

AMBER GRID AB

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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.



Independent Auditor's Report

To the shareholders of Amber Grid AB

Report on the financial statements

We have audited the accompanying financial statements of Amber Grid AB ("the Company") set out on pages 4 to 43, which comprise the statements of financial position as of 31 December 2015 and the statements of profit or loss, 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 Company's accounting policy, property, plant and equipment is carried at cost less subsequent accumulated depreciation and impairment losses. As explained in note 4, management assessed the recoverable amount of property plant and equipment as of 31 December 2014 and recorded an impairment loss in that year. Management did not determine the recoverable amount of property, plant and equipment with carrying amounts of 458 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 impairment 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.

Qualified 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 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 annual report accompanying these financial statements for the year ended 31 December 2015 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 handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
21 March 2016

AMBER GRID AB, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

Statement of financial position

	Notes	As at 31 December 2015	As at 31 December 2014
ASSETS			
A. Non-current assets		354,911	321,762
I. Intangible assets	5	801	653
II. Property, plant and equipment	6	353,888	320,986
II.1. Land		113	113
II.2. Buildings and structures		285,159	234,951
II.2.1. Buildings		6,544	6,674
II.2.2. Gas transmission pipelines and related installations		273,458	222,709
II.2.3. Gas distribution pipelines and related installations		105	107
II.2.4. Other buildings and structures		5,052	5,461
II.3. Machinery and equipment		60,078	63,415
II.4. Motor vehicles		1,216	1,365
II.5. Other equipment, tools and devices fittings, tools and equipment		4,046	3,749
II.6. Other property, plant and equipment		184	219
II.7. Construction in progress		3,092	17,174
III. Non-current financial assets		222	123
III.1. Investments into joint venture	1	222	123
B. Current assets		98,442	51,542
I. Inventories and prepayments		3,086	4,664
I.1. Inventories	7	2,949	4,594
I.1.1. Raw materials, spare parts and other inventories		1,170	1,294
I.1.2. Natural gas		1,779	3,295
I.1.3. Assets held for sale		-	5
I.2. Prepayments		137	70
II. Accounts receivable	8	37,001	30,548
II.1. Trade receivables		9,435	6,857
II.2. Other receivables		27,566	23,691
III. Prepaid income tax		-	-
IV. Other financial assets	9,16	31,386	14,616
V. Cash and cash equivalents	10	26,969	1,714
Total assets		453,353	373,304

(cont'd on the next page)


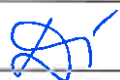
The accompanying notes form an integral part of these financial statements.

AMBER GRID AB, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

Statement of financial position (continued)

	Notes	As at 31 December 2015	As at 31 December 2014
EQUITY AND LIABILITIES			
C. Equity		194,664	236,615
I. Share capital	1	51,731	51,663
II. Reserves	11	126,955	293,996
II.1. Legal reserve		5,166	5,166
II.2. Other reserves		121,789	288,830
III. Retained earnings (deficit)		15,978	(109,044)
D. Amounts payable and liabilities		258,689	136,689
I. Amounts payable after one year and non-current liabilities		180,742	77,655
I.1. Non-current borrowings	12	112,889	26,076
I.2. Grants (deferred revenue)	13	62,885	43,836
I.3. Non-current employee benefits	14	419	455
I.4. Deferred income tax liability	19	4,549	7,288
II. Amounts payable within one year and current liabilities		77,947	59,034
II.1. Current financial liabilities	12	-	-
II.2. Current portion of non-current borrowings	12	25,121	13,057
II.3. Current portion of non-current employee benefits	14	76	86
II.4. Trade payables	15	8,562	11,590
II.5. Advance amounts received		1,261	-
II.6. Income tax liability		316	1,033
II.7. Payroll-related liabilities		826	731
II.8. Other payables and current liabilities	16	41,785	32,537
Total equity and liabilities		453,353	373,304

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

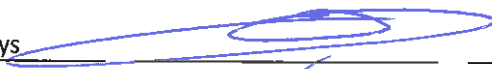

General Manager	Saulius Bilys		21 March 2016
Chief Accountant	Dzintra Tamulienė		21 March 2016

AMBER GRID AB, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

Profit (loss) statement

		Notes	2015	2014
I.	Revenue	17	55,800	51,791
II.	Expenses		(40,671)	(187,200)
II.1.	Cost of natural gas		(8,603)	(6,426)
II.2.	Depreciation and amortisation	5, 6	(14,980)	(21,986)
II.3.	Employee benefits and related social security expenses		(7,710)	(7,224)
II.4.	Repair and technical maintenance expenses		(6,027)	(6,248)
II.5.	Taxes other than income tax		(1,493)	(1,462)
II.6.	Impairment of non-current assets	4	-	(141,937)
II.7.	Other expenses		(1,858)	(1,917)
III.	Operating profit (loss)		15,129	(135,410)
IV.	Financing activity	18	(442)	(594)
IV.1.	Income		65	49
IV.2.	Expenses		(507)	(643)
V.	(Loss) profit before income tax		14,687	(136,004)
VI.	Income tax	19	1,291	22,596
VI.1.	Current year income tax		(1,448)	(1,266)
VI.2.	Deferred income tax		2,739	23,862
VII.	Net profit (loss)		15,978	(113,408)
	Basic and diluted earnings (loss) per share (EUR)	20	0.09	(0.64)

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



General Manager	Saulius Bilys		21 March 2016
Chief Accountant	Dzintra Tamulienė		21 March 2016

AMBER GRID AB, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

Statement of comprehensive income

	2015	2014
I. Net profit (loss)	15,978	(113,408)
II. Other comprehensive income	-	-
II.I. will be reclassified subsequently to profit or loss	-	-
II.I. will not be reclassified subsequently to profit or loss	-	-
III. Total comprehensive income (loss)	15,978	(113,408)

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

General Manager	Saulius Bilys		21 March 2016
Chief Accountant	Dzintra Tamulienė		21 March 2016



AMBER GRID AB, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

Statement of changes in equity

	Notes	Share capital	Legal reserve	Other reserves	Retained earnings (deficit)	Total
At 31 December 2013		51,663	5,166	288,830	4,364	350,023
Total comprehensive income (loss)		-	-	-	(113,408)	(113,408)
<i>Net loss for the year</i>		-	-	-	(113,408)	(113,408)
At 31 December 2014		51,663	5,166	288,830	(109,044)	236,615
Transfer from other reserves	11	-	-	(167,041)	167,041	
Dividends declared		-	-	-	(57,997)	(57,997)
Total comprehensive income		68*	-	-	15,978	15,978
<i>Net profit for the year</i>		68*	-	-	15,978	15,978
At 31 December 2015		51,731	5,166	121,789	15,978	194,664

*Result of share capital conversion into the euros (Note 1).

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

General Manager	Saulius Bilys 	21 March 2016
Chief Accountant	Dzintra Tamulienė 	21 March 2016

AMBER GRID AB, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

Statement of cash flows

	Notes	2015	2014
I. Cash flows from (to) operating activities			
I.1. Net profit (loss)		15,978	(113,408)
Adjustments for non-cash items and other corrections:			
I.2. Depreciation and amortisation	5, 6	16,316	23,289
I.3. Loss on disposal and write-off of property, plant and equipment, doubtful trade receivables and inventories		(9)	(2)
I.4. Impairment losses for property, plant and equipment, financial assets, for doubtful trade receivables and inventories	4, 7, 8	12	141,947
I.5. Income tax (benefit)	19	(1,291)	(22,596)
I.6. Interest (income)	18	(12)	(22)
I.7. Interest expenses	18	393	626
I.8. (Amortisation) of grants (deferred revenue)		(1,688)	(1,338)
I.9. Elimination of other non-cash items		52	154
		29,751	28,650
Changes in working capital:			
I.10. Decrease in inventories	7	1,634	673
I.11. (Increase) in trade receivables	8	(2,578)	(2,172)
I.12. (Increase) in other receivables and prepayments		6,087	(1,305)
I.13. (Decrease) increase in trade payables		884	(5)
I.14. Increase in other payables and current liabilities		10,440	2,542
I.15. (Increase) in other financial assets		(16,770)	(1,495)
I.16. Income tax (paid)		(559)	(397)
Total changes in working capital		(862)	(2,159)
Net cash flow from operating activities		28,889	26,491
II. Cash flows from investing activities			
II.1. (Acquisition) of property, plant and equipment and intangible assets	5, 6, 21	(52,960)	(17,507)
II.2. Proceeds on disposal of non-current assets		10	3
II.3. (Acquisition) of investments in joint venture		(131)	-
II.4. Interest received	18	12	23
Net cash flows (used) in investing activities		(53,069)	(17,481)

(cont'd on the next page)



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

AMBER GRID AB, company code 303090867, Savanorių pr. 28, Vilnius, Lithuania
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

Statement of cash flows (continued)

	Notes	2015	2014
III. Cash flows from financing activities			
III.1. Dividends (paid)		(57,870)	-
III.2. Proceeds from borrowings		138,000	-
III.1. (Repayments) of borrowings	12	(39,123)	(13,057)
III.2. Grants received	13,21	9,089	782
III.3. Interest (paid)		(661)	(731)
Net cash flows from (used in) financing activities		49,435	(13,006)
IV. Net increase (decrease) in cash and cash equivalents		25,255	(3,996)
V. Cash and cash equivalents at the beginning of the year		1,714	5,710
VI. Cash and cash equivalents at the end of the year		26,969	1,714

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

General Manager	Saulius Bilys		21 March 2016
Chief Accountant	Dzintra Tamulienė		21 March 2016

Notes to the financial statements

1 General information

Amber Grid AB ("the Company") is a public limited liability company registered in the Republic of Lithuania. Its registered office address is as follows:

Savanorių pr. 28,
LT – 03116, Vilnius,
Lithuania.

Amber Grid AB was registered on 25 June 2013 as a result of unbundling of natural gas transmission activity together with assets, rights and obligations attributed thereto. The Company has been actively operating since 1 August 2013, i.e. the date on which the temporary licence to engage in natural gas transmission activity granted by the National Control Commission for Energy and Prices ("the Commission") came into force. Since the unbundling of the activities is treated as a transaction between entities under common control and since the Company continues the same activity as the one when it was part of Lietuvos Dujos AB, all assets and liabilities were initially recognised by the Company at carrying amounts reported for by the transferor (i.e. Lietuvos Dujos AB) at the time of transfer.

The legal, functional and organisational unbundling of natural gas transmission activity was effected through the establishment of Amber Grid AB. To ensure full compliance with the requirements of Chapter 8 of the Lithuanian Law on Natural Gas, the separation of control of Amber Grid AB was expected to be implemented by 31 October 2014. The decision on control separation was adopted by the Company's shareholders, as described below.

Pursuant to the Lithuanian Law on Natural Gas and implementing legislation, on 20 October 2014 the Company applied to the Commission with request to present a conclusion on the loss of control prohibited under the Law on Natural Gas. On 13 January 2015, the Commission concluded that the unbundling of transmission activity of Amber Grid AB was in compliance with the provisions of the Law on Natural Gas. After obtaining a positive decision from the European Commission, on 10 April 2015 the Commission granted to the Company an energy operator licence No L2-3 (GDP) to engage in natural gas transmission activity in the territory of Lithuania.

Acting as a natural gas transmission system operator, the Company provides the following services to the system users, other operators and gas market participants:

- natural gas transmission in the territory of Lithuania;
- natural gas flow balancing in the transmission system;
- administration of funds intended to compensate for the construction and operating expenses of the liquefied natural gas (LNG) terminal, its infrastructure and connector.

The Company's clients are large companies (operating in the sectors of electricity, district heating and industry) and medium-sized local businesses, as well as natural gas suppliers receiving natural gas transmission services.

As at 31 December 2015, the Company had 89 (2014: 59) agreements for gas transmission services with the users of the gas transmission system (natural gas consumers, natural gas distribution system operators, natural gas suppliers supplying gas to the systems of gas consumers). The Company also had 3 (2014: 12) agreements for natural gas balancing services with the natural gas suppliers trading in natural gas but not transporting gas via the transmission system.

The Company's share capital was converted into the euros and totalled EUR 51,730,929 in 2015. The share capital is divided into 178,382,514 ordinary registered shares with the par value of EUR 0.29 each. In 2014, the share capital (before conversion into the euros – see Note 2.2) totalled LTL 178,382,514, where the par value of each share was equal to LTL 1.

1 General information (continued)

The Company's share capital was converted into the euros as at 1 January 2015 in line with the special procedure for conversion of share capital set in the laws regulating adoption of the euro. Following the conversion, the share capital of EUR 51,730,929 was calculated by multiplying the par value of one share equal to EUR 0.29 by the number of shares. The share capital was approved by the Ordinary General Meeting of Shareholders on 23 April 2015 by making correspondent amendments to the Articles of Association of Amber Grid AB.

All the shares of the Company are ordinary registered shares with the par value of EUR 0.29 each. As at 31 December 2015 and 2014, all the shares had been fully paid. The Company did not hold its own shares. As from 1 August 2013, the Company's shares have been traded on stock exchange and quoted on the Baltic Secondary List of NASDAQ Vilnius (ISIN - LT0000128696; Ticker - AMG1L).

As at 31 December 2015 and 2014, the Company's shareholders were as follows:

	Number of shares held	Percentage of ownership (%)
EPSO-G UAB (company code 302826889, A.Juozapavičiaus 13, Vilnius)	172,279,125	96.58
Other shareholders	6,103,389	3.42
	<u>178,382,514</u>	<u>100.00</u>

EPSO-G UAB is wholly owned by the Republic of Lithuania. 100% of shares in EPSO-G UAB are owned under the right of trust by the Lithuanian Ministry of Energy. EPSO-G UAB is responsible for the management of the share package of the Lithuanian electricity and gas transmission system operators.

Seeking to implement its strategic goal to develop a competitive regional natural gas market, on 6 November 2015 Amber Grid AB acquired additional 34% stake in GET Baltic UAB from Lietuvos Dujos AB. The acquisition cost amounted to EUR 130,832. As a result, Amber Grid AB became the major shareholder of GET Baltic UAB holding 66% of its share capital. The remaining 34% of shares is held by the Finnish natural gas company Gasum Oy.

GET Baltic UAB is a company holding natural gas market operator's licence, the main function of which is to organise and develop trading on the natural gas exchange.

The Company's investment in subsidiary GET Baltic UAB (controlled jointly with Gasum Oy in 2014) was accounted for at cost in the Company's financial statements for the years ended 31 December 2015 and 2014.

In line with the exception defined in Article 6(1) of the Lithuanian Law on Consolidated Accounts of Entities, the subsidiary was not included in the consolidated financial statements as it was not material for the Company because its assets at the end of the financial year did not exceed 5% of the Company's total assets, and its net sales revenue in the reporting year did not exceed 5% of the Company's net sales revenue during the same period.

The financial statements of GET Baltic UAB as at 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

1 General information (continued)

GET Baltic UAB data as at 31 December 2015 and 2014:

Year	Registered office address	Company's ownership interest (%)	Share capital	Company's share of (loss) for the reporting year	Company's share of equity for the reporting year	Main activity
2015	Savanorių pr. 28, Vilnius	66	580	(32)	173	Licensed activities of natural gas market operator – organisation of trade in natural gas on natural gas exchange
2014	Aguonų g 24, Vilnius	32	579	(16)	116	Licensed activities of natural gas market operator – organisation of trade in natural gas on natural gas exchange

Get Baltic UAB condensed statement of financial position as at 31 December 2015 and 2014:

	At 31 December 2015	At 31 December 2014
ASSETS		
A. Non-current assets	194	189
I. Intangible assets	193	188
II. Property, plant and equipment	1	1
B. Current assets	822	3,808
I. Prepayments	-	-
II. Amounts receivable	148	1,663
III. Cash and cash equivalents	674	2,145
Total assets	1,016	3,997
EQUITY AND LIABILITIES		
C. Equity	262	361
I. Share capital	580	579
II. Reserves	-	-
III. Accumulated loss	(318)	(218)
D. Amounts payable and liabilities	754	3,636
I. Non-current liabilities	-	-
II. Current liabilities	754	3,636
Total equity and liabilities	1,016	3,997

1 General information (continued)

Get Baltic UAB condensed income statement for the years ended 31 December 2015 and 2014:

		2015	2014
I.	Total income	110	151
II.	Total expenses	(210)	(201)
III.	Profit (loss) before income tax	(100)	(50)
IV.	Income tax	-	-
V.	Net profit (loss)	(100)	(50)

Get Baltic UAB condensed statement of comprehensive income for the years ended 31 December 2015 and 2014:

		2015	2014
I.	Net profit (loss)	(100)	(50)
II.	Other comprehensive income	-	-
	<i>II.I. will be reclassified subsequently to profit or loss</i>	-	-
	<i>II.I. will not be reclassified subsequently to profit or loss</i>	-	-
III.	Total comprehensive income (loss)	(100)	(50)

In 2015, the average number of employees on payroll at Amber Grid AB was 359 (2014: 352).

These financial statements were approved by the Company's management on 21 March 2016. The Company's shareholders have a statutory right to approve the financial statements or not to approve them and require that management prepare a new set of financial statements.

2 Accounting policies

Presented below are the principal accounting policies adopted in the preparation of the Company's financial statements for the year 2015:

2.1. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

These financial statements have been prepared on a historical cost basis.

Due to the rounding effects of individual amounts to the nearest thousand of euros, the tabular amounts may not add up to the total figures. These rounding errors are not material in the financial statements.

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

The following new and amended IFRSs were adopted by the Company in the financial year ended 31 December 2015:

IFRIC 21 Levies.

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.

The interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognised in the financial statements when the activity that triggers the payment of the levy occurs. The interpretation had no impact on the Company's financial statements.

Annual Improvements to 2013 IFRSs effective for annual periods beginning on 1 January 2015:

IFRS 1 First-time Adoption of IFRS;

IFRS 3 Business Combinations;

IFRS 13 Fair Value Measurement;

IAS 40 Investment Property.

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.

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

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.

The above amendments had no impact on the Company's financial statements.

Other standards, amendments and interpretations effective for annual periods beginning on 1 January 2015 had no significant impact on the Company.

New standards, interpretations and amendments that are not yet effective

Annual Improvements to IFRSs 2012 effective for annual periods beginning on or after 1 February 2015 that have not been early adopted by the Company:

IFRS 2 *Share-based Payment*;
IFRS *Business Combinations*;
IFRS 8 *Operating Segments*;
IFRS 13 *Fair Value Measurement*;
IAS 16 *Property, Plant and Equipment*;
IAS 24 *Related Party Disclosures*;
IAS 38 *Intangible Assets*.

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.

2 Accounting policies (continued)

2.1. Basis of preparation (continued)

The above amendments had no impact on the Company's financial statements.

Annual Improvements to IFRSs 2014 effective for annual periods beginning on or after 1 January 2016 that have not been early adopted by the Company:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
IFRS 7 Financial Instruments. Disclosures;
IAS 19 Employee Benefits;
IAS 34 Interim Financial Statements.

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".

The Company is currently assessing the impact of the above amendments on its financial statements.

Standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2016 that have not been adopted in the preparation of these financial statements:

IAS 1 Presentation of Financial Statements;
IFRS 15 Revenue From Contracts With Customers;
IFRS 16 Lease;
IFRS 9 Financial Instruments. Classification and Measurement.

IAS 1 was amended to clarify the concept of materiality and explain 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.

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

2 Accounting policies (continued)

2.1. Basis of preparation (continued)

IFRS 15 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 above standard is effective for annual periods beginning on or after 1 January 2018; not yet endorsed by the EU.

The Company has not assessed yet the impact of the above standard on its financial statements.

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.

The above standard is effective for annual periods beginning on or after 1 January 2019; not yet endorsed by the EU. The Company has not assessed yet the impact of the above standard on its financial statements.

Key features of IFRS 9 are as follows:

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.

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

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.

The above standard is effective for annual periods beginning on or after 1 January 2018; not yet endorsed by the EU. The Company has not assessed yet the impact of the above standard on its financial statements.

The Company plans to adopt the above standards and interpretation on their effective date, provided they are endorsed by the European Union.

2.2 Presentation currency

On 1 January 2015, the Republic of Lithuania adopted euro as its official currency, and accordingly, the Company's functional currency has changed as from that date. The litas was converted into the euro at an exchange rate of LTL 3.4528 to EUR 1, which was set irrevocably by the EU Council.

Following the adoption of the euro, the Company converted all amounts denominated in LTL as at 31 December 2014 into the euros, and accounted for the conversion results. The conversion result was expenses of EUR 68 thousand, which were recorded in the income statement under the line item of financing and investing activities.

All amounts in these financial statements have been measured and presented in the euros (EUR), which is an official currency of the Republic of Lithuania.

2.3 Investments in subsidiary

A subsidiary is an entity controlled by the parent company. Investments in subsidiaries are accounted for in the parent company's balance sheet at cost less impairment loss, when the carrying amount of investment reported in the parent company's balance sheet exceeds the recoverable amount.

When a decision is made to sell the subsidiary and there is an active search for a buyer, and it is probable that the sale will occur within one year after the balance sheet date, the investment in subsidiary is classified as current assets held for sale.

2.4 Intangible assets

The Company's intangible assets are initially carried at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of asset can be measured reliably.

The useful lives of intangible assets can be either finite or indefinite.

After initial recognition, intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives (4 years). The useful lives, residual values and amortisation method are reviewed annually to ensure they are consistent with the expected pattern of economic benefits from items of non-current intangible assets. Intangible assets mainly consist of software and licences used in the Company's activities.

The Company has intangible assets with indefinite useful lives.

2 Accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes replacement costs of part of property, plant and equipment when such costs are incurred and where the recognition criteria are met. Borrowing costs are capitalized on qualifying assets, which creation lasts for more than three months and value is greater than EUR 145 thousand. While determining the amount of borrowing costs eligible for capitalization of costs incurred in the acquisition of qualifying assets, capitalization rate is applied. Borrowing costs consist of interest and other borrowing-related costs.

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 the Company will be able 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.

Likewise, when a major repair is performed, its cost is recognised in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are met. All other repair and maintenance costs are recognised as profit or loss as incurred.

When assets are sold or retired, their cost, accumulated depreciation and impairment losses are eliminated from the accounting, and any gain or loss resulting from their disposal is recorded in the income statement.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings	25 - 60 years
Gas transmission pipelines and installations	18-55 years
Gas distribution pipelines and installations	55 years
Plant and machinery	5 - 20 years
Other buildings and structures	15 - 19 years
Motor vehicles	6 years
Other fixtures, fittings, tools and equipment	4 - 9 years
Other property, plant and equipment	4 - 6 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The Company has land with indefinite useful life, which is not depreciated.

Construction in progress is stated at cost. This includes the cost of building, structures and equipment and other directly attributable costs. Construction in progress is not depreciated until the construction of asset is completed and the asset is put into operation.

The Company assesses the recoverable amount of property, plant and equipment whenever there is an indication that the property, plant and equipment may be impaired. An impairment loss is recognised in the income statement, whenever estimated.

2.6 Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement", the Company's financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date.

2 Accounting policies (continued)

2.6 Financial assets (continued)

When financial assets are recognised initially, they are measured at fair value, plus transaction costs (except for the financial assets at fair value through profit or loss).

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold them to maturity. Investments that are intended to be held to maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at amortised cost using the effective interest method less impairment losses, if any. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

Impairment allowance for doubtful receivables is evaluated when the indications leading to the impairment of amounts receivable are noticed and the carrying amount of the receivables is reduced through the use of an allowance account. Impaired loans and amounts receivable are written-off when they are assessed as uncollectible.

2.7 Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its 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 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 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 Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2 Accounting policies (continued)

2.8 Inventories

Inventories of the Company, consisting of natural gas contained in the gas pipelines (line pack) and other inventories, are valued at the lower of cost and net realisable value.

Inventories include natural gas in excess of the minimum quantity of gas contained in the gas pipelines (line pack), which fluctuates depending on the specific supply volumes and the technological parameters of interconnected natural gas systems.

Cost of natural gas is determined on the basis of weighted average cost, and the cost of the remaining inventories is determined on the basis of the first-in, first-out (FIFO) method. Inventories that cannot be realised are written off.

2.9 Cash and cash equivalents

Cash includes cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.10 Borrowings

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings, except capitalised interest (note 2.11).

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset.

All other borrowing costs are expensed when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings.

2.12 Grants (deferred revenue)

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

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also attributed to this group of grants. The amount of the grants related to assets is recognised as income over the life of a depreciable asset and recorded in the income statement by netting the depreciation expenses of the related asset against the grant income.

Until 1 July 2009, the payments made by the system users for their connection to the Company's gas system were used to be accounted for as deferred revenue and they were recognised as income during the life of depreciable capitalised asset. After 1 July 2009, the payments made by the system users for their connection are recognised immediately as revenue.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant

The balance of unutilised grants is shown under caption "Grants (deferred revenue)" in the statement of financial position.

2 Accounting policies (continued)

2.13 Non-current employee benefits

Defined benefit plan - post employment benefits

According to the collective agreement, each employee leaving the Company at the retirement age is entitled to a one-time payment. Employment benefits are recognised in the statement of financial position and reflect the present value of future payments at the date of the statement of financial position. The above-mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. The actuarial gains and losses are recognized in other comprehensive income in the period when incurred. They will not be reclassified to profit or loss in future periods.

The past service costs are recognised in the income statement immediately.

Other long-term employee benefits

The Company is paying benefits to its employees for their long service at the Company. Non-current obligation for employment benefit is recognised in the statement of financial position at the present value of defined benefit obligation at the date of the statement of financial position. Present value of defined benefit obligation is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and the similar maturity as the employment benefits.

2.14 Income tax

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

As from 1 January 2010, income tax rate of 15% has been established for companies operating in the Republic of Lithuania.

As from 1 January 2014, deductible tax losses carried forward can be used to reduce the taxable profit earned during the reporting year by maximum 70%. 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 Company stops its activities due to which these losses were incurred except when the Company does not continue its activities due to reasons which do not depend on the Company 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.

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 tax asset and liability is measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax asset have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

2 Accounting policies (continued)

2.15 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance lease

Finance leases that transfer to the Company substantially all the risks and rewards of ownership of the leased item, are capitalised at the commencement of the lease. The Company 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, Company'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 Company, according to the lease contract, obtains ownership at the end of the lease term.

Operating lease

Leases where the lessor retains all significant risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

2.16 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company 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. 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 Company 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 Company collects, administrates 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 Company.

2 Accounting policies (continued)

2.16 Revenue recognition (continued)

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 LMG 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 the 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 Company collects and administrates 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 Company 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 Company's income (Note 17). 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 company responsible for the implementation of the LNG terminal project or the LNG terminal operator), are not treated as the Company's income/expenses, but are accounted for as other receivables/other payables and other financial assets.

2.17 Foreign currencies

Foreign currency transactions are accounted for at the official exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognised in the income statement. Such balances are translated at the period-end exchange rates.

2.18 Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each financial reporting date.

For financial assets carried at amortised cost, whenever, based on events that have occurred, it is probable that the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously

2 Accounting policies (continued)

2.18 Impairment of assets (continued)

recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the impairment was recognised. Such reversal is recorded in the income statement under the same caption where the impairment losses have been recognised. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been, had the impairment not been recognised.

Other assets

Other assets of the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased significantly. The reversal is accounted under the same caption of the income statement as the impairment loss.

2.19 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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 categorised 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.

2.20 Use of accounting estimates in the preparation of the financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management of the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation and impairment evaluation for property, plant and equipment (Note 2.5 and Note 6) and deferred income tax asset (Note 2.14 and Note 18). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

If indications of impairment of property, plant and equipment exist, the asset's recoverable amount is estimated based on the value in use (discounted cash flow) method. Discounted cash flows are estimated using a discount rate, the assumptions in determining of which are substantially in line with the assumptions used by the Commission when estimating the rate of return for price regulation purposes. The changes in discount rate and in the value of regulated assets, as well as the changes in the regulatory environment have the major effect when estimating the recoverable amount of the Company's fixed assets.

The Company performed an impairment test based on value in use method (Note 4).

2 Accounting policies (continued)

2.21 Contingencies

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

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

2.22 Subsequent events

Subsequent events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

2.23 Inter-company offsetting

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not offset, except for those cases where certain IFRS specifically permit or require such offsetting.

3 Segment reporting

The management considers and analyses the natural gas transmission activity pursued by the Company as a single segment, and accordingly, the Company acts as one segment.

All the Company's non-current assets are located in Lithuania, where the Company carries on its activities.

In 2015, the Company generated 76.18% (2014: 78.39%) of its total revenue from the system users in Lithuania, and 23.09% (2014: 21.61%) from gas transportation to the Kaliningrad Region of the Russian Federation and Latvia.

As at 31 December 2015, there were four customers each of which generated revenues in excess of 10% of the Company's total revenue. These revenues totalled EUR 39,102 thousand. They are as follows:

Customer A – EUR 7,152 thousand;
Customer B – EUR 10,451 thousand;
Customer C – EUR 12,888 thousand;
Customer D – EUR 8,611 thousand.

As at 31 December 2014, there were four customers each of which generated revenues in excess of 10% of the Company's total revenue. These revenues totalled EUR 32,546 thousand. They are as follows:

Customer A – EUR 11,472 thousand;
Customer B – EUR 8,002 thousand;
Customer C – EUR 6,632 thousand;
Customer D – EUR 6,440 thousand.

4 Impairment of property, plant and equipment

When preparing the financial statements for 2014, the Company estimated the recoverable amount of property, plant and equipment based on the value-in-use (discounted cash flows) method, and determined impairment of EUR 141,914 thousand, which was recognised in the income statement as impairment expenses of property, plant and equipment. Discounted cash flows were estimated at the discount rate of 7.51% before tax based on the assumptions that were substantially in line with the assumptions used in estimating the rate of return applied by the Commission for price regulation purposes. In addition, the impairment test carried out at the end of 2014 was based on the anticipated changes in the gas market and regulatory environment as from 2015.

4 Impairment of property, plant and equipment (continued)

The changes in the discount rate and the value of regulated assets, as well as the changes in the regulatory environment have the major impact on the recoverable amount of the Company's property, plant and equipment.

When preparing the financial statements for 2015 and seeking to identify whether there occurred any indications of impairment of property, plant and equipment, the Company assessed whether the events which took place in 2015 or future events might affect the above-described assumptions used in estimating the recoverable amount of assets. As a result of the assessment, the Company did not identify any substantial changes in respect of the discount rate or regulatory environment, and based on available data, the Company does not expect any such changes in the foreseeable future, therefore, it concluded that no indications of impairment existed and the carrying amount of property, plant and equipment as at 31 December 2015 corresponded to its recoverable amount.

5 Intangible assets

Movement in intangible assets account during the reporting period and the previous period:

	Patents, licences	Computer software	Other intangible assets	Total
Cost				
At 31 December 2013	317	522	42	881
Additions	48	278	-	326
At 31 December 2014	365	800	42	1,207
Additions	58	270	55	383
Write-off	(9)	-	-	(9)
At 31 December 2015	414	1,070	97	1,581
Accumulated amortisation:				
At 31 December 2013	99	257	39	395
Amortisation	74	82	3	159
At 31 December 2014	173	339	42	554
Amortisation	77	150	8	235
Write-off	(9)	-	-	(9)
At 31 December 2015	241	489	50	780
Net book amount at 31 December 2013	218	265	3	486
Net book amount at 31 December 2014	192	461	-	653
Net book amount at 31 December 2015	173	581	47	801

The Company's part of intangible assets with the cost of EUR 109 thousand as at 31 December 2015 (2014: EUR 112 thousand) has been fully amortised but is still in use.

AMBER GRID AB
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts in EUR thousands unless otherwise stated)

6 Property, plant and equipment

Movement in property, plant and equipment account during the reporting period and the previous period:

	Land	Buildings	Gas transmission pipelines and related installations	Gas distribution pipelines and related installations	Other buildings and structures	Plant and machinery	Motor vehicles	Other fixtures, fittings, tools and equipment	Other PP&E	Construction in progress	Total
Cost:											
At 31 December 2013	113	10,277	491,629	119	8,159	95,174	4,890	16,275	493	3,020	630,149
Additions	-	-	-	-	29	115	310	420	24	24,645	25,543
Disposals and write-off	-	-	(12)	-	(6)	(158)	(231)	(142)	(19)	-	(568)
Reclassified from inventories	-	-	111	-	-	-	-	-	-	-	111
Reclassified to inventories	-	-	-	-	(39)	-	-	-	-	-	(39)
Reclassifications between the groups	-	175	7,193	-	104	2,143	-	848	-	(10,463)	-
At 31 December 2014	113	10,452	498,921	119	8,247	97,274	4,969	17,401	498	17,202	655,196
Additions	-	-	-	-	1	102	278	837	23	47,741	48,982
Disposals and write-off	-	-	-	-	(2)	(32)	(252)	(88)	(19)	-	(393)
Reclassified from inventories	-	-	-	-	-	-	-	-	-	-	-
Reclassifications between the groups	-	140	59,014	-	33	1,715	-	919	2	(61,823)	-
At 31 December 2015	113	10,592	557,935	119	8,279	99,059	4,995	19,069	504	3,120	703,785
Accumulated depreciation:											
At 31 December 2013	-	2,197	120,957	10	2,193	28,440	3,392	12,266	236	-	169,691
Depreciation	-	344	15,050	2	462	5,241	443	1,528	61	-	23,131
Disposals and write-off	-	-	(9)	-	(3)	(158)	(231)	(142)	(18)	-	(561)
Reclassified to inventories	-	-	-	-	(16)	-	-	-	-	-	(16)
Reclassifications between the groups	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	-	2,541	135,998	12	2,636	33,523	3,604	13,652	279	-	192,245
Depreciation	-	270	8,265	2	443	5,154	427	1,459	60	-	16,080
Disposals and write-off	-	-	-	-	(2)	(32)	(252)	(88)	(19)	-	(393)
Reclassified from inventories	-	-	-	-	-	-	-	-	-	-	-
Reclassifications between the groups	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015	-	2,811	144,263	14	3,077	38,645	3,779	15,023	320	-	207,992
Impairment:											
Balance at 31 December 2013	-	-	-	-	-	-	-	-	-	28	28
Balance at 31 December 2014	-	1,237	140,214	-	150	336	-	-	-	28	141,965
Balance at 31 December 2015	-	1,237	140,214	-	150	336	-	-	-	28	141,965
Net book amount at 31 December 2013	113	8,080	370,672	109	5,966	66,734	1,498	4,009	257	2,992	460,430
Net book amount at 31 December 2014	113	6,674	222,709	107	5,461	63,415	1,365	3,749	219	17,174	320,986
Net book amount at 31 December 2015	113	6,544	273,458	105	5,052	60,078	1,216	4,046	184	3,092	353,888

The Company's part of property, plant and equipment with the cost of EUR 16,562 thousand as at 31 December 2015 (2014: EUR 11,677 thousand) has been fully depreciated but is still in use.

As at 31 December 2015, the Company's property, plant and equipment (office equipment) acquired under finance lease contracts amounted to EUR 46 thousand (2014: EUR 58 thousand).

In 2015, the Company capitalised part of its borrowing costs (interest) of EUR 319 thousand (2014: capitalised borrowing costs of EUR 105 thousand). The annual interest rate of capitalisation was 0.6%.

When preparing the financial statements for 2014, the Company estimated the recoverable amount of its property, plant and equipment and determined the impairment of EUR 141,914 thousand (Note 4). The Company reduced the related deferred income tax liability (Note 19) and the carrying amount of property, plant and equipment by allocating the impairment to the group of gas transmission pipelines and related installations.

6 Property, plant and equipment (continued)

When preparing the financial statements for 2015, the Company estimated the recoverable amount of its property, plant and equipment and identified no impairment indications. As a result, the carrying amount of the Company's property, plant and equipment as at 31 December 2015 corresponded to the recoverable amount.

The major construction in progress items of the Company as at 31 December 2015 and 2014 were as follows:

Items	At 31 December 2015	At 31 December 2014
Construction of gas transmission pipeline Klaipėda–Kuršėnai DN800 (capacity enhancement of the pipeline Klaipėda–Kiemėnai)	-	15,968
Reconstruction of the Panevėžys Gas Distribution Station No 1	-	727
Pre-construction works of the gas interconnection Poland-Lithuania in the territory of Lithuania	936	-
Installation of control device receiving chamber in the gas transmission pipeline Riga-Panevėžys-Vilnius (DN700) at the border of Lithuania-Latvia	800	-
Territory planning and engineering design services related to the construction of the gas transmission pipeline Vilnius-Kaunas and the connection Kaunas-Šakiai	544	-
Reconstruction of the structures in Vilnius site (Gudelių g. 49, Vilnius)	255	-
Other	557	479
	3,092	17,174

7 Inventories

	At 31 December 2015	At 31 December 2014
Raw materials, spare parts and other inventories	1,182	1,294
Natural gas	1,779	3,295
Assets held for sale	-	22
Inventories, gross	2,961	4,611
Less: write-down allowance	(12)	(18)
	2,949	4,593

As at 31 December 2015, the cost of inventories carried at net realisable value amounted to EUR 1,182 thousand (31 December 2014: EUR 1,294 thousand). The write-down allowance for inventories was recorded within other expenses.

In 2015, the Company reclassified natural gas energy contained in the gas pipelines (line pack) from current assets (under the caption 'natural gas') to non-current assets – EUR 111 thousand in 2014 and EUR 2,371 thousand in 2013 – which is necessary to carry on the gas transportation services via the transmission system and which, therefore, meets the capitalisation criteria.

8 Accounts receivable

	At 31 December 2015	At 31 December 2014
Accounts receivable for natural gas transmission	9,417	6,868
Other trade receivables	34	5
Less: impairment allowance for amounts receivable	(16)	(16)
Total trade receivables	9,435	6,857
Receivable LNG terminal funds for administration (Note 2.16)	9,473	17,372
Other receivables	18,093	6,319
	37,001	30,548

As at 31 December 2015, accounts receivable from the system users for natural gas transmission increased due to the reset price for the gas transportation to the Kaliningrad Region.

Trade receivables are interest free and typically they have to be settled within 15 calendar days. The major portion of accounts receivable were settled in the beginning of January 2016.

As at 31 December 2015, the balance of receivable LNG terminal funds for administration included receivable amount of EUR 6,188 thousand from Achema AB for the year 2015. As from 3 December 2014, the collection of additional natural gas supply security component to be included in the natural transmission price was started, which was intended to ensure stable functioning of the LNG terminal. See Note 23 "Off-balance sheet commitments and contingencies" for more information about the receivable amount from Achema AB.

In 2015, other receivables increased by EUR 10,757 thousand as a result of obtaining the EU financial assistance under the Connecting Europe Facility (CEF) for the project of capacity enhancement for the gas pipeline Klaipėda-Kiemėnai/construction of the gas pipeline Klaipėda-Kuršėnai.

Movement in the impairment allowance for accounts receivable and other receivables:

	Individually impaired
Balance at 31 December 2014	16
Balance at 31 December 2015	16

The ageing analysis of the Company's trade receivables and other receivables that were not impaired as at 31 December 2015 and 2014:

	Trade receivables and other receivables past due						Total
	Trade receivables and other receivables not past due	Less than 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	
At 31 December 2015	33,950	1,989	97	7	4	954	37,001
At 31 December 2014	16,011	275	-	-	-	14,262*	30,548

*The LNG terminal funds receivable from Achema AB (Note 23)

9 Other financial assets

As at 31 December 2015 and 2014, the Company's other financial assets consisted of cash collected from the additional natural gas supply security component to be included in the natural gas transmission price. Cash received from the system users are to be paid out to the beneficiaries of the LNG terminal funds and are kept in line with the requirements of legal acts in a separate bank account for the LNG terminal funds (Note 16). Extra charge on natural gas transmission price and additional supply security component were applied in 2013 and as from 3 December 2014, respectively. Based on the Commission's Resolution No O3-895 of 20 November 2014, the funds collected with effect from 2015 are to be transferred to the beneficiary of the LNG terminal funds (Klaipėdos Nafta AB) in accordance with the established procedure.

10 Cash and cash equivalents

	At 31 December 2015	At 31 December 2014
Cash at bank	26,969	1,714
	26,969	1,714

The Company keeps its cash balances in bank accounts or (if possible) invests them in deposits of the shortest maturity (one night). Variable interest is payable on one night deposits. Variable interest rate depends on EONIA and EURIBOR interbank offered rates. As at 31 December 2015, the Company's cash balances and one night deposits were kept in the accounts of the banks whose long-term foreign currency credit rating was not lower than "A2" based on Moody's, not lower than "A" based on Standart&Poors, and not lower than "A" based on Fitch Ratings. These thresholds fall within a high investment-grade.

The table below presents the long-term foreign currency credit ratings of the banks in which the Company kept its cash balances as at 31 December 2015:

Bank	Rating agency		
	Moody's	Standart&Poors	Fitch Ratings
SEB	Aa3	A+	A+
Swedbank	Aa3	AA-	A+
Nordea	Aa3	AA-	AA-
Danske Bank	A2	A	A

The ratings assigned to the parent banks as at 31 December 2015.

As at 31 December 2015 and 2014, the Company had no other maturity deposits.

11 Reserves

Legal reserve

A legal reserve is a compulsory reserve under the legislation of the Republic of Lithuania. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital.

The Company's legal reserve amounts to EUR 5,166 thousand and represents 9.99% of the share capital.

Other reserves

Other reserves are formed by the decision of the annual General Shareholders' Meeting regarding the appropriation of profit. These reserves can only be used for business development purposes approved by the General Shareholders' Meeting.

12 Borrowings

On 14 May 2014, the Company signed an agreement with Danske Bank A/S Lithuania Branch regarding the overdraft facility for up to EUR 5,792 thousand to balance its working capital. The overdraft was not used as at 31 December 2015 and 2014.

In January 2015, the Company repaid the loan (refinanced) prior to its maturity to Swedbank AB. The loan was refinanced from the maximum amount of EUR 113,000 thousand under the loan agreement signed between the Company and Swedbank AB on 30 December 2014.

In August 2015, the Company signed a new long-term loan agreement with the Nordic Investment Bank. The loan was intended to finance in part the project for capacity enhancement of the gas pipeline Klaipėda-Kiemėnai/ construction of the gas pipeline Klaipėda-Kuršėnai. Based on the agreement, upon the expiry of the loan withdrawal term on 9 September 2015, the withdrawn balance of the loan amounted to EUR 25,000 thousand.

On 22 December 2015, the Company signed an agreement with the European Investment Bank regarding a loan for maximum amount of EUR 28,000 thousand for the term of 20 years. As at 31 December 2015, zero amount of the loan was withdrawn. The loan was intended to finance in part the capacity enhancement of the gas pipeline Klaipėda-Kiemėnai/ construction of the gas pipeline Klaipėda-Kuršėnai.

	At 31 December 2015	At 31 December 2014
Non-current borrowings		
Borrowings from local credit institutions	87,889	26,066
Borrowings from international financial institutions	25,000	-
Finance lease	-	10
Current borrowings and current portion of non-current borrowings		
Current portion of non-current borrowings	25,111	13,033
Finance lease	10	24
	138,010	39,133

Current interest rates approximate the effective interest rates. As at 31 December 2015, the Company's borrowings were with variable annual interest rate of 0.572 % (31 December 2014: 1.374%) tied to 3-6 month EURIBOR.

Analysis of borrowings by contractual maturity:

	At 31 December 2015	At 31 December 2014	At 31 December 2015	At 31 December 2014
	Borrowings with a fixed interest rate	Borrowings with a fixed interest rate	Borrowings with a floating interest rate	Borrowings with a floating interest rate
2015	-	-	-	13,033
2016	-	-	25,111	13,033
2017	-	-	25,111	13,033
2018	-	-	25,111	-
2019	-	-	26,198	-
2020	-	-	14,729	-
2021	-	-	2,174	-
2022	-	-	2,174	-
2023	-	-	2,174	-
2024	-	-	2,174	-
2025	-	-	2,174	-
2026	-	-	2,174	-
2027	-	-	2,174	-
2028	-	-	2,174	-
2029	-	-	2,174	-
2030	-	-	2,174	-
	-	-	138,000	39,099

12 Borrowings (continued)

Outstanding balances of borrowings as at 31 December 2015 and 2014 denominated in national and foreign currencies (equivalent in EUR):

Currency of borrowings:	At 31 December 2015	At 31 December 2014
EUR	138,000	39,099
	138,000	39,099

The Company's borrowings are neither secured with third party guarantees, nor by assets pledged as collateral.

13 Grants (deferred revenue)

	Deferred revenue	Asset-related grants	Income- related grants	Total
Balance at 31 December 2013	1,638	36,323	-	37,961
Received/receivable	-	7,214	-	7,214
Amortisation	(34)	(1,305)		(1,339)
Balance at 31 December 2014	1,604	42,232	-	43,836
Received/receivable	-	20,420	304	20,724
Written off	-	(1)	-	(1)
Amortisation	(34)	(1,336)	(304)	(1,674)
Balance at 31 December 2015	1,570	61,316	-	62,885

In 2015, grants receivable increased as a result of obtaining the EU financial assistance as part of the Connecting Europe Facility (CEF) to finance the project of construction of the gas pipeline Klaipėda-Kuršėnai (KKP) in amount of EUR 19,033 thousand. The main objectives of the KKP project were: to diversify the sources of gas supply in the Baltic region; to create conditions allowing to use in full the capacity offered by the LNG terminal in Klaipėda; to ensure safe and reliable functioning of the natural gas system. The pipeline of 110 km in length and 800 mm in diameter was constructed between the connection point with the LNG terminal in Klaipėda (near Klaipėda) and Kuršėnai. The actual project value was EUR 57,927 thousand, and the EU financial assistance as part of CEF was EUR 27,592 thousand.

By amortisation amount of EUR 1,336 thousand, the depreciation expenses of the related asset were reduced in the income statement.

The average amortisation period of grants is 23 years (2014: 19.6 years).

14 Non-current employee benefits

As at 31 December 2015, the Company's employee benefit obligations related to one-time payments to employees leaving the Company at the retirement age amounted to EUR 404 thousand (31 December 2014: EUR 443 thousand), other non-current employee benefit obligations related to long-service of employees at the Company amounted to EUR 91 thousand (31 December 2014: EUR 98 thousand).

Key assumptions used in assessing the Company's non-current employee benefit obligations are given below:

14 Non-current employee benefits (continued)

	At 31 December 2015	At 31 December 2014
Discount rate	1.5 %	3 %
Annual employee turnover rate	5 %	2 %
Annual salary growth	2 %	2 %
Average time to retirement (years)	20.09	20.15

15 Trade payables

	At 31 December 2015	At 31 December 2014
Trade payables under the construction programme	5,142	9,102
Trade payables under the reconstruction programme	1,182	1,134
Payables to service providers	870	556
Payables to repair service providers for non-current assets	470	410
Payables to natural gas suppliers	898	388
	8,562	11,590

The above-mentioned trade payables are non-interest bearing and most of them are typically settled over 30 to 60 days.

16 Other payables and current liabilities

	At 31 December 2015	At 31 December 2014
Payable LNG terminal funds for administration (Note 2.16)	25,794	14,616
Accrued LNG terminal funds for administration *	15,316	17,399
Payable real estate tax	386	332
Other payables	289	190
	41,785	32,537

* Accrued LNG terminal funds for administration are accounted for as soon as the natural gas system users pay them to the Company. Accrued LNG terminal funds for administration are allocated to the account of payable LNG terminal funds as soon as Klaipėdos Nafta AB issues a VAT invoice to the Company for the additional natural gas supply security component to be included in the natural gas transmission price.

17 Revenue

The Company's revenue includes as follows:

	At 31 December 2015	At 31 December 2014
Income from natural gas transmission in the territory of Lithuania	49,841	49,797
Income from balancing services in the transmission system	5,406	1,778
Grants recognised as income	338	36
Income from LNG terminal administration	145	94
Other income	70	86
	55,800	51,791

17 Revenue (continued)

As from 1 January 2015, accounting of payments for natural gas transmission services is conducted in energy units. Different quality (heating/calorific value) of gas supplied to the transmission system lead to energy differences between gas transported by Gazprom OAO at the entry point and gas transported to the Kaliningrad Region at the exit point, where the quantity of transported natural gas is accounted for in cubic metres. The existing agreement with Gazprom OAO, under which the gas transportation services were rendered in 2015, did not provide for the requirement to compensate for the differences in the energy value, therefore, on 24 December 2015 additional arrangement was signed with Gazprom OAO to compensate for the deviations in the gas energy quantity (imbalances), which occurred in 2015. Income amount was restated in December 2015 and reflected under the line item 'Income from balancing services in the transmission system' equal to EUR 3,524 thousand.

In addition, based on the above-mentioned additional arrangement, income from natural gas transmission for 2013 and 2014 was restated and reduced by EUR 1,065 thousand as a result of the discount applied retrospectively on the imported natural gas as from 2013 due to lower actual market prices for gas, which have impact on the costs of transportation services and the prices. Income was restated in December 2015 and was reflected under the line item 'Income from natural gas transmission in the territory of Lithuania'.

18 Financing activity

	At 31 December 2015	At 31 December 2014
Interest income	12	23
Interest on late payment	46	26
Other	7	-
Total income from financing activity	65	49
Interest expenses on borrowings	393	626
Other expenses of financing activity	114	17
Total expenses of financing activity	507	643
Net result of financing activity	(442)	(594)

19 Income tax

	At 31 December 2015	At 31 December 2014
Income tax:		
Profit (loss) before income tax	14,687	(136,004)
Change in temporary differences	3,456	152,899
Permanent differences	939	90
Taxable profit	19,082	16,985
Current income tax	2,862	2,548
Current income tax relief	(1,431)	(1,274)
Current income tax after income tax relief	1,431	1,274
Adjustments to previous year income tax	(80)	(8)
Income tax on dividends	97	-
Change in current deferred income tax	(2,739)	(23,862)
Income tax (benefit) expenses recognised in the income statement	(1,291)	(22,596)

According to the provisions of the Law on Corporate Income Tax ("the Law") effective from 1 January 2009, income tax relief may be applied to investments in qualifying fixed assets. When calculating current income tax for the year 2015, the Company took advantage of the income tax relief and reduced the income tax expenses for the year 2015 by the total amount of EUR 1,431 thousand (2014: EUR 1,274 thousand).

19 Income tax (continued)

	At 31 December 2015	At 31 December 2014
Deferred income tax assets:		
Impairment losses of property, plant and equipment	20,169	21,287
Accrued vacation reserve	50	44
Accrual for non-current employee benefits	74	81
Balance of unused income tax relief	4,393	2,167
Deferred income tax assets before impairment allowance	24,686	23,579
Less: impairment allowance	-	-
Less: deferred income tax asset offset against deferred income tax liability	24,686	23,579
Deferred income tax assets, net	-	-
Deferred income tax liabilities:		
Difference between carrying amount and tax base of property, plant and equipment	(29,235)	(30,866)
Deferred income tax liability, net	(4,549)	(7,287)

In 2014, deferred income tax asset of EUR 21,287 thousand was formed on impairment of property, plant and equipment. As at 31 December 2015, the net book amount of impairment of property, plant and equipment was equal to EUR 20,169 thousand.

Deferred income tax assets and deferred income tax liabilities were offset in the Company's statement of financial position as they were related to the same fiscal authority.

When estimating the components of deferred income assets and liabilities in 2015 and 2014, the Company applied income tax rate of 15%.

The reported amount of current income tax expenses can be reconciled to the income tax expenses that would result from applying a standard income tax rate of 15% to profit before tax:

	At 31 December 2015	At 31 December 2014
Profit (loss) before income tax	14,687	(136,004)
Income tax (expenses) at the effective income tax rate	(2,203)	20,401
Non-deductible expenses	(141)	(13)
Income tax relief	3,626	2,203
Other	89	14
Adjustments to previous year income tax	(80)	(8)
Income tax benefit (expenses)	1,291	22,596

20 Earnings per share

Basic earnings (loss) per share reflect the Company's net profit (loss) divided by the weighted average number of shares. There are no diluting instruments, therefore, the basic and diluted earnings (loss) per share are the same. Calculation of the basic earnings (LOSS) per share are presented below:

	At 31 December 2015	At 31 December 2014
Net profit (loss) attributable to the shareholders (EUR thousand)	15,978	(113,408)
Weighted average number of shares (thous.)	178,383	178,383
Earnings (loss) per share (EUR)	0.09	(0.64)

20 Earnings per share (continued)

During 2015 and 2014, there were no changes in the Company's share capital, therefore the number of shares at the year end was equal to the weighted average number of shares.

21 Cash flows from investing and financing activities

When calculating cash flows from investing activities in 2015, the Company took into consideration as follows: the change in amounts payable for non-current assets amounting to EUR 3,913 thousand; the reclassification of natural gas contained in the pipeline (line pack) from current assets to non-current assets amounting to EUR 2,482 thousand; and capitalised borrowing costs (interest) of EUR 319 thousand (2014: the change in amounts payable for non-current assets amounting to EUR 7,925 thousand; the pipeline relocation grants received in the form of assets amounting to EUR 330 thousand; and capitalised borrowing costs (interest) of EUR 105 thousand).

When calculating the grants received in the cash flows from financing activities in 2015, the Company took into consideration the change in grants received amounting to EUR 11,636 thousand (2014: the change in grants received amounting to EUR 6,101 thousand and the pipeline relocation grants received in the form of assets amounting to EUR 330 thousand).

22 Financial assets and liabilities and risk management

Liquidity risk

The Company's policy is to maintain sufficient amount of cash and cash equivalents or have available funding to meet its commitments. Liquidity risk is managed by the Company by making regular short-term and long-term cash flow forecasts. In view of the forecasts, the Company adopts decisions to ensure its solvency, if and when necessary.

The Company's liquidity ratios (after eliminating the effects of the LNG terminal funds) were as follows as at 31 December 2015 and 2014:

	At 31 December 2015	At 31 December 2014
Current ratio	1.56	0.72
Quick ratio	1.48	0.46

As at 31 December 2015 and 2014, the Company's undrawn balance of the committed overdraft facility amounted to EUR 5,792 thousand, which is available for use as and when necessary. In addition, as at 31 December 2015 the Company's undrawn balance of the loan from the European Investment Bank amounted to EUR 28,000 thousand.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2015 and 2014 based on the undiscounted contractual payments (scheduled payments including interest):

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing borrowings and liabilities		261	25,715	92,944	22,478	141,398
Other current liabilities	25,794*	439				26,233
Trade payables		8,562				8,562
Balance at 31 December 2015	25,794	9,262	25,715	92,944	22,478	176,193
Interest-bearing borrowings and liabilities		141	13,382	26,461		39,984
Other current liabilities	14,616*	413				15,029
Trade payables		8,031	3,559			11,590
Balance at 31 December 2014	14,616	8,585	16,941	26,461		66,603

* Amounts payable to the beneficiaries of the LNG terminal funds.

22 **Financial assets and liabilities and risk management (continued)**

Credit risk

The maximum exposure to credit risk is equal to the sum of trade receivables, other receivables, cash and short-term investments less impairment losses recognised. Delays in settlement of significant amounts of trade receivables may affect the Company's ordinary course of activities and lead to search of additional financing sources. Credit risk is managed through regular monitoring procedures (individual supervision of debtors, monitoring and analysis of customers in order to identify potential solvency problems that may arise in the future, etc.). The Company has approved the regulations for customer debt management, which define the specific actions and deadlines to be followed in order to reduce the outstanding balance of customer debts.

The Company's exposure to credit risk arises from cash at bank and cash invested in short-term instruments. The level of exposure depends on the credibility of the selected bank. To manage this risk, the Company has approved the procedure for cash investments. The procedure defines as follows: (1) the credibility level of the banks selected for partnership; (2) the diversification limits for funds kept as deposits or invested in the investment products of banks or their subsidiaries, other securities, etc. The credibility level of the selected partners is assessed in view of the publicly available information.

The Company does not issue guarantees to secure the fulfilment of obligations of other parties.

Interest rate risk

As at 31 December 2015 and 2014, the Company had borrowings with variable interest rates. The Company's exposure to interest rate risk arises from variable interest rates that are linked to EURIBOR. Given the current situation in the market of interbank offered rates, during 2015 and 2014 the Company did not enter into any transaction on financial instruments that would be used to manage the interest rate risk.

The table below demonstrates the sensitivity of the Company's profit before tax to theoretically possible changes in EURIBOR interest rates, with all other variables held constant. The Company estimates sensitivity using 100 basis points, which make 1%.

There is no impact on the Company's equity, other than that on current year profit.

	Increase in EURIBOR, b.p.	Impact on profit before tax, EUR '000
At 31 December 2015	+100	(1,380)
At 31 December 2014	+100	(391)

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 Company did not take any measures to mitigate the natural gas price risk.

Concentration risk

The Company is exposed to significant concentration of credit risk, as the credit risk exposure is distributed among the Company's 10 major customers whose liabilities represented 91% of the Company's total trade receivables as at 31 December 2015 (31 December 2014: 89%). However, in the event of loss of customers and lower volumes of transported gas, the prices for gas transportation services would increase as per the Methodology for Setting the Prices Regulated by the State in the Natural Gas Industry approved by the Commission.

22 Financial assets and liabilities and risk management (continued)

Fair value of financial assets and liabilities

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 Company's principal financial assets and liabilities not carried at fair value are trade and other receivables, trade and other payables, current and non-current borrowings and finance lease.

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

- a) The carrying amount of current trade and other receivable, current trade and other payables approximates their fair value (level 3);
- b) The fair value of non-current borrowings is measured using the interest rate that is currently available for borrowings with the same maturity profile and similar credit risk. The Company determined that the fair value of interest-bearing non-current borrowing approximated their carrying amount (level 3).

23 Off-balance sheet commitments and contingencies

Litigations

1. 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 Amber Grid AB, 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 Amber Grid AB, 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 Amber Grid AB.

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.

2. On 7 March 2014, Amber Grid AB 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, Amber Grid AB 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 Amber Grid AB 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.

3. 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*. Amber Grid AB 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.

23 Off-balance sheet commitments and contingencies (continued)

4. 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 O3-895 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, Amber Grid AB 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.

Contingencies related to commitments to purchase non-current assets

As at 31 December 2015, the Company 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).

24 Related-party transactions

The parties are defined as related when one party has the possibility to control the other party or has significant influence over the other party in making financial and operating decisions.

The related parties of the Company as at 31 December 2015 and 2014 were as follows:

- GET Baltic UAB (jointly controlled entity, where the Company is a venturer);
- EPSO-G UAB (parent company);
- LITGRID AB (same shareholders);
- Baltpool UAB (subsidiary of LITGRID AB);
- Tetas UAB (subsidiary of LITGRID AB);
- Tinklo Priežiūros Centras UAB (subsidiary of LITGRID AB);
- Duomenų Logistikos Centras UAB (subsidiary of LITGRID AB);
- Lit Pol Link Sp.z.o.o. (entity jointly controlled by LITGRID AB and Polish electricity network operator PSE S.A.);
- Management

The Company's transactions with related parties in 2014 and year-end balances of the transactions before the disposal of shares:

	Purchases	Sales	Amounts receivable	Amounts payable
Until 19 June 2014				
Lietuvos Dujos AB	1,654	3,868	-	515
Gazprom OAO	-	4,379	623	-

Until 21 May 2014, the Company had no transactions with E.ON Ruhrgas.

The tables below present the Company's transactions and outstanding balances with related parties as at 31 December 2015 and 31 December 2014:

	Purchases	Sales	Amounts receivable	Amounts payable
2015 m				
GET Baltic UAB	-	-	6	1
	-	-	6	1

24 Related-party transactions (continued)

2014	Purchases	Sales	Amounts receivable	Amounts payable
Tetas UAB	3	-	-	2
GET Baltic UAB	300	-	-	-
	303	-	-	2

On 1 August 2013, the Company took over all rights and obligations arising from Agreement No. IF/In-2000 signed on 16 December 1999 between Gazprom OAO and Lietuvos Dujos AB regarding the quantity and terms for supply of natural gas to the Republic of Lithuania in 2000-2015, to the extent such rights and obligations relate to natural gas transmission activity, i.e. provision of natural gas transit services through the Republic of Lithuania to the Kaliningrad Region of the Russian Federation and technical cooperation when organising natural gas import to the republic of Lithuania.

Natural gas transit price depends in part on oil product prices in the world market, and on the USD and EUR exchange rate set by the European Central Bank. The agreement sets the volume of transit services for the period until 31 December 2015.

On 23 December 2015, the Company and Gazprom OAO signed Agreement No 9GLi-2015 on natural gas transit services through the Republic of Lithuania to the Kaliningrad Region of the Russian Federation, which is valid until 31 December 2025.

The Company does not treat the entities controlled by the Government as a single client, because there is no significant economic integration between these entities. The Company provides gas transmission services to the entities controlled by the Government, and all transactions with them are concluded on the arm's length basis. Accordingly, for the purpose of related-party disclosures, the Company disclosed only the transactions with Epsa-G group companies.

The outstanding year-end balances are not secured with any collateral, they are interest free, and all settlements in 2015 were made in cash payments within the term of 15 days. No guarantees were issued or received in respect of receivables from/payables to related parties, nor were any impairment allowances established by the Company for doubtful receivables from related parties.

Payments to management

In 2015, payments to the Company's management amounted to EUR 356 thousand (year ended 31 December 2014: EUR 338 thousand). The Management consists of the head and the deputy of administration, and the chief accountant. During 2015 and 2014, the management of the Company did not receive any loans, guarantees, nor any other payments or transfers of property.

25 Capital management

The Company is required to maintain its equity ratio at not less than 50 % of its share capital, as imposed by the Lithuanian Law on Companies. As at 31 December 2015 and 2014, the Company was in compliance with this requirement. There were no other internally or externally imposed capital requirements on the Company.

26 Subsequent events

In January 2016, the Company 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.

26 Subsequent events (continued)

The Company 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 funded encompass installation of software and hardware, and modernisation of the current gas transmission system through the implementation of smart infrastructure elements.