to more efficient methods of thermal power generation, use of alternative fuels (biomass, sun, wind, geothermal energy) have a negative effect on the financial performance of Amber Grid. By implementing the tasks defined under the established strategic directions (transformation to the transmission system operator functioning at the single gas market; development of the necessary infrastructure) the Company aims to mitigate the risk of reduction in natural gas consumption and transportation and its consequences.

X. Social responsibility and environmental protection

The environmental protection and social responsibility policy is an integral part of the strategic tasks and objectives set for companies controlled by EPSO-G. The results and effectiveness of this policy are regularly and methodologically assessed.

Environmental protection

The companies of the EPSO-G Group comply with the strictest environmental standards in their operations. Amber Grid not only improves the installed environmental management system under the requirements of ISO 14001, maintains the environmental status by implementing production and organisational activities, but also started the introduction of the occupational safety and health management system under the requirements of OHSAS 18001 by integrated it in the existing environmental system. Litgrid requires that the contractors apply the ISO 14001 environmental management system. When accepting the works performed all companies verify whether the contractors fulfilled requirements, properly managed waste and have documents confirming this.

The environmental impact assessment or selection procedures are performed with respect to the planned infrastructure projects, the results of which are taken into consideration during the preparation of technical projects. The environmental requirements are established during the preparation of engineering tasks. Solutions less harmful to environment are chosen first, if possible.

Social initiatives

The Group's activities are organised on the ground of social responsibility and transparency. The operations of the Group companies are crucial for economic success of the country. Long-term strategic objectives and strategic electricity projects being implemented by the companies contribute to ensuring the country's energy independence. As in the previous years companies Litgrid and Amber Grid took part in various support

programmes by acting as partners in projects significant to society and creating new living or occupational opportunities for those in need. In 2015, Amber Grid provided support to more than 30 different institutions, organisations or their projects, thus making a significant contribution in promoting various initiatives. Litgrid was recognised as the Socially Responsible Company 2015 at the contest Responsible Business and was also awarded the title of the most active partner of the community during the ceremony of the National Responsible Business Awards organised by the Lithuanian Ministry of Social Security and Labour.

XI. Significant events after the end of the reporting period

On 5 February 2016, the Company and LITGRID AB signed the share purchase and sale agreement, under which the Company acquired 67% of shares of BALTPPOOL UAB. The agreement stipulates that the right of ownership is transferred to the Company from 1 March 2016.
