

GJENSIDIGE ADB

*Independent Auditor's Report and
Financial Statements for the Year
Ended 31 December 2015*

Gjensidige ADB

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Independent Auditor's Report

To the Shareholders of Gjensidige ADB

Report on the Financial Statements

We have audited the accompanying financial statements of Gjensidige ADB ("the Company"), which comprise the balance sheet as at 31 December 2015, the statements of 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, as set out on pages 8–61.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Business Accounting Standards of the Republic of Lithuania and with Resolution No N-7 of the Insurance Supervisory Commission of the Republic of Lithuania dated 3 February 2004 and all its amendments, and for such internal controls as management determines are necessary to enable the preparation of the 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 judgement, 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

As disclosed in Note 1, the Company had accounted for goodwill amounting to EUR 29 432 thousand as at 31 December 2014, which was recognised in 2014 as a result of the acquisition of Codan Forsikring A/S Estonia branch. The branch in Estonia operated with losses. The Company's management had assessed the recoverable amount of the goodwill as at 31 December 2014, based on the forecasted operating results. Due to uncertainties inherent to forecasts, we were unable to obtain sufficient and appropriate evidence supporting the recoverable amount of the goodwill. Consequently, we were unable to determine whether adjustments were necessary to the amounts of goodwill, net result for the year and equity presented in the financial statements for the year 2014 due to recognition of possible impairment of the goodwill. As disclosed in Note 30 to the financial statements, Codan Forsikring A/S Estonia branch was sold in 2015 incurring a loss of EUR 21 578 thousand. This indicates that the goodwill recognised as at 31 December 2014 was impaired; however, no impairment was estimated and accounted for. Due to this matter, we modified our auditor's report dated 9 April 2015 on the financial statements for the year 2014. Our opinion on the financial statements for the current year is also modified because of the potential effect on the retained earnings (loss) as at 31 December 2014 and net profit (loss) for the year ended 31 December 2015.


Qualified Opinion

In our opinion, except for the effect of the matter referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Gjensidige ADB as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania and with Resolution No N-7 of the Insurance Supervisory Commission of the Republic of Lithuania dated 3 February 2004 and all its amendments.

Report on Other Legal and Regulatory Requirements

Furthermore, we have read the annual report of Gjensidige ADB for the year ended 31 December 2015, set out on pages 5–7 of the financial statements, and have not identified any material inconsistencies between the financial information included in the annual report and the financial statements of Gjensidige ADB for the year ended 31 December 2015.

On behalf of KPMG Baltics, UAB



Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
4 March 2016

ANNUAL REPORT
31 DECEMBER 2015

1. Overview of the Company's Standings, Performance and Development

The most important events in 2015:

The Company's share capital as of 31 December 2015 consisted of 1 764 067 ordinary registered shares with a nominal value of EUR 7.37 each and 1 764 067 ordinary registered shares as of 31 December 2014 with a nominal value of EUR 28.96 each.

All of the Company's shares are registered. 99.879 percent of all shares are managed by Gjensidige Forsikring ASA, operating under the laws of the Kingdom of Norway, and the remaining shares are held by individuals.

Lithuanian non-life insurance market increased by 4.8%. The Company was in the third place among the largest non-life insurance companies in terms of premiums written.

Key achievements in 2015:

- Successful completion of the deal between PZU S.A. and „Gjensidige Forsikring“ ASA;
- Gjensidige Forsikring ASA became the main shareholder of Gjensidige ADB;
- Business transfer in Latvia and Estonia;
- Euro in Lithuania – a successfully implemented strategic project;
- Implementation of SEPA requirements – an important step for integration into the single euro payments area;
- Positioning the Company as a "family insurance expert";
- Continuing of preparations for the Solvency II requirements;
- Renewed the Company's internal procedures and policies relating to the claims settlement and quality;
- Regular customer service quality research "voice of the customer".

As of 31 December 2015, the Company had 555 employees and 730 employees (162 of them in foreign branches) as of 31 December 2014.

The main types of risks

The main types of risk related to the Company's activities in 2015 were as follows:

- Insurance risk (loss ratio, inadequacy of technical provisions);
- Investment risk (investment impairment risk, price risk, interest rate risk);
- Credit risk (the default of the issuers of financial instruments, reinsurers' default, default of other partners, delayed settlements);
- Market risk (price volatility, portfolio diversification, currency exchange risk);
- Liquidity risk (urgent need for cash);
- Operational risk (inappropriate procedures, practices or failure to comply, human error factor, management risk, insufficiency of tariffs, negligence).

2. Analysis of financial and non-financial performance

Sales

The Company's insurance written premiums in 2015 amounted to EUR 52 346 thousand (excluding foreign branches). Compared to the respective result of 2014, written premiums decreased by 1.9%. According to the data published by the Bank of Lithuania the Company's (excluding foreign branches) non-life insurance market share amounted to 12.9 percent and the Company took the 3rd place in non-life insurance market in Lithuania.

In 2015, the Company (excluding foreign branches) entered into 813 thousand insurance contracts (763 thousand in 2014). The number of contracts grew by 7% in 2015. The number of insurance contracts in force as of 31 December 2015 increased by 12% up to 542 thousand (483 thousand in 2014).

ANNUAL REPORT
31 DECEMBER 2015

The results of gross written premium by line of business were as follows (EUR thousand excluding foreign branches):

Insurance group	2015	2014	Change
Obligatory Motor Third Party Liability	15 079	17 082	-11.73%
Property	11 868	10 912	8.76%
Land vehicles other than railway transport	11 014	10 905	0.99%
Personal accident and medical expenses	7 018	6 626	5.91%
TPL	3 865	3 720	3.90%
Bonds	1 334	1 941	-31.29%
Assistance	723	332	117.73%
Financial losses	641	970	-33.91%
Goods in transit	501	614	-18.29%
Other	303	231	31.19%
Total	52 346	53 333	-1.85%

Reinsurance

In 2015, reinsurance share in premiums written amounted to 6.0%.

Claims expenses

Claims expenses (excluding foreign branches) amounted to EUR 34 071 thousand in 2015, i.e., it increased by 11.9% compared to claims expenses in 2014.

In 2015, the number of reported claims (excluding foreign branches) increased from 88 928 to 106 048. Number of insurance indemnities increased from 87 140 to 104 333 in 2015.

Operating expenses

In 2015, the Company's operating expenses ratio (excluding foreign branches) increased by 3.4 percentage points to 43.4%, comparing to 2014. The net operating expenses including reinsurance commission totalled to EUR 20 945 thousand in 2015 (excluding foreign branches). Operating expenses without reinsurance commissions (excluding foreign branches) amounted to EUR 21 218 thousand in 2015, i.e. 12.5% more comparing to 2014.

Investment activities

Net financial investment result, eliminating the effect of separation of foreign branches, totalled to EUR 1 471 thousand of profit in 2015.

Financial result

Financial result of the Company's activities in 2015 was negative – it incurred a loss of EUR 6 281 thousand (eliminating the effect of separation of foreign branches).

Loss ratios

In 2015, the net loss ratio of insurance business of the Company (excluding foreign branches) equals to 70.0%, i.e. it increased by 2.7 percentage points if compared to 2014.

Actual combined ratio at the Company (excluding foreign branches) equals to 113.4 per cent at the end of 2015.

As of 31 December 2015, the Company met the requirements of the regulatory legal acts of the Republic of Lithuania on solvency reserves and investment activities of insurance companies. Available solvency margin as of 31 December 2015 is 148.5 per cent.

3. References and additional explanations on the data in annual financial statements

Additional explanations are not given herein. All additional information related to compilation of annual financial statements is given in the explanatory notes to the financial statements.

4. Information about subsidiaries and associated companies

In 2015, the Company did not control subsidiaries and associated companies.

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5. Information about acquired or transferred own shares

In 2015, the Company neither acquired nor transferred any of its own shares.

6. Information about acquired or transferred shares of other companies

In 2015, the Company neither acquired nor transferred any share portfolio of other companies higher than 10 per cent of share capital.

7. Information about branches of the Company

Based on the insurance contracts, on 31 May 2015 the Company transferred the rights and obligations of the Latvian branch to Balta ASS under the business transfer agreement dated 26 February 2015, signed by the parties.

Based on the insurance contracts, on 31 May 2015 the Company transferred the rights and obligations of the Estonian branch to Lietuvos Draudimas AB under the business transfer agreement dated 20 May 2015, signed by the parties.

8. Key events of the Company after the end of the financial year 2015

On 18 January 2016, the General Meeting of Shareholders adopted a decision to reorganise DK PZU Lietuva UAB from a limited liability company to a public limited liability company and change the name to a joint stock insurance company Gjensidige.





On 1 March 2016, DK PZU Lietuva UAB was reorganized to a joint stock insurance company Gjensidige.

9. Plans and forecasts of the Company for 2016

- The market share growth – the Company's market share in 2016 is 13.2%;
- Loss ratio net 61.1%;
- Investments profitability;
- Continuous improvement of customer service quality.

The Company is focused on employee training and competence improvement. In close cooperation with the professionals of the parent company Gjensidige Forsikring ASA, as well as with other Lithuanian and foreign insurance and reinsurance companies, the Company is retaining good quality of insurance products and services provided.

Members of the Board:

Full name	Title	Signature	Date
Kaare Steinar Oestgaard	Chairman of the Board		7 March 2016
Tor Erik Silset	Member of the Board		7 March 2016
Siguard Ivar Austin	Member of the Board		7 March 2016
Hans-Georg Wettre Hanevold	Member of the Board		7 March 2016
Martin Danielsen	Member of the Board		7 March 2016
Mats Christian Gottschalk	Member of the Board		7 March 2016

BALANCE SHEET
31 DECEMBER 2015

(All amounts are in EUR, unless otherwise stated)

No.	Assets	Notes	Financial year	Prior financial year
A.	INTANGIBLE ASSETS	1	1 060 125	32 876 669
I.	Development costs		-	-
II.	Goodwill		-	29 432 136
III.	Patents, licenses		-	-
IV.	Computer software		1 014 590	3 081 154
V.	Other intangible assets		45 535	363 379
B.	INVESTMENTS		53 939 619	81 615 713
I.	Land, buildings and other real estate	2	1 216 749	1 224 305
I.1.	For the use of Insurance Company		1 216 749	1 224 305
I.1.1.	Land		-	-
I.1.2.	Buildings		1 213 225	1 219 476
I.1.3.	Construction in progress and prepayments		-	-
I.1.4.	Other		3 524	4 829
I.2.	Other investments into real estate		-	-
II.	Investments in subsidiaries and associated companies		-	-
II.1.	Shares of subsidiaries		-	-
II.1.1.	Listed		-	-
II.1.2.	Unlisted		-	-
II.2.	Debt securities of subsidiaries and loans granted to these companies		-	-
II.2.1.	Debt securities		-	-
II.2.2.	Loans		-	-
II.3.	Shares of associated companies		-	-
II.3.1.	Listed		-	-
II.3.2.	Unlisted		-	-
II.4.	Debt securities of associated companies and loans granted to these companies		-	-
II.4.1.	Debt securities		-	-
II.4.2.	Loans		-	-
III.	Other financial investments		52 722 870	80 391 408
III.1.	Shares, other variable-yield securities and units in unit trusts	3	3 771 481	8 611 210
III.1.1.	Listed		3 770 659	7 296 594
III.1.2.	Unlisted		822	1 314 615
III.2.	Debt securities and other fixed-income securities	3	39 222 625	51 113 421
III.2.1.	Government, central bank and municipal securities		27 502 258	36 800 462
III.2.2.	Securities issued by other business entities		11 720 367	14 312 959
III.3.	Participation in investment pools		-	-
III.4.	Loans, guaranteed by mortgages		-	-
III.5.	Other loans		-	-
III.6.	Deposits in credit institutions	4	9 728 764	20 666 778
III.7.	Other investments		-	-
IV.	Deposits with ceding undertakings		-	-

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BALANCE SHEET
31 DECEMBER 2015

(All amounts are in EUR, unless otherwise stated)

No.	Assets	Notes	Financial year	Prior financial year
C.	LIFE INSURANCE UNIT LINKED INVESTMENTS		-	-
D.	ACCOUNTS RECEIVABLE	5	9 659 443	20 437 847
I.	Receivables arising out of direct insurance operations		9 393 458	19 936 498
I.1.	Policyholders		8 076 244	17 072 862
I.2.	Intermediaries		250 863	2 080 670
I.3.	Other		1 066 351	782 966
II.	Receivables arising out of reinsurance and retrocession operations		228 745	251 429
II.1.	From reinsured		-	-
II.2.	From reinsurers		228 745	251 429
II.3.	Intermediaries		-	-
II.4.	Other		-	-
III.	Other accounts receivable		37 240	249 920
E.	OTHER ASSETS		4 276 967	6 340 901
I.	Tangible assets and inventories		578 269	808 803
I.1.	Office and other equipment	6	433 650	670 062
I.2.	Inventories		332	440
I.3.	Prepayments		144 287	138 301
II.	Cash and cash equivalents	7	3 288 536	5 133 015
III.	Other assets	22	410 162	399 083
F.	ACCRUED INCOME AND DEFERRED EXPENSES	8	4 356 686	8 468 196
I.	Accrued interest and lease income		-	-
II.	Deferred acquisition expenses		3 902 057	7 738 015
II.1.	Non-life insurance deferred acquisition expenses		3 902 057	7 738 015
II.2.	Life insurance deferred acquisition expenses		-	-
III.	Other accrued income		-	-
IV.	Other deferred expenses		454 629	730 181
	TOTAL ASSETS		73 292 840	149 739 326

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GJENSIDIGE ADB
COMPANY CODE 110057869, KONSTITUCIJOS AVE. 7, VILNIUS

BALANCE SHEET
31 DECEMBER 2015

(All amounts are in EUR, unless otherwise stated)

No.	Shareholders' equity and liabilities	Notes	Financial year	Prior financial year
A.	EQUITY AND RESERVES		20 405 491	51 162 528
I.	Share capital	9	13 001 174	51 087 380
II.	Share premium (surplus of nominal value)		12 453 661	12 453 661
III.	Own shares (-)		-	-
IV.	Revaluation reserve	9	74 885	80 823
V.	Reserves		-	-
V.1.	Legal reserve	9	-	-
V.2.	Reserve for own shares		-	-
V.3.	Other reserves		-	-
VI.	Previous years retained earnings (accumulated losses) (+/-)	24	25 629 069	(8 035 320)
VII.	Current year retained earnings (accumulated losses) (+/-)	24	(30 753 298)	(4 424 016)
B.	FINANCING (GRANTS AND SUBSIDIES)		-	-
C.	SUBORDINATED LIABILITIES	11	-	8 805 759
D.	TECHNICAL PROVISIONS	10	46 158 673	75 268 542
I.	Provision for unearned premiums	10.1	22 637 883	42 915 228
I.1.	Gross amount		23 152 700	44 749 477
I.2.	Reinsurance share (-)		(514 817)	(1 834 249)
II.	Life insurance mathematical provision		-	-
II.1.	Gross amount		-	-
II.2.	Reinsurance share (-)		-	-
III.	Provision for claims outstanding	10.2	19 431 798	29 142 237
III.1.	Gross amount		30 742 082	33 438 572
III.2.	Reinsurance share (-)		(11 310 284)	(4 296 335)
IV.	Provision for bonuses and rebates		-	-
IV.1.	Gross amount		-	-
IV.2.	Reinsurance share (-)		-	-
V.	Loss equalisation provision		-	-
VI.	Other technical provisions	10.3	4 088 992	3 211 077
VI.1.	Gross amount		4 088 992	3 211 077
VI.2.	Reinsurance share (-)		-	-
E.	LIFE INSURANCE UNIT LINKED TECHNICAL PROVISION		-	-
I.	Gross amount		-	-
II.	Reinsurance share (-)		-	-
F.	OTHER PROVISIONS		780 000	-
I.	Provisions for pensions and similar obligations		-	-
II.	Provisions for taxation		-	-
III.	Other provisions		780 000	-
G.	REINSURERS DEPOSITS		-	-

(Continued on next page)

BALANCE SHEET
31 DECEMBER 2015

(All amounts are in EUR, unless otherwise stated)

No.	Shareholders' equity and liabilities	Notes	Financial year	Prior financial year
H.	LIABILITIES	11	3 634 154	10 452 207
I.	Liabilities related to direct insurance		2 077 541	6 432 651
I.1.	Liabilities to policyholders		776 347	3 491 091
I.2.	Liabilities to intermediaries		156 727	869 668
I.3.	Other creditors arising out of direct insurance operations		1 144 467	2071 892
II.	Liabilities related to reinsurance		395 607	1 908 668
II.1.	Liabilities from inward reinsurance		-	-
II.2.	Liabilities from outward reinsurance		395 607	1 908 668
II.3.	Liabilities to intermediaries		-	-
II.4.	Other liabilities related to reinsurance		-	-
III.	Debenture loans, showing convertible loans separately		-	-
IV.	Financial debt		-	-
V.	Taxes, social security and other related liabilities		1 161 006	2 110 888
V.1.	Taxes		183 023	383 782
V.2.	Social security		262 107	472 848
V.3.	Salaries		111 428	306 523
V.4.	Other liabilities		604 448	947 735
I.	ACCRUED EXPENSES AND DEFERRED INCOME	12	2 314 522	4 050 290
I.	Accrued expenses		2 270 154	3 914 840
II.	Deferred income		44 368	135 450
	TOTAL EQUITY AND LIABILITIES		73 292 840	149 739 326

(Concluded)

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

Financial statements were approved and signed by the Company's Management on 4 March 2016:

Manager of Insurance Company

Chief Accountant

Chief Actuary

Marius Jundulas

Jolanta Motukaitė

Jurgis Navikas

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

No.	Items	Notes	Financial year	Prior financial year
I.	TECHNICAL ACCOUNT – NON-LIFE INSURANCE			
I.1.	EARNED PREMIUMS, NET OF REINSURANCE	13	65 745 087	61 273 889
I.1.1.	Gross premiums written	13	68 401 312	70 580 048
I.1.2.	Outward reinsurance premiums (-)	13	(4 093 866)	(5 661 492)
I.1.3.	Change in the technical provision for unearned premiums (-/+)	10.1	1 839 375	(3 565 849)
I.1.4.	Change in the technical provision for unearned premiums, reinsurers' share (+/-)	10.1, 13	(401 734)	(78 818)
I.2.	INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT		-	1 074 979
I.3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE	19	395 538	596 332
I.4.	CLAIMS INCURRED, NET OF REINSURANCE (-)	13	(46 829 750)	(41 216 675)
I.4.1.	Claims arising from insured events (-)		(45 715 200)	(38 231 767)
I.4.1.1.	Claims paid (-)		(46 096 418)	(40 812 257)
I.4.1.2.	Claim settlement expenses (-)	15	(3 925 959)	(3 413 856)
I.4.1.3.	Amounts recovered (+)		3 526 521	2 443 966
I.4.1.4.	Reinsurers' share (+)	13	780 656	3 550 380
I.4.2.	Change in the technical provision for claims outstanding (-/+)		(1 114 550)	(2 984 908)
I.4.2.1.	Gross amount (-)	10.2	(9 483 234)	(866 393)
I.4.2.2.	Reinsurers' share (+)	10.2, 13	8 368 684	(2 118 515)
I.5.	CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE, NOT SHOWN UNDER OTHER HEADINGS (-/+)		(2 150 100)	(1 524 470)
I.5.1.	Gross amount (-)	10.3	(2 150 100)	(1 524 470)
I.5.2.	Reinsurers' share (+)		-	-
I.6.	BONUSES AND REBATES, NET OF REINSURANCE (-)	10.4	-	(598)
I.6.1.	Premiums returned (profit sharing) (-)		-	(1 448)
I.6.1.1.	Gross amount (-)		-	(5 039)
I.6.1.2.	Reinsurers' share (+)		-	3 591
I.6.2.	Change in the technical provision for bonuses and rebates (-/+)		-	850
I.6.2.1.	Gross amount (-)		-	2 954
I.6.2.2.	Reinsurers' share (+)		-	(2 104)
I.7.	NET OPERATING EXPENSES (-)	13	(26 593 710)	(23 884 108)
I.7.1.	Acquisition expenses (-)	17	(17 221 887)	(17 290 689)
I.7.2.	Change in deferred acquisition expenses (-/+)	17	154 746	798 776
I.7.3.	Administrative expenses (-)	18	(9 864 920)	(7 893 755)
I.7.4.	Reinsurance commissions and profit participation (+)	13	338 351	501 560
I.8.	OTHER TECHNICAL EXPENSES, NET OF REINSURANCE (-)	19	(1 695 905)	(1 436 525)
I.9.	TECHNICAL RESULT PRIOR TO THE FORMATION OF THE LOSS EQUALISATION PROVISION		(11 128 840)	(5 117 176)
I.10.	CHANGE IN THE LOSS EQUALISATION PROVISION (-/+)		-	-
I.11.	RESULT ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE		(11 128 840)	(5 117 176)

(Continued on next page)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
 (All amounts are in EUR, unless otherwise stated)

No.	Items	Notes	Financial year	Prior financial year
III.	NON-TECHNICAL ACCOUNT			
III.1.	NON-LIFE INSURANCE TECHNICAL ACCOUNT (LOSS)		(11 128 840)	(5 117 176)
III.2.	LIFE INSURANCE TECHNICAL ACCOUNT (LOSS)		-	-
III.3.	INVESTMENT INCOME	20	6 170 495	4 493 554
III.3.1.	Income from participating interests		-	-
III.3.2.	Income from other investments		2 061 494	2 294 258
III.3.2.1.	Income from land and buildings		9 070	29 154
III.3.2.2.	Income from other investments		2 052 424	2 265 104
III.3.3.	Reversal of impairment of investments		1 027 854	1 996 389
III.3.4.	Gains on disposal of investments		3 081 147	202 907
III.4.	ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE LIFE INSURANCE TECHNICAL ACCOUNT		-	-
III.5.	INVESTMENT CHARGES (-)		(25 451 096)	(2 808 517)
III.5.1.	Investment management charges, including interest (-)	20	(243 432)	(161 046)
III.5.2.	Decrease in value of investments (-)	20	(2 198 292)	(2 515 478)
III.5.2.1.	Expenses from participating interests and other investments (-)		-	-
III.5.2.2.	Impairment loss (-)	20	(2 198 292)	(2 515 478)
III.5.3.	Losses on disposal of investments (-)	20	(1 968 982)	(131 993)
III.5.4.	Losses on disposal of branches (-)	20	(21 040 390)	-
III.6.	ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE TECHNICAL ACCOUNT (-)		-	(1 074 979)
III.7.	OTHER INCOME	21	100 446	14 208
III.7.1.	Income from financial operations		98 520	13 994
III.7.2.	Other income		1 926	214
III.8.	OTHER CHARGES (-)	21	(440 683)	(304 336)
III.8.1.	Charges from financial operations (-)		(432 928)	(302 482)
III.8.2.	Other charges (-)		(7 755)	(1 854)
III.9.	PROFIT (LOSS) ON ORDINARY ACTIVITIES		(30 749 678)	(4 797 246)
III.10.	EXTRAORDINARY INCOME		-	-
III.11.	EXTRAORDINARY LOSS (-)		-	-
III.12.	EXTRAORDINARY PROFIT OR LOSS		-	-
III.13.	PROFIT (LOSS) FOR THE ACCOUNTING PERIOD BEFORE TAX		(30 749 678)	(4 797 246)
III.14.	INCOME TAX (-)	22	(3 620)	373 230
III.15.	NET PROFIT (LOSS) FOR THE ACCOUNTING PERIOD		(30 753 298)	(4 424 016)

(Concluded)

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

Financial statements were approved and signed by the Company's management on 4 March 2016:

Manager of Insurance Company

Chief Accountant

Chief Actuary

Marius Jundulas

Jolanta Motukaitė

Jurgis Navikas

GJENSIDIGE ADB
COMPANY CODE 110057869, KONSTITUCIJOS AVE. 7, VILNIUS

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are in EUR, unless otherwise stated)

	Paid up authorised capital	Share premium	Revaluation reserve (results) Non-current tangible assets	Legal reserve		Other reserves Distributable reserves	Retained earnings (accumulated losses)	Total
				Compulsory				
Balance as of 31 December 2013	26 183 590	-	86 761	-	-	-	(9 491 965)	16 778 386
Currency conversion effect	(3 531)	-	-	-	-	-	3 531	-
Net profit (loss) of the reporting period	-	-	-	-	-	-	(4 424 016)	(4 424 016)
Build-up reserves	-	-	-	-	-	-	-	-
Used reserves	-	-	(5 938)	-	-	-	5 938	-
Other payments	-	-	-	-	-	-	(925)	(925)
Shareholder contribution	-	-	-	-	-	-	1 448 100	1 448 100
Share capital increase	24 907 321	12 453 661	-	-	-	-	-	37 360 982
Balance as of 31 December 2014	51 087 380	12 453 661	80 823	-	-	-	(12 459 336)	51 162 528
Effect of currency revaluation	-	-	-	-	-	-	(3 739)	(3 739)
Build-up reserves	-	-	-	-	-	-	-	-
Used reserves	-	-	(5 938)	-	-	-	5 938	-
Reduction of share capital	(38 086 206)	-	-	-	-	-	38 086 206	-
Net profit (loss) of the reporting period	-	-	-	-	-	-	(30 753 298)	(30 753 298)
Shareholder contribution	-	-	-	-	-	-	-	-
Balance as of 31 December 2015	13 001 174	12 453 661	74 885	-	-	-	(5 124 229)	20 405 491

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

Financial statements were approved and signed by the Company's Management on 4 March 2016:

Manager of Insurance Company

Marius Jundulias

Chief Accountant

Jolanta Motukaite

Chief Actuary

Jurgis Navikas

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

No.	Items	Financial year	Prior financial year
I.	CASH FLOWS ARISING OUT OF THE OPERATING ACTIVITIES OF THE INSURANCE UNDERTAKING (+/-)	(9 747 445)	5 202 715
I.1.	Insurance and inward reinsurance premiums received	65 644 281	66 626 675
I.1.1.	Insurance premiums	65 644 281	66 626 675
I.1.2.	Inward reinsurance premiums	-	-
I.2.	Insurance pool premiums	93 926	21 387
I.2.1.	Share of the insurance undertaking in the insurance pool premiums received	93 926	21 387
I.2.2.	Share of other insurance undertakings participating in insurance pools in the insurance pool premiums received	-	-
I.3.	Amounts paid to other insurance undertakings participating in insurance pools (-)	(93 926)	(21 387)
I.4.	Amounts received from other insurance undertakings participating in insurance pools	-	-
I.5.	Outward reinsurance premiums (-)	(4 437 112)	(4 488 754)
I.5.1.	Proportional outward reinsurance premiums (-)	(1 095 161)	(1 088 121)
I.5.2.	Non-proportional outward reinsurance premiums (-)	(3 341 951)	(3 400 633)
I.6.	Amounts paid under insurance and reinsurance contracts (-)	(47 342 704)	(42 452 009)
I.6.1.	Premiums returned due to termination of contracts (-)	(846 848)	(669 861)
I.6.1.1.	Insurance (-)	(846 848)	(669 861)
I.6.1.2.	Reinsurance (-)	-	-
I.6.2.	Claims paid (-)	(46 096 418)	(40 812 257)
I.6.2.1.	Insurance (-)	(46 096 418)	(40 812 257)
I.6.2.2.	Reinsurance (-)	-	-
I.6.3.	Amounts recovered as a result of subrogation and amounts arising out of salvage and recovery (+)	3 526 521	2 443 965
I.6.3.1.	Insurance (+)	3 526 521	2 443 965
I.6.3.2.	Reinsurance (+)	-	-
I.6.4.	Surrender values paid (-)	-	-
I.6.4.1.	Insurance (-)	-	-
I.6.4.2.	Reinsurance (-)	-	-
I.6.5.	Claim handling costs (-)	(3 925 959)	(3 413 856)
I.6.5.1.	Insurance (-)	(3 925 959)	(3 413 856)
I.6.5.2.	Reinsurance (-)	-	-
I.6.6.	Bonuses and rebates paid to policyholders on maturity (-)	-	-
I.6.7.	Bonuses and rebates paid to ceding insurers on maturity (-)	-	-
I.7.	Other amounts transferred to reinsurers (-)	-	-
I.8.	Other amounts received from reinsurers	473 586	2 209 108
I.9.	Other amounts transferred to retrocession (-)	-	-
I.10.	Other amounts received from retrocession	-	-
I.11.	Operating expenses paid (-)	(8 019 606)	(7 103 734)
I.12.	Taxes paid on ordinary activities (-)	(2 080 641)	(2 395 188)
I.13.	Amounts received from other main activities of the insurance undertaking	3 238 659	4 038 656
I.14.	Amounts paid on other main activities of the insurance undertaking (-)	(17 223 908)	(11 232 039)

(Continued on next page)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

No.	Items	Financial year	Prior financial year
II.	CASH FLOWS ARISING OUT OF INVESTMENT ACTIVITIES (+/-)	28 379 493	(28 539 165)
II.1.	Amounts received from investment activity	25 727 039	11 147 409
II.1.1.	Subsidiaries and associated companies	-	-
II.1.1.1.	Sale of subsidiary	-	-
II.1.1.2.	Cash acquired upon the merger	-	-
II.1.2.	Shares and other variable-yield securities and units in unit trusts	23 651 565	9 668 928
II.1.3.	Debt securities and other fixed-income securities	1 981 086	1 433 422
II.1.4.	Land	-	-
II.1.5.	Buildings and constructions	-	-
II.1.6.	Loans guaranteed by mortgages	-	-
II.1.7.	Other secured loans	-	-
II.1.8.	Unsecured loans	-	-
II.1.9.	Deposits with credit institutions	92 474	44 798
II.1.10.	Other investments	1 914	261
II.2.	Amounts received on maturity or realisation of investments	53 738 148	26 119 600
II.2.1.	Subsidiaries and associated companies	-	-
II.2.2.	Shares and other variable-yield securities and units in unit trusts	-	-
II.2.3.	Debt securities and other fixed-income securities	23 911 068	20 761 629
II.2.4.	Land	-	-
II.2.5.	Buildings	-	-
II.2.6.	Loans guaranteed by mortgages	-	-
II.2.7.	Other secured loans	-	-
II.2.8.	Unsecured loans	-	-
II.2.9.	Deposits with credit institutions	29 827 080	5 357 971
II.2.10.	Other investments	-	-
II.3.	Amounts paid on investments (-)	(50 842 262)	(65 645 128)
II.3.1.	Subsidiaries and associated companies (-)	-	-
II.3.2.	Shares and other variable-yield securities and units in unit trusts (-)	(18 488 437)	(13 047 760)
II.3.3.	Debt securities and other fixed-income securities (-)	(12 820 692)	(28 479 244)
II.3.4.	Land (-)	-	-
II.3.5.	Buildings (-)	-	-
II.3.6.	Loans guaranteed by mortgages (-)	-	-
II.3.7.	Other secured loans (-)	-	-
II.3.8.	Unsecured loans (-)	-	-
II.3.9.	Deposits with credit institutions (-)	(18 900 000)	(22 654 421)
II.3.10.	Other investments (-)	(633 133)	(1 463 703)
II.4.	Tax paid on investments (-)	(243 432)	(161 046)
II.5.	Amounts received from other investment activities	-	-
II.6.	Amounts paid on other investment activities (-)	-	-

(Continued on next page)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

No.	Items	Financial year	Prior financial year
III.	CASH FLOWS ARISING OUT OF FINANCIAL ACTIVITIES (+/-)	(20 476 527)	25 736 641
III.1.	Amounts generated by the issue of ordinary and preferred shares	-	-
III.2.	Amounts paid for the purchase of own shares (-)	-	-
III.3.	Amounts generated by the issue of debt securities	-	-
III.4.	Amounts paid for the redemption of debt securities (-)	-	-
III.5.	Loans received	-	46 000 000
III.6.	Loans repaid (-)	(8 969 673)	-
III.7.	Dividends paid (-)	-	-
III.8.	Tax paid on financial activities (-)	(432 928)	(302 482)
III.9.	Amounts received from other financial activities	98 520	1 448 100
III.10.	Amounts spent acquiring and disposing business abroad (-)	(11 172 446)	(21 408 977)
IV.	INCREASE (DECREASE) IN CASH FLOWS (+/-)	(1 844 479)	2 400 191
V.	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5 133 015	2 732 824
VI.	CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3 288 536	5 133 015

(Concluded)

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

Financial statements were approved and signed by the Company's Management on 4 March 2016:

Manager of Insurance Company

Chief Accountant

Chief Actuary

Marius Jundulas

Jolanta Motukaitė

Jurgis Navikas

EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

I. GENERAL INFORMATION

General information

Gjensidige ADB (hereinafter – “the Company”) was registered in the Register of Legal Entities of the Republic of Lithuania on 2 November 2004. The registration number of the certificate of the Company is 019084.

On 1 March 2016, DK PZU Lietuva UAB was reorganized to a joint stock insurance company Gjensidige.

The Company is engaged in non-life insurance services. The licence for the insurance activity is No. 000021.

As of 31 December 2015 the Company’s authorised share capital consisted of 1 764 067 ordinary registered shares with the par value of EUR 7.37 each and as of 31 December 2014 the share capital of the Company consisted of 1 764 067 ordinary registered shares with the par value of EUR 28.96 each.

On 30 September 2015, based on the Share Purchase and Sale Agreement dated 2 February 2015 regarding the purchase and sale of Gjensidige ADB shares, the shareholder of the insurance company PZU S.A. operating under the laws of the Republic of Poland, transferred 1 761 941 ordinary registered shares, which comprise 99.879% of all Company’s shares, to Gjensidige Forsikring ASA, operating under the laws of the Kingdom of Norway.

99.8795% of the share capital of the Company is owned by Gjensidige Forsikring ASA, identification number 995568217, residence address Schweigaards gate 21, 0191 Oslo, 0301 Oslo, Norway Bronnoysundregistrene (hereinafter Gjensidige Forsikring ASA and the Shareholder), and 0.1205% – by a minor shareholder, private individual.

As of 31 December 2015, Gjensidige Forsikring ASA group in Lithuania owned the following companies:

- Gjensidige ADB;
- Gjensidige Baltic AAS Lithuania branch.

Non-life insurance company Gjensidige Baltic AAS is a subsidiary company of the Norwegian non-life insurance company Gjensidige Forsikring ASA in the Baltic States, with branches in Lithuania and Estonia.

In 2012, Gjensidige ADB established two branches:

- Gjensidige ADB Latvia branch;
- Gjensidige ADB Estonia branch.

The management of the Company approved these financial statements on 4 March 2016. The shareholders of the Company hold the power to approve or not to approve the financial statements and the right to request a new set of financial statements to be prepared.

Employees of the Company

As of 31 December 2015, the Company employed 555 employees (as of 31 December 2014 – 730), including:

- Management	8
- Other employees	547

Company’s activities

The Company has the license for the following groups of insurance or activities of voluntary insurance of separate risks:

- Land vehicles other than railway transport insurance;
- Land vehicles third party liability insurance;
- Aircraft third party liability insurance;
- Hull (sea and internal waters) third party liability insurance;
- Accident insurance;
- Aircraft insurance;
- CARGO insurance;
- Property insurance against other risks;
- General third party liability insurance;
- Illness insurance;
- Hull (sea and internal waters) insurance;
- Property insurance against fire and natural disasters;
- Guarantee insurance;
- Financial losses insurance;
- Railway rolling stock transport insurance.

EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

The Company's license for the insurance activity enables to provide such types of obligatory insurance:

- Compulsory motor third party liability insurance;
- Compulsory liability insurance of construction projectors;
- Compulsory liability insurance of contractor;
- Compulsory liability insurance of major researchers and contractors of biomedical researches;
- Insurance of guarantee of performance of travel organiser's liabilities.

Information about branches and agencies of the Company

As of 31 December 2015 the Company had 2 foreign branches, 3 regions and 20 sales units (as of 31 December 2014 – 2 foreign branches, 3 regions and 20 sales units). The head office of the Company is located at Konstitucijos Ave. 7, Vilnius.

Based on the insurance contracts, on 31 May 2015 the Company transferred the rights and obligations of the Latvian branch to Balta ASS under the business transfer agreement dated 26 February 2015, signed by the parties.

Based on the insurance contracts, on 31 May 2015 the Company transferred the rights and obligations of the Estonian branch to Lietuvos Draudimas AB under the business transfer agreement dated 20 May 2015, signed by the parties.

Information about subsidiaries and associated companies of the Company

As of 31 December 2015 and 2014, the Company had no subsidiaries and associated companies.

Financial year

The financial year of the Company starts on 1 January and ends on 31 December.

II. SIGNIFICANT ACCOUNTING POLICIES

Basis for preparation of financial statements

The financial statements have been prepared in accordance with Lithuanian Business Accounting Standards, the Lithuanian Insurance Supervisory Commission resolution No. 7 on the Financial Statements of Insurance Companies, dated 3 February 2004, and legal regulations on accounting and financial reporting of the Republic of Lithuania. The financial statements have been prepared on the historical cost basis of accounting, except for certain financial assets and liabilities, which are stated at fair value.

These financial statements have been prepared in the Lithuanian national currency – the euro (EUR).

The balances as at the end of 2014 were restated from LTL to EUR applying the approved exchange rate of EUR 1 = LTL 3.4528. The restatement was based under the laws of the Republic of Lithuania and BAS 40.

The most significant accounting principles are described below.

Use of estimates

The preparation of the financial statements in accordance with Lithuanian Insurance Supervisory Commission resolution No. 7 on the Financial Statements of Insurance Companies, the Law on Accounting of the Republic of Lithuania, Lithuanian Business Accounting Standards (BAS) and other legal acts requires management to make estimates and assumptions, that affect the amounts reported in the financial statements and the accompanying notes.

Estimates and key assumptions are reviewed on an ongoing basis and the effects of revisions are recognized in the period in which revised if the revision itself only affects that period, or also in the future periods if the revision affects both the current and future periods.

The estimates relate mainly to the definition of the useful lives of tangible and intangible assets, impairment of doubtful insurance debts and investments, technical provisions, receivable subrogations and recoveries and recognition of deferred tax asset.

The result of changes in the mentioned estimates will be accounted for in the financial statements when determined.

EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

Foreign currency

Transactions denominated in foreign currency are translated into EUR at the official Bank of Lithuania exchange rate on the date of the transaction, which approximates the prevailing market rates. Monetary assets and liabilities, including outstanding commitments to purchase or sell foreign currency, are converted into EUR at the balance sheet date. All resulting gains and losses relating to foreign currency transactions are recorded in the income statement in the period in which they arise. Gains and losses arising on exchange are included in the income statement for the period.

The applicable rates used for the principal currencies as of 31 December were as follows:

Financial year	Prior financial year
1 EUR = 1.0926 USD	1 USD = 2.5098 LTL 1 EUR = 3.4528 LTL

Qualitative and quantitative information about risks scope and management

The Company's risk management is centralised in order to ensure the implementation of risk management policies at all levels of the Company. Given the level of competence and responsibility, risk management functions are distributed from the Company's Board to employees, defining them in the approved Company's Board's and the administration's work regulations, as well as in the job descriptions of employees.

An Internal Audit Service has been operating at the Company for more than five years. The job of the Internal Audit Service is regulated and planned as prescribed by the Law on Insurance of the Republic of Lithuania and by the Company's methodological recommendations on internal control, approved by Resolution No. 92 of the Insurance Supervisory Commission of the Republic of Lithuania of 13 November 2007 On Mandatory Instructions for Internal Audit of Insurance Undertakings.

The main risks the Company faces are insurance, liquidity, pricing, operational risks and risk related to the management of investments. The risk is mitigated by internal rules and rules set by the Bank of Lithuania, as well as other legislation on the operations of insurance undertakings.

Insurance risk includes the risk of a loss arising on the risks assumed by insurance contracts to compensate for the damage incurred by the insured or policyholder as a result of certain events. The measures of the insurance risk management can be specified as follows:

- 1) The limits of insurance amounts:
 - a) The responsibility limits of Gjensidige ADB facultative reinsurance are defined in the approved order "Reconciling and signing of facultative reinsurance agreements";
 - b) The limits of obligatory reinsurance treaties, as well as the whole reinsurance strategy, are approved by the Board;
 - c) The levels of the insurance amount limits are set for particular categories of employees and / or intermediaries by the Company's internal methodical regulations, within the limits of the latter, insurance policies can be concluded;
 - d) Pursuant suretyship group insurance, the limits of accumulated unexpired risk insurance amounts are set for one insurer and / or policyholder considering the requirements determined in the reinsurance conditions.
- 2) The conditions of insurance risk assumption:
 - a) The methodical regulations exist for every insurance product in the Company, which define how to evaluate typical risk level and to adjust insurance conditions that match risk level.
- 3) The quality improvement of insurance risk evaluation:
 - a) Aiming to avoid losses due to incorrectly evaluated risk assumed, annual plans and budgets of personnel training are set, where the priority is given for increase of qualification of the sales staff and risk assessment specialists;
 - b) Portfolio analysis reports are continually designed and improved in order to facilitate comprehensive risk assessment. Currently used insurance accounting system DIS2 is convenient for fast portfolio analysis.
- 4) Reliability of claims handling:
 - a) Aiming to avoid losses due to the incorrectly evaluated claims compensation amounts and to secure the reliable control of payments, the order of the affirmation of claims is approved in the Company;
 - b) Aiming to avoid losses due to the incorrectly evaluated claim, annual plans and budget of personnel training are set, where one of priorities is an increase of qualification of the claims handling specialists.

EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2015
 (All amounts are in EUR, unless otherwise stated)

Liquidity risk is the risk that the Company will be unable to meet its financial obligations on time and/or that it may be forced to sell financial assets in order to fulfil its obligations and will suffer a loss due to a lack of liquidity in the market. In managing liquidity risk, the Company seeks to ensure the timely execution of the Company's financial liabilities and the effective use of liquid funds. For managing liquidity risk, the Company uses the cash flows method, which is reasoned by planning and forecasting the cash flows.

Pricing risk is the risk of unexpected loss resulting from change in market conditions in the field of pricing of insurance services.

- 1) To ensure timely reaction to market changes, market analysis is performed monthly;
- 2) To ensure timely reaction to changes in the results of insurance products, the analysis of all main products is performed monthly, and a detailed analysis is performed quarterly;
- 3) The Lithuanian insurance market with regard to geographical concentration of calamities is relatively small; therefore, the Company manages such risks through excess of loss reinsurance agreements on calamities in the fields of property, construction risk, cargo insurance, transport insurance, livestock insurance, and accident insurance.

The financial statements include activity plans and forecasts. Actual future results may differ from the Company's current estimates, as events and circumstances might be other than forecasted.

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, systems, technologies, employees' actions or external factors. Operational risk is managed using the following measures:

- 1) The primary control measures implemented in the organisation of the process continuously assessed by the Company's management;
- 2) To ensure the control of operational processes, the Company has established an internal audit service;
- 3) To optimize organizing of operational processes, the Company has started implementing a more advanced information system.

The risk management measures against the risk related to investment management:

- 1) The investment portfolio is formed considering the Company's activity risks related to its insurance activity and depending on general (expected or anticipated) development of the securities market (Lithuanian or foreign). Asset allocation by the territories, markets, industry sectors and subjects is implemented according to the legal acts of the Republic of Lithuania and general investing principles;
- 2) Funds covering insurance technical provisions are invested in accordance with the resolution of the Insurance Supervisory Commission No. N-24 dated 9 March 2004 and the currency compatibility rules. Assets, which cover technical provisions, are evaluated according to the prudence principle, anticipating risks of any unrecovered amounts.

Sensitivity of profit (loss) and shareholders' equity to insurance risk

The information about the sensitivity of profit (loss) and shareholders' equity to insurance risk is disclosed below. This information presents how much the operational result of the Company could change as a result of changes in the below mentioned captions, having significant effect on operating result:

Caption	Change of variable	Effect for caption/expenses risk, %	Effect for operational result/shareholders' equity, in EUR based on the data of 2015
Insurance claims (incurred damage)	Increase in loss ratio by 10%	Increase of insurance claims expenses (net of reinsurance) by 14-40%	Increase of insurance claims expenses by EUR'000 4 850
Acquisition expenses	Increase of commissions tariff in the market by 10%	Increase in commissions expenses by 10%	Increase in commissions expenses by EUR'000 871
Investment income/expenses	Decrease of investments profitability in the market by 30%	Decrease in investments income by 30%	Decrease in investments income by EUR'000 429

EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

Intangible assets

Intangible assets are carried at acquisition cost, less accumulated amortisation and impairment losses, if any. Assets with the useful life exceeding one year are recognised as non-current intangible assets. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

The amortization rates of intangible assets are the following:

Intangible asset group	Useful life (in years)
Computer software	4
Rights acquired	5
Goodwill	15

Business acquisitions

Business acquisitions are accounted for using the purchase method. Paid amount in a business combination process is measured at fair value.

Acquired identifiable assets and assumed liabilities are recognized at fair value on the day of acquisition.

Goodwill

Goodwill arising in a business acquisition process is accounted for at cost determined at business acquisition date less accumulated amortization and impairment losses, if any. Goodwill is recognised after acquisition of subsidiaries/branches at the amount by which the price paid exceeds the fair value of the net assets attributable to the Group. If the difference is negative (negative goodwill), it is accounted for in profit or loss.

Land, buildings and constructions

Buildings and constructions are carried at revalued value less any subsequent accumulated depreciation and accumulated impairment losses, if any.

Land is carried at revalued value less accumulated impairment losses, if any.

In cases where the value of a revaluated asset unit increases, such an increase is accounted for as the asset value increase and revaluation reserve. When the asset unit value after revaluation decreases, such a decrease is registered as an impairment loss and is recognized as an accounting period loss due to asset impairment loss, if the asset was not revaluated previously by increasing its value. In cases where the value of an asset being revaluated was increased and the asset impairment loss is identified during the accounting period, at first the remaining non-depreciated revaluation reserve is written off, and where its balance is not sufficient – the asset impairment loss expenses are registered. In cases where the value of any previously revaluated asset increases, the previous impairment loss is reversed, and the remaining portion goes to the revaluation reserve. At the end of the accounting period, the building's revaluated portion depreciation is calculated, and the revaluation reserve is adjusted accordingly. Upon the sale or write-off of any revaluated asset, the building revaluated portion depreciation is calculated, and the related revaluation reserve balance is reversed.

Depreciation is calculated on a straight-line basis over the estimated useful life of buildings. The estimated useful life of buildings is 20 to 60 years.

Subsequent repair works, which do not improve the useful features of the assets or do not extend the assets useful life period, are recognized as expenses immediately when incurred. Reconstruction costs and repair works, which extend the asset useful life period or which increase the useful features are included in the cost of the asset and are depreciated over the newly determined useful life.

Gain or loss arising on the disposal of real estate is determined as the difference between the proceeds received and the carrying amount of the sold property as well as all disposal related costs. Upon the disposal of real estate, the transaction result is reflected in the income statement.

At the end of every year, the Company reviews the estimated useful life, carrying amount and depreciation method of its real estate and the changes in accounting estimates, if any, are recognized on a prospective basis.

EXPLANATORY NOTES
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(All amounts are in EUR, unless otherwise stated)

Non-current tangible assets, excluding land, buildings and constructions

Assets are recognized as non-current tangible if they meet these criteria: assets are controlled and managed by the Company, it is reasonably expected to gain economic benefit from the assets in the future periods, assets will be used in the supply of services or for administrative purposes (not for investing activities) by the Company for more than one year period, it is possible to reliably measure the acquisition cost of the asset and the acquisition cost is at least EUR 203, except for certain groups of information technology assets.

Non-current tangible assets, except for land, buildings and constructions, are stated at acquisition cost less any subsequent accumulated depreciation and accumulated impairment losses, if any. Calculation of depreciation is started from the month following the month of putting the asset into operation using the straight-line method over the estimated useful life of the tangible asset. Estimated useful lives of key groups of tangible assets are as follows:

Groups of non-current tangible assets	Useful life (in years)
Vehicles	6-10
Office equipment	4-8
Other assets	4-6

Subsequent repair costs are added to the carrying amount of non-current tangible assets if they prolong the useful life of the asset or improve its useful features. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

The costs of repairs of assets that are leased and/or used under loan-for-use agreements are attributed to non-current tangible assets and recognized as expenses over the lease period, provided the repairs extend the useful life of the asset or improve its useful features.

The gain or loss arising on the disposal of an item of non-current tangible assets are determined as the difference between the sales proceeds and the carrying amount of the asset. Gain or loss from disposal of non-current tangible asset is recognized in the income statement when incurred.

At the end of every year, the Company reviews the estimated useful life, carrying amount and depreciation method of the tangible assets and the changes in accounting estimates, if any, are recognized on a prospective basis.

Impairment losses, write-offs and depreciation expenses are allocated to operating expenses of the Company.

Investment property

Investment property constitutes real estate held in order to earn lease revenue and/or profit from property value increase, and is accounted for at fair value, and the depreciation thereof is not calculated. The fair value of investment property is reviewed at each reporting date, and any changes thereof are reflected in the income statement as profit or loss.

Any repair works for the investment property reflected in financial statements at their fair value are recognized as costs of the period during which they were incurred.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

EXPLANATORY NOTES
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Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase of revaluation reserve.

Financial instruments

Financial assets and financial liabilities are recognized in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Fair value of financial instruments

Fair value represents the amount at which an asset could be exchanged or a liability settled. Where, in the opinion of management, the fair value of financial assets and liabilities differs materially from their carrying amounts, such fair values are separately disclosed in the notes to the financial statements.

Financial assets

a) Held-to-maturity and available-for-sale financial assets

Debt securities with fixed maturity dates that the management has the positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Debt securities that are intended to be held for an indefinite period of time, which may be sold in case it is necessary to maintain liquidity, or in case of changes in interest rates, exchange rates or equity prices, are classified as available-for-sale financial assets. Management determines the classification of its financial assets at the moment of acquisition.

Investments are recognized on a trade-date basis and are initially measured at acquisition cost. At subsequent reporting dates, debt securities that the Company has the expressed intention and ability to hold to maturity are measured at amortized cost established using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. The annual amortization of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income (expenses) over the term of the investment so that the income (expenses) recognized in each period represents a constant yield on the investment.

Investments other than held-to-maturity are classified as available-for-sale, and are subsequently measured at fair value. Any realized and unrealized gains and losses on the investments available-for-sale are included in the income statement.

b) Receivables

Receivables are measured initially at fair value, and subsequently measured at amortised cost less impairment, if any.

c) Cash and cash equivalents

Cash comprises cash on hand and cash in banks. Cash equivalents are short-term (with a maturity less than three months from the date of acquisition) liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in equities are not attributed to cash equivalents.

d) Granted loans

The granted loans are carried in the balance sheet at the amortized cost, less impairment loss, if any. Impairment losses on granted loans are recognized in the income statement, when there is objective evidence that financial asset is impaired. The accrued loan interest is reflected together with the carrying amount of granted loans.

e) Deposits in credit institutions

All term deposits irrespective of the length of term are classified as term deposits in credit institutions (except for overnight deposits that are classified as cash at bank and on hand). Deposits in credit institutions are measured at amortised cost less impairment losses. Impairment loss is calculated as soon as it is determined that the deposit repayment is doubtful. Interest revenue is accrued applying the effective interest rate during the entire deposit term. The accrued deposit interest is stated together with the deposit's carrying value.

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f) Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income and expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

g) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the estimated impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced using an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the allowance account are recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Short-term payables are measured at amortised cost.

Lease accounting

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) The Company as a lessor

Income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b) The Company as a lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. The benefits received or receivable as an incentive to conclude an operating lease contract are recognized on a straight-line basis over the lease term.

Share capital and reserves

Share capital and reserves are accounted for at the nominal value thereof.

Technical provisions

Technical provisions are computed under regulations of Lithuanian Insurance Supervisory Authority with reference to the characteristics of the insurance risks assumed and the data available. The used assumptions are evaluated after prudent period of time since formation of provisions and may be subject to adjustment in case they are not reaffirmed.

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a) The unearned premiums technical provision (hereinafter – UPTP) is intended to cover insurance operating expenses according to all valid insurance risks. This provision is calculated as a part of premiums written attributable to income of the Company for future accounting periods. Unearned premiums technical provision is calculated separately for every insurance policy, proportionally allocating insurance premium written to the period of risk validity. For the calculation of unearned premiums technical provision the day method is used, when the period of insurance risk validity and the period of insurance risk validity until the end of policy is expressed in days.

b) Unexpired risk technical provision (hereinafter – URTP) is calculated to cover the inadequacy of premiums by all valid insurance risks. The provision is calculated individually for every insurance group by subtracting from unearned premiums technical provision the forecasted claims according to the valid agreements, forecasted claims handling expenses related to these claims, deferred acquisition and administrative expenses and by adding the forecasted subrogation amounts to be recovered.

Forecasted claims are calculated as the product of the remaining annual risk assumed, annual risk frequency and average claim. The related forecasted claims handling expenses are calculated as a product of forecasted claims amount and the claims handling coefficient. The forecasted subrogation amounts are calculated as a product of forecasted claims amount and subrogation recovery coefficient. Annual claims frequency and the average claim are calculated individually for every insurance subgroup according to the statistics of the two-three last calendar years.

c) Outstanding claims technical provision (hereinafter – OCTP) is intended to cover all outstanding claims, including amounts required for claims handling according to all claims already occurred as well as claims occurred but not reported, and excluding the outstanding amounts receivable from subrogation or regress rights and outstanding amounts receivable for realised residual assets. The calculation base of outstanding claims technical provision (excluding provision for occurred but not reported claims) represents the individual evaluation of every claim reported considering all available information at the moment of formation of this provision.

The estimate of claims occurred but not reported for all insurance groups with insufficient statistical data is calculated using the "Loss ratio" method and for the insurance groups with sufficient statistical data using the "Bornhuetter-Ferguson" or "Chain-Ladder" method.

Taxes

Income tax expense comprises the expenses of the current income tax and deferred income tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In 2015 and 2014, the income tax applied to the Company is 15%.

Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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Current and deferred tax for the period

Current and deferred tax are recognized as an expense in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity or if they emerged at the moment of initial recognition of a business combination.

Other provisions

Other provisions are recognized when the Company has a legal obligation as a result of the past event, it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Insurance premiums written and outward reinsurance premiums

Insurance premiums written comprise the premiums under the contracts signed during the accounting period which last for no longer than one year, the premiums under the contracts signed during the accounting period which last for more than one year and are allocated to one year of insurance, and the premiums under the contracts signed during the prior financial year which last for more than one year and allocated for the accounting year, deducting any premiums under cancelled or terminated insurance policies and considering the change of the doubtful premiums written. Earned premiums comprise the premiums attributable to the accounting period – premiums written during the year adjusted by change in unearned premiums reserve for the relative period.

Outward reinsurance premiums represent the share of premiums written in the accounting period, which was subject to reinsurance and adjusted by the change in unearned premiums technical provision.

Claims

Claims incurred comprise claims attributable to the accounting period, i.e. claims paid, claim handling costs, subtracting subrogation receivables and the outstanding claims technical provision change during the accounting period.

Subrogation received comprises the actually received amounts during the accounting period from third parties in cash or upon sale of transferred property, and the amounts receivable after the end of the accounting period which are related to the damages compensated prior to the end of the accounting period, taking into consideration the likely period of payment of such amounts and the likeliness of receipt of such amounts.

Claims handling costs comprise the claims handling centre costs and certain portions of the costs incurred by the Company's headquarters and branch offices assigned in accordance with the methodology approved by the Company.

The reinsurers' share of the claims incurred comprises the amounts paid by reinsurers under reinsurance contracts or the amounts receivable from reinsurers for the claims payments made by the Company during the accounting period, adjusted by the outstanding claims technical provision reinsurers' share change during the accounting period, and the retrospective and external claims handling costs expenditure assigned to the reinsurers.

Investment activity income and expenses

All investment income and expenses related to insurance and equity capital investment operations are initially attributed to investment income and expenses. Based on the ratio between technical provisions and equity, a portion of return on investment is transferred from non-technical account to non-life insurance technical account of the income statement. The ratios between technical provisions and equity are determined with reference to mathematical average amounts at the beginning and at the end of the period.

Acquisition expenses

Acquisition expenses include expenses incurred concluding insurance contracts. Acquisition expenses represent commission payments to agents and intermediaries for the distribution of insurance policies, advertising and promotion expenses, operating expenses and employee payroll along with social security expenses of sales departments.

Commission expenses related to future periods are accounted for in the balance sheet as deferred acquisition expenses. Deferred acquisition expenses are calculated on a pro-rata basis in respect of each insurance policy. The portion of commission expenses representing premiums unclaimed at the end of the reporting period are accounted for in the balance sheet as accrued commission charges. Accrued commission charges are calculated on a pro-rata basis in respect of each insurance policy.

Commission charges are allocated directly to each insurance policy and respective type of insurance, whereas other acquisition expenses are allocated to respective types of insurance based on the number of agreements signed.

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Administrative expenses

Administrative expenses include expenses that are not directly related to insurance contract conclusion, claims handling, and investment activity. These expenses are assigned to insurance groups in accordance with the methodology approved by the Company.

Other technical income and expenses

Other income and respectively incurred expenses for the distribution of insurance products of other companies are reflected in other technical income and expenses right away, upon selling the relevant policy of another insurance company.

Amounts deducted from Motor Vehicle Third Party Liability insurance premiums written and paid to Motor Vehicle Insurers Bureau of the Republic of Lithuania are recognised as expenses during the period when related insurance premiums have been earned.

All other income and expenses from technical account are recognised on an accrual basis.

Other income and expenses

Other income includes income earned on services other than insurance services: interest not related to investments such as interest on cash in bank; income from foreign currency conversion and currency rate translation not related to investments; gain on revaluation of balance sheet items not related to investments, and other similar income not included in other items.

Other expenses include various expenses such as changes in foreign currency exchange rates of outstanding balances, loss on revaluation of balance sheet items not related to investments, fines and penalties for late payments and other expenses not included into other items.

Cash flow statement

The cash flow statement is prepared applying the direct method. Cash and cash equivalents comprise cash on hand and at banks. The received dividends are assigned in the cash flow statement to investment activities, and the paid dividends – to financial activities. The received interest is shown in investment activity.

Offsetting

While preparing the financial statements assets and liabilities, and income and expenses are not offset, except cases, when individual business accounting standard requires such offset.

Earnings per share

Earnings per share are calculated by dividing the Company's accounting period net profit (loss) by the average weighted number of valid and issued shares.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties are defined as shareholders, employees, members of the supervisory council and management board, their close relatives and companies that directly or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company.

Regulatory requirements

The Company is subject to the regulatory requirements of the Bank of Lithuania. These requirements include minimum capital, minimum solvency, restricted investments, accounting and provision setting policies.

Contingencies

Contingent liabilities are not recognized in the financial statements, except for contingent liabilities in business combinations. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Post-balance sheet events

Post-balance sheet events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

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III. EXPLANATORY NOTES

1. Intangible assets

The movement of intangible assets for the year ended 31 December 2015, was:

Items	Asset category				Total
	Rights acquired	Software	Prepayments	Goodwill	
Acquisition cost					
<i>At the beginning of the accounting period</i>	569 033	5 780 009	61 125	29 762 834	36 173 001
Assets acquired	-	475 473	100 666	-	576 139
Business combination	-	-	-	-	-
Assets disposed (-)	(310 333)	(2 205 267)	(99 392)	-	(2 614 992)
Assets written off (-)	(142 852)	(79 824)	-	(29 762 834)	(29 985 51)
Transfers between captions +/-(-)	-	16 864	(16 864)	-	-
<i>At the end of the accounting period</i>	115 848	3 987 255	45 535	-	4 148 638
Accumulated amortisation					
<i>At the beginning of the accounting period</i>	205 654	2 759 980	-	330 698	3 296 332
Charge for the year	93 572	704 664	-	826 745	1 624 981
Business combination	-	-	-	-	-
Reversed amortization	-	-	-	-	-
Written off amortisation after disposal of assets (-)	(114 333)	(467 605)	-	-	(581 938)
Written off amortisation after write-off of assets (-)	(69 045)	(24 374)	-	(1 157 443)	(1 250 862)
Transfers between captions +/-(-)	-	-	-	-	-
<i>At the end of the accounting period</i>	115 848	2 972 665	-	-	3 088 513
Net book value					
<i>At the beginning of the accounting period</i>	363 379	3 020 029	61 125	29 432 136	32 876 669
<i>At the end of the accounting period</i>	-	1 014 590	45 535	-	1 060 125

The amortisation charge of the Company's intangible assets for the year 2015 amounting to EUR 644 836 was included into administrative expenses, EUR 920 316 – into other technical expenses, EUR 39 149 – into claim handling expenses, EUR 14 521 – into acquisition expenses, and EUR 6 159 – into expenses from investing activities (in 2014 – EUR 456 274, EUR 391 935, EUR 46 693, EUR 5 139 and EUR 5 640 respectively).

Goodwill is related to the acquisition of Codan Forsikring A/S Estonia branch in 2014. On 31 May 2015, after the disposal of the Estonian branch, the non-amortised part of goodwill was written off.

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The movement of intangible assets for the year ended 31 December 2014, was:

Items	Asset category				Total
	Rights acquired	Software	Prepayments	Goodwill	
Acquisition cost					
<i>At the beginning of the accounting period</i>	258 860	3 114 932	-	-	3 373 792
Assets acquired	-	822 426	61 125	-	883 551
Business combination	310 334	1 842 771	-	29 762 834	31 915 939
Assets disposed (-)	-	-	-	-	-
Assets written off (-)	-	-	-	-	-
Transfers between captions +/-(-)	(160)	(120)	-	-	(280)
<i>At the end of the accounting period</i>	569 034	5 780 009	61 125	29 762 834	36 173 002
Accumulated amortisation					
<i>At the beginning of the accounting period</i>	144 451	2 246 253	-	-	2 390 704
Charge for the year	61 236	513 747	-	330 698	905 681
Business combination	-	-	-	-	-
Reversed amortization	-	-	-	-	-
Transfers between captions +/-(-)	(32)	(20)	-	-	(52)
<i>At the end of the accounting period</i>	205 655	2 759 980	-	330 698	3 296 333
Net book value					
<i>At the beginning of the accounting period</i>	114 409	868 679	-	-	983 088
<i>At the end of the accounting period</i>	363 379	3 020 029	61 125	29 432 136	32 876 669

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2. Land, buildings and other real estate

The movement of the land, buildings and other real estate for the year ended 31 December 2015, was:

Items	Asset category		Total
	Buildings	Constructions	
Acquisition cost			
<i>At the beginning of the accounting period</i>	1 783 394	20 478	1 803 872
Assets acquired	29 721	-	29 721
Assets disposed (-)	-	-	-
Assets written off (-)	-	-	-
Transfers between captions +/(-)	-	-	-
<i>At the end of the accounting period</i>	1 813 115	20 478	1 833 593
Revaluation			
<i>At the beginning of the accounting period</i>	(45 396)	-	(45 396)
Increase in value	-	-	-
Decrease in value (-)	(2 855)	-	(2 855)
Change in revaluation result on disposals +/(-)	-	-	-
<i>At the end of the accounting period</i>	(48 251)	-	(48 251)
Accumulated depreciation			
<i>At the beginning of the accounting period</i>	518 522	15 649	534 171
Charge for the year	33 117	1 305	34 422
Reversed depreciation (-)	-	-	-
Write-offs after disposal / write-off (-)	-	-	-
<i>At the end of the accounting period</i>	551 639	16 954	568 593
Net book value			
<i>At the beginning of the accounting period</i>	1 219 476	4 829	1 224 305
<i>At the end of the accounting period</i>	1 213 225	3 524	1 216 749

In December 2013, based on the report of independent appraisal, the Company performed revaluation of its real estate. The net effect of the revaluation reduced the value of real estate by EUR 195 thousand (the net value increase amounting to EUR 10 thousand was reflected as a revaluation reserve, whereas the net decrease in value amounting to EUR 204 thousand was recognized as a loss).

The depreciation charge of the Company's real estate, including the depreciation of revalued share of buildings, for the year 2015 was included: EUR 18 211 – into acquisition expenses, EUR 17 746 – into administrative expenses, EUR 1 320 – into claim handling expenses (in 2014 – EUR 18 115, EUR 18 047 and EUR 1 273, respectively).

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The movement of the land, buildings and other real estate for the year ended 31 December 2014, was:

Items	Asset category		Total
	Buildings	Constructions	
Acquisition cost			
<i>At the beginning of the accounting period</i>	1 776 776	26 807	1 803 583
Assets acquired	6 618	-	6 618
Assets disposed (-)	-	(6 329)	(6 329)
Assets written off (-)	-	-	-
Transfers between captions +/-(-)	-	-	-
<i>At the end of the accounting period</i>	1 783 394	20 478	1 803 872
Revaluation			
<i>At the beginning of the accounting period</i>	(42 536)	-	(42 536)
Increase in value	-	-	-
Decrease in value (-)	(2 860)	-	(2 860)
Change in revaluation result on disposals +/-(-)	-	-	-
<i>At the end of the accounting period</i>	(45 396)	-	(45 396)
Accumulated depreciation			
<i>At the beginning of the accounting period</i>	485 490	18 752	504 242
Charge for the year	33 032	1 543	34 575
Reversed depreciation (-)	-	-	-
Write-offs after disposal / write-off (-)	-	(4 646)	(4 646)
<i>At the end of the accounting period</i>	518 522	15 649	534 171
Net book value			
<i>At the beginning of the accounting period</i>	1 248 750	8 055	1 256 805
<i>At the end of the accounting period</i>	1 219 476	4 829	1 224 305

3. Equity and debt securities

Movement of equity and debt securities over the year ended 31 December 2015 was:

Items	Equity securities	Debt securities
Acquisition cost		
<i>At the beginning of the accounting period</i>	8 077 705	49 836 734
Assets acquired	18 450 525	12 599 366
Assets disposed (-)	(22 572 854)	(23 512 505)
Assets written off (-)	-	-
Transfers between captions +/-(-)	55 195	-
<i>At the end of the accounting period</i>	4 010 571	38 923 595
Revaluation		
<i>At the beginning of the accounting period</i>	533 505	1 276 687
Increase in value	787 169	(111 236)
Decrease in value (-)	(1 528 545)	(866 421)
Reversed revaluation result after disposal of financial asset (-)	-	-
Revaluation result transferred between captions +/-(-)	(31 219)	-
<i>At the end of the accounting period</i>	(239 090)	299 030
Net book value		
<i>At the beginning of the accounting period</i>	8 611 210	51 113 421
<i>At the end of the accounting period</i>	3 771 481	39 222 625

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The fair value was calculated according to the quoted market prices or the available market value of similar securities. The change in fair value of investments for the accounting period was accounted for in the income statement.

As of 31 December 2015 the carrying amount of available-for-sale financial assets amounted to EUR 3 808 thousand, with the acquisition cost of EUR 4 034 thousand (as of 31 December 2014 – EUR 8 648 thousand and EUR 8 101 thousand, respectively).

As of 31 December 2015 financial assets held-to-maturity comprised:

Type	Maturity	Annual interest rate (%)	Currency	Net book value
Government securities of the Republic of Lithuania	10/02/2016	3.750	EUR	6 454 235
Government securities of Romania	17/06/2016	5.250	EUR	5 255 285
Government securities of the Republic of Poland	29/03/2017	3.750	EUR	3 217 820
BOS Finance AB bonds	11/05/2016	6.000	EUR	2 948 844
Koleje Mazowieckie bonds	09/03/2016	6.750	EUR	2 360 881
Government securities of Slovenia	01/11/2016	4.700	EUR	2 091 384
Government securities of the Republic of Poland	01/02/2016	3.625	EUR	2 072 387
Government securities of Hungary	18/07/2016	3.500	EUR	1 939 746
Government securities of Croatia	09/07/2018	5.875	EUR	1 690 262
Government securities of the Republic of Lithuania	07/02/2018	4.850	EUR	1 636 658
OTP Bank plc. bonds	19/09/2016	5.270	EUR	1 470 365
Polskie koleje panstwowe bonds	20/10/2016	5.750	EUR	1 440 857
Eileme bonds	31/01/2020	11.750	EUR	1 122 598
Government securities of the Republic of Lithuania	22/09/2017	4.950	EUR	1 033 909
Government securities of the Republic of Lithuania	02/05/2016	1.200	EUR	912 347
Government securities of the Republic of Lithuania	10/02/2016	3.750	EUR	901 221
Orlen Capital AB bonds	30/06/2021	2.500	EUR	872 971
MFinance France bonds	26/11/2021	2.000	EUR	870 211
Synthos Finance AB bonds	30/09/2021	4.000	EUR	597 233
Government securities of the Republic of Lithuania	28/03/2018	5.200	EUR	297 004
Total held-to-maturity securities:				39 186 218

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As of 31 December 2014 financial assets held-to-maturity comprised:

Type	Maturity	Annual interest rate (%)	Currency	Net book value
Government securities of the Republic of Lithuania	29/04/2015	4.900	EUR	10 197 237
Government securities of the Republic of Lithuania	10/02/2016	3.750	EUR	6 608 391
Government securities of Croatia	05/01/2015	6.500	EUR	3 487 607
Government securities of Romania	18/03/2015	5.000	EUR	3 260 862
BOS Finance AB bonds	11/05/2016	6.000	EUR	2 967 011
Government securities of the Republic of Lithuania	27/02/2015	4.300	EUR	2 405 832
Koleje Mazowieckie bonds	09/03/2016	6.750	EUR	2 364 100
Government securities of Hungary	18/07/2016	3.500	EUR	1 975 770
Government securities of Croatia	09/07/2018	5.875	EUR	1 738 847
Government securities of the Republic of Lithuania	07/02/2018	4.850	EUR	1 622 498
Polskie koleje panstwowe bonds	20/10/2016	5.750	EUR	1 471 624
Government securities of Slovenia	17/03/2015	2.750	EUR	1 448 353
OTP Bank plc. bonds	19/09/2016	5.270	EUR	1 409 181
Eileme bonds	31/01/2020	11.750	EUR	1 147 901
Government securities of the Republic of Lithuania	22/09/2017	4.950	EUR	1 034 122
Slovenska izvozna in razvojna banka bonds	21/04/2015	3.000	EUR	1 012 303
PKO Finance bonds	21/10/2015	3.733	EUR	988 900
Government securities of the Republic of Lithuania	10/02/2016	3.750	EUR	931 916
Government securities of the Republic of Lithuania	02/05/2016	1.200	EUR	920 248
Orlen Capital AB bonds	30/06/2021	2.500	EUR	871 669
MFinance France bonds	26/11/2021	2.000	EUR	869 988
Synthos Finance AB bonds	30/09/2021	4.000	EUR	595 920
Ciech Group Financing AB bonds	30/11/2019	9.500	EUR	577 267
Government securities of the Republic of Lithuania	28/03/2018	5.200	EUR	295 388
Government securities of the Republic of Lithuania	31/08/2015	1.700	EUR	294 250
Government securities of the Republic of Lithuania	28/01/2015	-	EUR	289 609
Government securities of the Republic of Lithuania	27/05/2015	-	EUR	289 531
Total held-to-maturity securities:				51 076 325

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4. Deposits in credit institutions

As of 31 December 2015 deposits in credit institutions comprised:

Credit institution	Maturity	Annual interest rate (%)	Currency	Carrying amount
Nordea Bank AB Lithuania Branch	01/04/2016	0.01	EUR	5 000 003
AB Šiaulių Bankas	10/05/2016	0.86	EUR	1 006 426
AB Šiaulių Bankas	04/01/2016	0.75	EUR	1 005 875
AB SEB Bankas	01/04/2016	0.00	EUR	1 000 000
AB Šiaulių Bankas	07/01/2016	1.30	EUR	607 692
AB Šiaulių Bankas	03/04/2017	1.20	EUR	605 400
AB Šiaulių Bankas	04/04/2016	0.86	EUR	503 368
Total				9 728 764

As of 31 December 2014 deposits in credit institutions comprised:

Credit institution	Maturity	Annual interest rate (%)	Currency	Carrying amount
Nordea Bank AB Lithuania Branch	02/07/2015	0.30	EUR	4 000 066
AB SEB Bankas	02/01/2015	0.05	EUR	2 900 369
Nordea Bank AB Lithuania Branch	02/04/2015	0.26	EUR	2 540 036
AB DNB Bankas	02/01/2015	0.10	EUR	1 738 159
AB Šiaulių Bankas	11/08/2015	1.40	EUR	945 118
AB SEB Bankas	03/03/2015	0.20	EUR	869 755
AB SEB Bankas	05/05/2015	0.20	EUR	869 427
AB Šiaulių Bankas	15/04/2015	1.60	EUR	586 165
AB Šiaulių Bankas	14/05/2015	1.50	EUR	584 912
AB Šiaulių Bankas	15/06/2015	1.50	EUR	584 719
AB Šiaulių Bankas	01/04/2015	1.10	EUR	582 497
AB Šiaulių Bankas	05/01/2015	0.85	EUR	581 757
AB Šiaulių Bankas	05/06/2015	1.05	EUR	581 217
AB Šiaulių Bankas	05/05/2015	1.00	EUR	581 123
AB SEB Bankas	02/06/2015	0.30	EUR	580 135
AB SEB Bankas	02/04/2015	0.25	EUR	579 986
AB SEB Bankas	05/04/2015	0.15	EUR	579 523
AB Šiaulių Bankas	01/10/2015	1.30	EUR	401 690
AB Šiaulių Bankas	07/04/2015	0.90	EUR	290 467
AB SEB Bankas	02/01/2015	0.05	EUR	289 657
Total				20 666 778

As of 31 December 2015 and 2014, the Company had no deposits in credit institutions with maturity less than 3 months.

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5. Accounts receivable

As of 31 December 2015 accounts receivable comprised:

Accounts receivable	Total amount	Doubtful accounts receivable	Carrying amount
Receivables from insurance operations:	10 029 531	(636 073)	9 393 458
from policyholders:	8 689 414	(613 170)	8 076 244
subsidiaries	-	-	-
associated companies	-	-	-
other persons	8 689 414	(613 170)	8 076 244
from intermediaries:	273 766	(22 903)	250 863
subsidiaries	-	-	-
associated companies	-	-	-
other persons	273 766	(22 903)	250 863
from other:	1 066 351	-	1 066 351
subsidiaries	-	-	-
associated companies	-	-	-
other persons	1 066 351	-	1 066 351
Receivables from reinsurance operations:	228 745	-	228 745
from ceding insurers:	-	-	-
subsidiaries	-	-	-
associated companies	-	-	-
other persons	-	-	-
from reinsurers:	228 745	-	228 745
subsidiaries	-	-	-
associated companies	-	-	-
other persons	228 745	-	228 745
from intermediaries:	-	-	-
subsidiaries	-	-	-
associated companies	-	-	-
other persons	-	-	-
from other:	-	-	-
subsidiaries	-	-	-
associated companies	-	-	-
other persons	-	-	-
Other receivables:	42 349	(5 109)	37 240
subsidiaries	-	-	-
associated companies	-	-	-
other persons	42 349	(5 109)	37 240
Total	10 300 625	(641 182)	9 659 443

As of 31 December 2015, other accounts receivable consist of receivables for claims paid amounting to EUR 36 825 and other accounts receivable in the amount of EUR 415.

Receivable subrogations and recoveries are presented as other receivables from insurance activity. To calculate these amounts, the discount rate of 0.86% and the prudence coefficient of 75% were applied.

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As of 31 December 2014 accounts receivable comprised:

Accounts receivable	Total amount	Doubtful accounts receivable	Carrying amount
Receivables from insurance operations:	20 517 608	(581 110)	19 936 498
from policyholders:	17 623 959	(551 097)	17 072 862
subsidiaries	-	-	-
associated companies	-	-	-
other persons	17 623 959	(551 097)	17 072 862
from intermediaries:	2 110 683	(30 013)	2 080 670
subsidiaries	-	-	-
associated companies	-	-	-
other persons	2 110 683	(30 013)	2 080 670
from other:	782 966	-	782 966
subsidiaries	-	-	-
associated companies	-	-	-
other persons	782 966	-	782 966
Receivables from reinsurance operations:	251 429	-	251 429
from ceding insurers:	-	-	-
subsidiaries	-	-	-
associated companies	-	-	-
other persons	-	-	-
from reinsurers:	251 429	-	251 429
subsidiaries	-	-	-
associated companies	-	-	-
other persons	251 429	-	251 429
from intermediaries:	-	-	-
subsidiaries	-	-	-
associated companies	-	-	-
other persons	-	-	-
from other:	-	-	-
subsidiaries	-	-	-
associated companies	-	-	-
other persons	-	-	-
Other receivables:	284 964	(35 044)	249 920
Subsidiaries	-	-	-
associated companies	-	-	-
other persons	284 964	(35 044)	249 920
Total	21 054 001	(616 154)	20 437 847

As of 31 December 2014 other accounts receivable consisted of receivables for claims paid amounting to EUR 218 947, commissions for intermediation receivable of EUR 10 528 and other accounts receivable in the amount of EUR 20 445.

Receivable subrogations and recoveries were presented as other receivables from insurance activity. To calculate these amounts, the discount rate of 1.53% and the prudence coefficient of 75% were applied.

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6. Non-current assets, except for investment

The movement of non-current assets, except for investment, for the year ended 31 December 2015, was:

Items	Asset category		Total
	Office equipment	Other assets	
Acquisition cost			
<i>At the beginning of the accounting period</i>	1 365 296	487 341	1 852 637
Assets acquired	306 771	25 089	331 860
Business combination	-	-	-
Assets disposed (-)	(221 174)	(56 119)	(277 293)
Assets written off (-)	(466 958)	(311 143)	(778 101)
Transfers between captions +/(-)	-	-	-
<i>At the end of the accounting period</i>	983 935	145 168	1 129 103
Accumulated depreciation			
<i>At the beginning of the accounting period</i>	825 845	356 730	1 182 575
Charge of the year	207 649	47 224	254 873
Business combination	-	-	-
Reversals of depreciation after disposals (+)	(66 004)	(28 299)	(94 303)
Reversals of depreciation after write-off (+)	(387 830)	(259 862)	(647 692)
Transfers between captions +/(-)	-	-	-
<i>At the end of the accounting period</i>	579 660	115 793	695 453
Net book value			
<i>At the beginning of the accounting period</i>	539 451	130 611	670 062
<i>At the end of the accounting period</i>	404 275	29 375	433 650

As of 31 December 2015 and 2014, the Company had no assets acquired under finance lease agreements.

The depreciation charge of the Company's non-current tangible assets for the year 2015 amounting to EUR 207 029 was included into administrative expenses, EUR 37 035 – into acquisition expenses, EUR 10 728 – into claim handling expenses, EUR 81 – into expenses from investing activities (in 2014 – EUR 157 055, EUR 50 652, EUR 12 250 and EUR 139, respectively).

As of 31 December 2015 the Company used fully depreciated non-current tangible assets with the acquisition cost of EUR 417 thousand (as of 31 December 2014 – EUR 992 thousand).

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The movement of non-current assets, except for investment, for the year ended 31 December 2014, was:

Items	Asset category		Total
	Office equipment	Other assets	
Acquisition cost			
<i>At the beginning of the accounting period</i>	1 168 885	478 912	1 647 797
Assets acquired	331 715	21 932	353 647
Business combination	103 890	10 187	114 077
Assets disposed (-)	-	-	-
Assets written off (-)	(239 164)	(23 665)	(262 829)
Transfers between captions +/(-)	(30)	(25)	(55)
<i>At the end of the accounting period</i>	1 365 296	487 341	1 852 637
Accumulated depreciation			
<i>At the beginning of the accounting period</i>	890 817	332 318	1 223 135
Charge of the year	174 052	46 044	220 096
Business combination	-	-	-
Reversals of depreciation after disposals (-)	-	-	-
Reversals of depreciation after write-off (-)	(239 020)	(21 628)	(260 648)
Transfers between captions +/(-)	(4)	(4)	(8)
<i>At the end of the accounting period</i>	825 845	356 730	1 182 575
Net book value			
<i>At the beginning of the accounting period</i>	278 068	146 594	424 662
<i>At the end of the accounting period</i>	539 451	130 611	670 062

7. Current accounts and cash on hand

Items	Financial year	Prior financial year
Current accounts at banks	3 268 985	5 115 125
Business cards	19 551	17 890
Total	3 288 536	5 133 015

As of 31 December 2015 and 2014, the Company had no term deposits with maturity less than 3 months.

As of 31 December 2015 cash deposited in SEB bank AB for issued guarantees amounted to EUR 65 949 (as of 31 December 2014 – EUR 104 479); no other restrictions were imposed on bank accounts.

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8. Accrued income and deferred expenses

Items	Financial year	Prior financial year
Deferred acquisition expenses of non-life insurance:		
Commissions of direct insurance	3 902 057	7 738 015
Total non-life insurance deferred acquisition expenses	3 902 057	7 738 015
Deferred expenses:		
Deferred expenses of admission fee to Motor Insurers' Bureau of the Republic of Lithuania	185 194	267 488
Deferred commission	153 682	273 367
Other deferred expenses	115 753	189 326
Total deferred expenses	454 629	730 181
Total accrued income and deferred expenses	4 356 686	8 468 196

Movement of deferred acquisition expenses:

Items	Deferred acquisition expenses
31 December 2013	3 483 761
Movement during the period	4 254 254
31 December 2014	7 738 015
Movement during the period	(3 835 958)
31 December 2015	3 902 057

As of 31 December 2015 and 2014, deferred acquisition expenses according to the types of insurance comprise:

Insurance groups	Financial year	Prior financial year
Property insurance	1 429 161	2 550 873
Land vehicles other than railway transport insurance	892 339	2 517 629
Obligatory Motor Third Party Liability insurance	749 677	1 542 663
Accident insurance	284 452	299 244
Illness insurance	195 936	211 394
General third party liability insurance	153 633	260 106
Assistance insurance	60 581	28 842
Guarantee insurance	46 254	113 978
Carriers liability insurance	30 395	46 721
Financial losses insurance	21 203	121 039
CARGO insurance	19 680	28 935
Hull (seas, lakes, rivers and canals) insurance	10 008	9 309
Aircraft insurance	3 906	4 001
Aircraft third party liability insurance	2 825	1 352
Hull (seas, lakes, rivers and canals) third party liability insurance	1 442	511
Railway rolling stock insurance	565	1 418
Total	3 902 057	7 738 015

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9. Share capital and reserves

Share capital

As of 31 December 2015 the share capital of the Company amounted to EUR 13 001 174 (31 December 2014: EUR 51 087 380). The share capital of the Company is divided into 1 764 067 ordinary registered shares with the par value of EUR 7.37 and 28.96 each respectively. All shares were fully paid as of 31 December 2015 and 2014.

On 29 October 2015, based on the decision of the General Shareholders Meeting, the share capital was reduced to eliminate the losses recorded in the Company's balance sheet. The par value per share was reduced from EUR 28.96 to EUR 7.37.

According to the Law on Insurance of the Republic of Lithuania, the share capital of an insurance company should be not less than EUR 1 million. As of 31 December 2015 and 2014, the Company complied with this requirement.

Share premium

In 2014, after the increase of the Company's share capital by 860 000 shares, share premiums were formed, which comprise the amount of the par value surpluses of the issued shares. There were no changes in the amount of share premium in 2015.

Legal reserve

Pursuant to the Law on Companies of the Republic of Lithuania, legal reserve is formed from the distributable profit. Companies must transfer to the legal reserve 5% of their net profit, until the total amount of the reserve reaches 10% of the Company's share capital. The legal reserve may be used only for covering losses of the Company. The share of legal reserve in excess of 10% of the share capital may be distributed when distributing the profit for the succeeding financial year.

Revaluation reserve

Revaluation reserve represents increase in value of Company's non-current tangible assets (real estate) resulting from revaluation. Revaluation reserve is reduced in line with write-downs on assets previously revalued upwards, when assets revalued is written off, depreciated or disposed to the ownership of other persons. The revaluation reserve in respect of revaluation of tangible assets might be used to increase share capital. Revaluation reserve cannot be decreased to cover losses.

10. Technical provisions

10.1. Unearned premium technical provisions

The change of unearned premium technical provisions in 2015 and 2014 is as follows:

Captions	Financial year			Prior financial year		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
<i>At the beginning of the accounting period</i>	44 749 477	(1 834 249)	42 915 228	24 219 191	(1 456 090)	22 763 101
Change in provision for unearned premiums	(21 596 777)	1 319 432	(20 277 345)	20 530 286	(378 159)	20 152 127
<i>At the end of the accounting period</i>	23 152 700	(514 817)	22 637 883	44 749 477	(1 834 249)	42 915 228

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The analysis of unearned premiums technical provision by line of business is as follows:

Insurance groups	Financial year			Prior financial year		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Land vehicles other than railway rolling stock insurance	5 781 747	(3 849)	5 777 898	14 535 132	(143 845)	14 391 287
Property insurance	6 047 588	(100 667)	5 946 921	11 605 946	(552 365)	11 053 581
Obligatory Motor Third Party Liability	6 173 147	-	6 173 147	11 470 261	(25 708)	11 444 553
General Third Party Liability	1 225 467	(283 535)	941 932	1 973 154	(493 592)	1 479 562
Illness insurance	1 224 846	-	1 224 846	1 307 994	-	1 307 994
Accident insurance	1 119 535	-	1 119 535	1 207 043	-	1 207 043
Guarantee insurance	422 709	(126 766)	295 943	943 920	(282 780)	661 140
Financial losses insurance	141 457	-	141 457	728 477	(335 878)	392 599
Carriers liability insurance	322 978	-	322 978	444 286	-	444 286
CARGO insurance	119 390	-	119 390	200 891	-	200 891
Assistance insurance	399 000	-	399 000	194 367	-	194 367
Hull (seas, lakes, rivers and canals) insurance	94 305	-	94 305	68 709	-	68 709
Aircraft insurance	38 058	-	38 058	35 516	-	35 516
Railway rolling stock insurance	7 433	-	7 433	15 288	-	15 288
Aircraft third party liability insurance	23 277	-	23 277	13 289	(82)	13 207
Hull (seas, lakes, rivers, canals) third party liability insurance	11 763	-	11 763	5 204	-	5 204
Total	23 152 700	(514 817)	22 637 883	44 749 477	(1 834 249)	42 915 228

The decrease of Company's formed technical provisions as of 31 December 2015 compared to 31 December 2014 appeared due to the disposal of branches in Latvia and Estonia.

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10.2. Outstanding claim technical provisions

The changes of the outstanding claim technical provision in 2015 and 2014:

Captions	Financial year			Prior financial year		
	Gross	Reinsu- rance share	Net	Gross	Reinsu- rance share	Net
<i>At the beginning of the accounting period</i>	33 438 572	(4 296 335)	29 142 237	25 729 590	(5 730 742)	19 998 848
Change in outstanding claims provision	(2 696 490)	(7 013 949)	(9 710 439)	7 708 982	1 434 407	9 143 389
<i>At the end of the accounting period</i>	30 742 082	(11 310 284)	19 431 798	33 438 572	(4 296 335)	29 142 237

The analysis of outstanding claims technical provision by line of business is as follows:

Insurance groups	Financial year			Prior financial year		
	Gross	Reinsu- rance share	Net	Gross	Reinsu- rance share	Net
Obligatory Motor Third Party Liability	17 279 398	(6 947 866)	10 331 532	18 423 242	(2 961 447)	15 461 795
Property insurance	6 036 331	(3 581 573)	2 454 758	5 292 055	(391 683)	4 900 372
Land vehicles other than railway transport insurance	1 569 195	-	1 569 195	3 273 367	(34 091)	3 239 276
General Third Party Liability	2 595 094	(358 450)	2 236 644	2 325 305	(509 740)	1 815 565
Guarantee insurance	1 416 896	(404 671)	1 012 225	1 112 721	(317 566)	795 155
Carriers liability insurance	515 402	(17 724)	497 678	933 793	(18 565)	915 228
Accident insurance	339 865	-	339 865	603 579	-	603 579
Illness insurance	519 764	-	519 764	535 966	-	535 966
CARGO insurance	132 365	-	132 365	481 455	-	481 455
Financial losses insurance	48 539	-	48 539	211 319	(63 243)	148 076
Aircraft insurance	162 207	-	162 207	146 101	-	146 101
Aircraft third party liability insurance	61 411	-	61 411	59 889	-	59 889
Hull (seas, lakes, rivers and canals) insurance	10 685	-	10 685	18 647	-	18 647
Assistance insurance	52 545	-	52 545	16 207	-	16 207
Hull (seas, lakes, rivers and canals) third party liability insurance	1 195	-	1 195	3 605	-	3 605
Railway rolling stock insurance	1 190	-	1 190	1 321	-	1 321
Total	30 742 082	(11 310 284)	19 431 798	33 438 572	(4 296 335)	29 142 237

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As of 31 December 2015 and 2014, the structure of non-life insurance outstanding claims technical provision comprised:

Components of outstanding claims provision	Financial year	Prior financial year
Reported but not settled claims	25 168 878	25 384 053
Incurred but not reported claims	5 101 694	6 976 558
Claims handling expenses	1 619 531	2 229 730
Estimated subrogation receivable	(1 148 022)	(1 151 770)
Reinsurance share within reported not settled claims	(11 376 472)	(3 668 013)
Reinsurance share within incurred not reported claims	(17 697)	(696 798)
Reinsurance share within claims handling expenses	(183 169)	(149 753)
Reinsurance share within estimated subrogation receivable	267 055	218 230
Total	19 431 798	29 142 237

The analysis of the Company's (only of the Lithuanian branch) outstanding claims provision as of 31 December 2014 and the amount of the claims paid during the year 2015, for the events incurred until 31 December 2014 is presented in the table below:

Items	Results	
	Including reinsurance share	Net of reinsurance share
Claims paid in the reporting period for the events occurred before the reporting period	9 832 424	9 148 008
External claim handling expenses for the reporting period	646 098	635 996
Internal claim handling expenses for the reporting period	351 758	351 758
Recovered regress in the reporting period for the events occurred before the reporting period	(1 350 941)	(1 339 015)
Outstanding claims provision at the end of the reporting period for the claims incurred before the reporting period	21 139 899	9 968 857
Total	30 619 238	18 765 604
Outstanding claims provision at the end of the previous reporting period	22 973 215	19 450 875
The difference	(7 646 023)	685 271

The analysis of sufficiency of the Company's outstanding claims provision as of 31 December 2014 by insurance groups is presented in the table below:

Obligatory motor third party liability insurance

Items	Results	
	Including reinsurance share	Net of reinsurance share
Claims paid in the reporting period for the events occurred before the reporting period	5 241 363	4 640 343
External claim handling expenses for the reporting period	387 352	395 647
Internal claim handling expenses for the reporting period	154 421	154 421
Recovered regress in the reporting period for the events occurred before the reporting period	(497 675)	(497 676)
Outstanding claims provision at the end of the reporting period for the claims incurred before the reporting period	13 262 694	6 314 828
Total	18 548 155	11 007 563
Outstanding claims provision at the end of the previous reporting period	14 013 050	11 071 131
The difference	(4 535 105)	63 568

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Land vehicles other than railway transport insurance

Items	Results	
	Including reinsurance share	Net of reinsurance share
Claims paid in the reporting period for the events occurred before the reporting period	1 567 676	1 567 676
External claim handling expenses for the reporting period	36 848	36 848
Internal claim handling expenses for the reporting period	39 581	39 581
Recovered regress in the reporting period for the events occurred before the reporting period	(528 827)	(527 451)
Outstanding claims provision at the end of the reporting period for the claims incurred before the reporting period	326 626	326 626
Total	1 441 904	1 443 280
Outstanding claims provision at the end of the previous reporting period	1 527 627	1 527 627
The difference	85 723	84 347

Other types of insurance

Items	Results	
	Including reinsurance share	Net of reinsurance share
Claims paid in the reporting period for the events occurred before the reporting period	3 023 383	2 939 988
External claim handling expenses for the reporting period	221 896	203 501
Internal claim handling expenses for the reporting period	157 755	157 755
Recovered regress in the reporting period for the events occurred before the reporting period	(324 435)	(313 885)
Outstanding claims provision at the end of the reporting period for the claims incurred before the reporting period	7 550 578	3 327 402
Total	10 629 177	6 314 761
Outstanding claims provision at the end of the previous reporting period	7 432 537	6 852 116
The difference	(3 196 640)	537 355

10.3. Loss equalisation and unexpired risk technical provisions

The amounts of loss equalisation technical provision and unexpired risk technical provision in 2015 and 2014 are as follows:

Items	LETP		URTP	
	2015	2014	2015	2014
Insurance	-	-	4 088 992	3 211 077
Reinsurance	-	-	-	-
Total	-	-	4 088 992	3 211 077

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The specification of LETP and URTP by insurance groups is provided in the table below:

Insurance groups	LETP		URTP	
	2015	2014	2015	2014
General Third Party Liability insurance	-	-	4 244	913
Illness insurance	-	-	109 219	153 580
Accident insurance	-	-	31 080	-
Financial losses insurance	-	-	-	17 837
Guarantee insurance	-	-	-	-
Hull (seas, lakes, rivers and canals) third party liability insurance	-	-	-	-
Hull (seas, lakes, rivers and canals) insurance	-	-	-	-
Obligatory Motor Third Party Liability	-	-	1 641 249	1 336 773
Land vehicles other than railway transport insurance	-	-	1 080 284	1 110 486
Aircraft third party liability insurance	-	-	-	-
Aircraft insurance	-	-	38 302	-
Property insurance	-	-	1 184 614	591 488
Carriers liability insurance	-	-	-	-
CARGO insurance	-	-	-	-
Total	-	-	4 088 992	3 211 077

10.4. Other technical provisions

Technical provision for bonuses and rebates (hereinafter – “TPBR”) is formed for the amounts distributed or anticipated for subsequent distribution in the form of bonuses or premium discounts for individual insurance agreements.

The changes of the technical provision for bonuses and rebates in 2015 and 2014:

Captions	Financial year			Prior financial year		
	Gross	Reinsu- rance share	Net	Gross	Reinsu- rance share	Net
<i>At the beginning of the accounting period</i>	-	-	-	2 954	(2 104)	849
<i>Change during the period</i>	-	-	-	(2 954)	2 104	(849)
<i>At the end of the accounting period</i>	-	-	-	-	-	-

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10.5. Movement of non-life insurance technical provisions

Movement of non-life insurance technical provisions in 2015 and 2014:

Items	Not earned premium provision	Outstanding claims provision	Provision for unexpired risk	Bonuses and rebates provision	Total
Gross amount					
<i>31 December 2013</i>	<i>24 219 191</i>	<i>25 729 590</i>	<i>1 686 607</i>	<i>2 954</i>	<i>51 638 342</i>
Change over the period	20 530 286	7 708 982	1 524 470	(2 954)	29 760 784
<i>31 December 2014</i>	<i>44 749 477</i>	<i>33 438 572</i>	<i>3 211 077</i>	-	<i>81 399 126</i>
Change over the period	(21 596 777)	(2 696 490)	877 915	-	(23 415 352)
<i>31 December 2015</i>	<i>23 152 700</i>	<i>30 742 082</i>	<i>4 088 992</i>	-	<i>57 983 774</i>
Reinsurance share					
<i>31 December 2013</i>	<i>(1 456 090)</i>	<i>(5 730 742)</i>	-	<i>(2 104)</i>	<i>(7 188 936)</i>
Change over the period	(378 159)	1 434 407	-	2 104	1 058 352
<i>31 December 2014</i>	<i>(1 834 249)</i>	<i>(4 296 335)</i>	-	-	<i>(6 130 584)</i>
Change over the period	1 319 432	(7 013 949)	-	-	(5 694 517)
<i>31 December 2015</i>	<i>(514 817)</i>	<i>(11 310 284)</i>	-	-	<i>(11 825 101)</i>
Net amount					
<i>31 December 2014</i>	<i>42 915 228</i>	<i>29 142 237</i>	<i>3 211 077</i>	-	<i>75 268 542</i>
<i>31 December 2015</i>	<i>22 637 883</i>	<i>19 431 798</i>	<i>4 088 992</i>	-	<i>46 158 673</i>

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11. Other liabilities

As of 31 December 2015, other liabilities comprised:

Creditors	Debts payable		
	within one year	from one to five years	more than five years
Subordinated liabilities	-	-	-
Deposits received from reinsurers	-	-	-
Liabilities arising out from direct insurance operations:	2 077 541	-	-
Liabilities to policyholders:	776 347	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	776 347	-	-
Liabilities to intermediaries:	156 727	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	156 727	-	-
Other creditors arising out from direct insurance operations:	1 144 467	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	1 144 467	-	-
Liabilities arising out from reinsurance operations:	395 607	-	-
Liabilities to ceding insurers:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Liabilities to reinsurers:	395 607	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	395 607	-	-
Liabilities to intermediaries:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Other liabilities related to reinsurance operations:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Debt securities issued, separately disclosed convertible debts:	-	-	-
Debts to credit institutions:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Taxes, social security contributions and other liabilities:	1 161 006	-	-
taxes	183 023	-	-
social security contributions	262 107	-	-
salaries	111 428	-	-
other	604 448	-	-
Total	3 634 154	-	-

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On 25 September 2014 the Company received a subordinated loan of EUR 46 000 000 from PZU S.A. The loan balance as of 31 December 2014 was EUR 8 766 453, payable interest – EUR 39 306. The loan interest rate was 3-month EURIBOR plus margin. The part of the loan amounting to EUR 37 million was offset with the price of new shares emission. The loan was repaid together with accrued interest on 15 July 2015.

As of 31 December 2014, other liabilities comprised:

Creditors	Debts payable		
	within one year	from one to five years	more than five years
Subordinated liabilities	39 306	-	8 766 453
Deposits received from reinsurers	-	-	-
Liabilities arising out from direct insurance operations:	6 432 651	-	-
Liabilities to policyholders:	3 491 091	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	3 491 091	-	-
Liabilities to intermediaries:	869 668	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	869 668	-	-
Other creditors arising out from direct insurance operations:	2 071 892	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	2 071 892	-	-
Liabilities arising out from reinsurance operations:	1 908 668	-	-
Liabilities to ceding insurers:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Liabilities to reinsurers:	1 908 668	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	1 908 668	-	-
Liabilities to intermediaries:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Other liabilities related to reinsurance operations:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Debt securities issued, separately disclosed convertible debts:	-	-	-
Debts to credit institutions:	-	-	-
subsidiaries	-	-	-
associate undertakings	-	-	-
other	-	-	-
Taxes, social security contributions and other liabilities:	2 110 888	-	-
taxes	383 782	-	-
social security contributions	472 848	-	-
salaries	306 523	-	-
other	947 735	-	-
Total	10 491 513	-	8 766 453

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12. Accrued expenses and deferred income

Accrued expenses and deferred income as of 31 December 2015 and 2014:

Items	Financial year	Prior financial year
Accrued commissions expenses	1 820 553	2 831 964
Other accrued expenses	449 601	1 082 876
Accrued reinsurance commission	44 368	135 450
Total	2 314 522	4 050 290

13. Results of non-life insurance activities

Country, where insurance agreement was concluded	Premiums written	
	Financial year	Prior financial year
Republic of Lithuania	52 345 514	53 333 394
Other EU countries	16 055 798	17 246 654
Other foreign countries	-	-
Total	68 401 312	70 580 048

The detailed results of non-life insurance activity in 2015 are presented below:

Items	Premiums written	Premiums earned	Claims paid expenses	Operating expenses	Result of reinsurance activities
Direct insurance	68 399 332	70 230 329	(55 979 075)	(26 930 600)	4 992 110
Inward reinsurance	1 980	10 358	(15)	(1 461)	(19)
Total	68 401 312	70 240 687	(55 979 090)	(26 932 061)	4 992 091

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The non-life insurance results in 2015 by groups of insurance are as follows:

Types of insurance	Premiums written	Premiums earned	Claims paid expenses	Operating expenses	Result of reinsurance activities
Obligatory Motor Third Party Liability	18 788 977	19 707 147	(20 016 299)	(6 578 353)	4 588 229
Land vehicles other than railway transport insurance	17 093 783	17 587 400	(14 355 085)	(6 645 184)	(30 166)
Property insurance	16 328 813	16 378 204	(12 720 993)	(7 058 251)	2 305 296
Illness insurance	4 646 740	4 653 198	(3 365 034)	(2 003 224)	(14 097)
General Third Party Liability	3 507 792	3 726 393	(2 101 526)	(1 313 486)	(976 148)
Accident insurance	2 786 558	2 705 769	(1 372 777)	(1 378 417)	(24 892)
Guarantee insurance	1 511 627	1 825 458	(455 953)	(606 238)	(386 348)
Financial losses insurance	984 348	1 218 718	(356 854)	(432 749)	(292 600)
Carriers liability insurance	885 552	848 070	(503 360)	(285 769)	(77 445)
CARGO insurance	742 297	718 950	(266 956)	(275 219)	(63 880)
Assistance insurance	725 059	508 442	(274 096)	(222 112)	-
Hull (seas, lakes, rivers and canals) insurance	193 848	168 252	(53 911)	(64 100)	(17 373)
Aircraft insurance	94 390	91 849	(137 346)	(31 923)	(8 443)
Aircraft third party liability insurance	67 171	57 183	(2 292)	(21 047)	(6 092)
Hull (seas, lakes, rivers and canals) third party liability insurance	30 467	23 908	2 291	(9 358)	(2 733)
Railway rolling stock insurance	13 890	21 746	1 101	(6 631)	(1 217)
Total	68 401 312	70 240 687	(55 979 090)	(26 932 061)	4 992 091

The details of non-life insurance results in 2014 are as follows:

Items	Premiums written	Premiums earned	Claims paid expenses	Operating expenses	Result of reinsurance activities
Direct insurance	70 569 926	67 004 158	(42 648 546)	(24 384 661)	(3 805 292)
Inward reinsurance	10 122	10 041	6	(1 007)	(106)
Total	70 580 048	67 014 199	(42 648 540)	(24 385 668)	(3 805 398)

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The non-life insurance results in 2014 by groups of insurance are as follows:

Types of insurance	Premiums written	Premiums earned	Claims paid expenses	Operating expenses	Result of reinsurance activities
Obligatory Motor Third Party Liability	23 598 464	22 708 931	(17 009 728)	(7 541 731)	144 415
Land vehicles other than railway transport insurance	14 995 047	14 438 775	(10 950 949)	(5 144 322)	(40 805)
Property insurance against fire and natural disaster	14 437 060	12 394 143	(8 398 110)	(5 151 081)	(826 328)
Illness insurance	4 799 160	4 588 720	(3 178 559)	(1 919 174)	(19 785)
Property insurance against other risks	3 977 444	3 668 029	(412 333)	(1 296 954)	(1 304 581)
General Third Party Liability	2 971 854	2 976 432	70 212	(1 012 687)	(610 997)
Guarantee insurance	2 426 327	2 287 111	(1 241 287)	(1 079 857)	(23 406)
Financial losses insurance	1 245 899	1 657 482	(454 323)	(501 236)	(924 327)
Accident insurance	767 956	843 221	(529 033)	(248 598)	(93 654)
CARGO insurance	689 510	692 848	(298 928)	(241 813)	(69 210)
Assistance insurance	379 796	337 933	(128 884)	(124 025)	-
Hull (seas, lakes, rivers and canals) insurance	130 169	132 332	(6 765)	(44 650)	(13 092)
Aircraft insurance	70 904	185 084	(51 875)	(48 042)	(13 507)
Aircraft third party liability insurance	47 541	53 452	(64 237)	(16 097)	(6 081)
Hull (seas, lakes, rivers and canals) third party liability insurance	29 228	24 151	(1 962)	(8 137)	(2 806)
Railway rolling stock insurance	13 689	25 555	8 221	(7 264)	(1 234)
Total	70 580 048	67 014 199	(42 648 540)	(24 385 668)	(3 805 398)

14. Commissions

Type of commission	Financial year	Prior financial year
Insurance business commissions:		
acquisition commissions (Note 17)	11 512 100	11 196 674
renewal of insurance agreements	-	-
premium collection	70 557	63 594
other	-	-
Reinsurance commissions:		
acquisition commissions (Note 17)	-	-
renewal of reinsurance agreements	-	-
premium collection	-	-
commissions for management of insurance contracts portfolio	-	-
other	-	-
Total	11 582 657	11 260 268

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15. Claim handling expenses

Types of expenses	Financial year	Prior financial year
Wages, salaries and social security	1 790 245	1 437 193
Services of experts, lawyers and other specialists	1 489 671	1 295 160
Information technologies expenses	138 783	97 328
Repair and maintenance of premises	132 657	134 905
Taxes	97 616	92 737
Maintenance of vehicles	83 370	92 931
Provisions	53 280	23 763
Depreciation and amortisation	51 198	60 217
Communication expenses (post, telephone, internet)	32 697	66 893
Trainings and business trips	19 586	34 503
Expenses for stationery and office maintenance	16 138	25 486
Professional service expenses	10 790	37 926
Other	9 928	14 814
Total	3 925 959	3 413 856

16. Remuneration expenses

The remuneration expenses for employees and agents including social security expenses in 2015 and 2014 are presented below:

Items	Financial year	Prior financial year
Management	1 325 714	712 462
Other employees	11 636 761	11 412 495
Total	12 962 475	12 124 957

As of 31 December 2015, management consisted of the General Director and 7 second level managers (31 December 2014: General Director and four Deputy General Directors).

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17. Acquisition expenses

Types of expenses	Financial year	Prior financial year
Commission to organisations	9 098 955	8 860 973
Wages, salaries and social security	3 554 595	3 509 332
Commission to agents and employees	2 413 145	2 335 701
Repair and maintenance of premises	729 481	709 445
Advertising and marketing expenses	307 178	580 754
Maintenance of vehicles	177 856	212 075
Representative expenses	167 772	185 570
Information technologies expenses	139 954	95 638
Taxes and fees, including bank fees	133 613	114 309
Purchase of blanks and other expenses related to contracts	130 843	126 679
Expenses for stationery and office maintenance	76 473	86 063
Communication expenses (post, telephone, internet)	73 443	117 450
Depreciation and amortisation of non-current assets	69 766	73 905
Trainings and business trips	52 517	124 500
Professional service expenses	45 686	50 120
Other	33 604	17 309
Provisions	17 006	90 866
Total acquisition expenses	17 221 887	17 290 689
Change in deferred acquisition expenses	(154 746)	(798 776)
Acquisition expenses including the change of deferred acquisition expenses	17 067 141	16 491 913

18. Administrative expenses

Types of commissions	Financial year	Prior financial year
Wages, salaries and social security	5 114 350	4 497 155
Depreciation and amortisation of non-current assets	869 611	631 377
Provisions	837 436	383 224
Information technologies expenses	689 358	461 267
Professional service expenses	550 247	65 899
Communication expenses (post, telephone, internet)	370 552	294 061
Repair and maintenance of premises	319 018	291 246
Other expenses	209 794	105 677
Maintenance of vehicles	209 131	227 640
Member fees and fee for Insurance Supervisory Commission	182 944	165 530
Representative expenses	144 300	190 984
Trainings and business trips	136 747	176 629
Expenses for stationery and office maintenance	89 514	101 417
Charity and support	79 872	259 037
Audit expenses	32 845	23 300
Taxes	29 201	19 312
Total	9 864 920	7 893 755

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19. Other technical income and expenses, net of reinsurance

Items	Financial year	Prior financial year
Other technical income		
Commission fee for mediation	192 638	225 989
Income from insurance contracts termination	146 711	190 529
Commission fee of agent activity	31 493	109 333
Other technical income	24 696	70 481
Total	395 538	596 332
Other technical expenses		
Motor bureau charge	(678 776)	(936 489)
Goodwill amortisation	(826 745)	(330 698)
Other technical expenses	(190 384)	(169 338)
Total	(1 695 905)	(1 436 525)

Obligatory Motor Third Party Liability bureau charges:

Countries	Financial year	Prior financial year
Lithuania	534 674	716 058
Estonia	118 599	144 794
Latvia	25 503	75 637
Total	678 776	936 489

20. Investment activity income (expenses)

Investment activity results for the years 2015 and 2014:

Items	Financial year	Prior financial year
Not realised investment result from investment activity	(1 170 438)	(519 089)
From bonds	(476 618)	(474 479)
Change in real estate value	-	-
From equities	(405 900)	65 289
From unit trust units	(287 920)	(109 899)
From other investments	-	-
Realised investment result from investment activity	(19 928 225)	70 914
From bonds	(147 926)	(44 477)
From equities	138 673	96 056
From unit trust units	832 418	19 335
From real estate	-	-
Result from disposal of foreign branches (Note 30)	(20 751 390)	-
Interest and similar income	2 020 341	2 294 260
From bonds	1 821 609	2 064 799
From deposits	81 541	69 838
From equities	149 274	130 467
From real estate	9 070	29 156
From unit trust units	-	-
Investment management expenses	(243 432)	(161 046)
Total	(19 280 601)	1 685 039

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21. Other income and expenses

Other income and expenses for the years 2015 and 2014:

Items	Financial year	Prior financial year
Other income	100 446	14 208
Income from financial activity	98 520	13 994
Interest income and currency exchange gains	98 520	13 994
Other income	1 926	214
Gain on disposal of assets	60	-
Other income	1 866	214
Other expenses	(440 683)	(304 336)
Costs of financial activity	(432 928)	(302 482)
Subordinated loan interest	(163 914)	(166 742)
Currency exchange losses	(230 532)	(71 901)
Bank charges	(38 482)	(63 839)
Other expenses	(7 755)	(1 854)

22. Income tax and deferred income tax

As of 31 December 2015 the Company accounted for deferred tax assets of EUR 395 465, which was calculated on taxable loss. Deferred tax assets calculated on taxable loss amounted to EUR 399 085 as of 31 December 2014.

Items	Financial year	Prior financial year
Current year income tax	-	(25 855)
Change in deferred taxes	(3 620)	399 085
Total	(3 620)	373 230

Calculation of income tax based on the Company's tax expenses applying the income tax rate set by the legislation:

Items	Financial year	Prior financial year
Profit (loss) before income tax	(30 749 678)	(4 797 247)
Non-taxable income	(2 588 379)	(2 650 639)
Non-deductible expenses	8 424 815	8 231 706
Result from disposal of foreign branches (Note 30)	20 751 390	-
Taxable (loss) profit for the financial year	(4 161 852)	783 820
Profit for the tax period after deductions for support	-	574 553
Accumulated tax losses used	-	(402 188)
Taxable profit for the reporting year, net of accumulated taxable losses	(4 161 852)	172 365
Income tax for the accounting period in the income statement	-	25 855

23. Earnings (loss) per share

Earnings (loss) per share were calculated by dividing the profit (loss) of the financial year by the weighted average number of shares. The Company has no potentially convertible ordinary shares; therefore, the diluted earnings (loss) per share, calculated considering such shares, corresponds to the basic earnings (loss) per share.

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Items	Financial year	Prior financial year
Net profit (loss) distributable to the shareholders	(30 753 298)	(4 424 016)
Number of shares as of 31 December	1 764 067	1 764 067
Weighted average number of shares	1 764 067	908 779
Earnings (loss) per share (in EUR)	(17.43)	(4.87)

24. Draft profit (loss) distribution

No.	Items	Financial year
I.	Undistributed result – (loss) – at the beginning of the reporting period	(12 459 336)
II.	Net result of the period – (loss)	(30 753 298)
III.	Reduction of share capital to cover losses	38 086 206
IV.	Depreciation of revalued assets and impact of currency exchange rates	2 199
V.	Distributable result – (loss) – at the end of the financial year	(5 124 229)
VI.	Profit distribution	-
VII.	Undistributed result – (loss) – at the end of the financial year	(5 124 229)

25. Solvency margin

No.	Elements of the available solvency margin	Financial year	Prior financial year
1	2	3	4
1.	<i>Values increasing the available solvency margin:</i>	20 405 491	59 551 999
1.1.	Paid-up share capital (cumulative preference shares are indicated separately in line 1.6)	13 001 174	51 090 912
1.2.	Share premiums	12 453 661	12 453 661
1.3.	Revaluation reserve	74 885	80 823
1.4.	Reserves formed from distributable profit:	-	-
1.4.1.	Legal reserve	-	-
1.4.2.	Reserve for acquisition of own shares	-	-
1.4.3.	Other reserves	-	-
1.5.	Retained (loss)	(5 124 229)	(12 462 868)
1.6.	Cumulative preference shares	-	-
1.7.	Subordinated loans	-	8 389 471
1.8.	Other issued securities	-	-
2.	<i>Values reducing the available solvency margin:</i>	6 533 810	41 669 926
2.1.	Intangible assets	1 060 125	32 876 668
2.2.	Deferred expenses	4 356 686	8 468 196
2.3.	Own shares	-	-
2.4.	Delayed debt liabilities	60 281	111 599
2.5.	Other assets of limited trust	-	-
2.6.	Off-balance sheet liabilities	1 056 718	213 463
2.7.	Differences in technical provisions	-	-
2.8.	Differences in assets value	-	-
3.	<i>Available solvency margin (1) – (2)</i>	13 871 681	17 882 073
4.	<i>Guarantee fund</i>	3 700 000	5 592 981

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No.	Ratios	Financial year	Prior financial year
1	2	3	4
1.	Premiums ratio	9 602 290	17 303 231
2.	Claims ratio	8 062 796	10 696 333
3.	Reinsurance ratio	0.8870	0.9697
4.	Required solvency margin [max { (1), (2) }] x (3)	8 517 231	16 778 943
5.	Required solvency margin after adjustment	9 343 286	16 778 943

According to the solvency margin requirements approved by the Bank of Lithuania, the available solvency margin must be not less than the required solvency margin. In 2015, the Company complied with these requirements and the available solvency margin was 148.5% of the required solvency margin.

26. Transactions with related parties

The transactions with related parties during 2015 and 2014 are as follows:

Items	Financial year	Prior financial year
Reinsurance premiums written Gjensidige Forsikring ASA	358 695	-
Income from the commissions for the outward reinsurance from Gjensidige Forsikring ASA	19 578	-
Claims expenses (including handling and regress) paid to Gjensidige group companies	165 391	129 150
Claim handling expenses – Gjensidige group companies	17 034	10 888
Inflows received from Gjensidige Baltic AAS (claims, regress)	120 935	48 823
Reinsurance premiums paid to Gjensidige Forsikring ASA	288 180	-
Accounts payable to Gjensidige Forsikring ASA (reinsurance)	50 937	-

Accounts receivable from the Company's management and related parties as of 31 December 2015 comprised:

Accounts receivable	Total amount	Doubtful accounts receivable	Carrying amount
Accounts receivable from the Company's management	-	-	-
Accounts receivable from other related parties	-	-	-
Total	-	-	-

Accounts receivable from the Company's management and related parties: PZU SA and PZU Lietuva Gyvybės Draudimas UAB as of 31 December 2014 comprised:

Accounts receivable	Total amount	Doubtful accounts receivable	Carrying amount
Accounts receivable from the Company's management	-	-	-
Accounts receivable from other related parties	171 041	-	171 041
Total	171 041	-	171 041

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Liabilities to related parties as of 31 December 2015 and 2014 are presented below:

Creditors	Amounts	
	2015	2014
Liabilities to subsidiaries and associates	-	-
Liabilities to the management	-	-
Liabilities to other related parties	50 937	42 468
Total	50 937	42 468

27. Compliance with legal regulations

At the balance sheet date, the Company complied with the legal requirements of the Republic of Lithuania that are applied to the insurance companies for investment structure.

As of 31 December 2015 and 2014, the Company complied with solvency requirements to insurance companies.

28. Contingencies and commitments

Operating lease – in 2015 the Company’s lease expenses amounted to EUR 1 300 619 (in 2014 – EUR 1 331 798).

Vehicles, premises and IT equipment were used under operating lease agreements by the Company in 2015 and 2014. Lease agreements for vehicles are signed with Swedbank lizingas UAB and the Company’s employees. Lease agreements for IT equipment are signed with Baltnetos komunikacijos UAB in respect of servers lease and with Audatex Baltics UAB in respect of software lease. The Company leases premises for pursuing insurance activity under agreements with legal and private individuals.

The future minimum lease payments under non-cancellable lease agreements are as follows:

	<u>2015</u>	<u>2014</u>
Up to five years	1 056 718	209 119

Legal disputes – as of 31 December 2015 and 2014 the Company did not participate in any legal dispute cases that, in the opinion of the management, would have significant impact on the financial statements.

29. Other off-balance sheet commitments

Other off-balance sheet commitments are:

Item No.	Type of liabilities	Beginning date of liability	End date of liability	Amount at the beginning of reporting period	Amount at the end of reporting period
I.	Issued guaranties and suretyship	-	-	-	-
II.	Managed clients’ assets	-	-	-	-
III.	Liabilities for assistance	2014	2015	4 344	-

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FOR THE YEAR ENDED 31 DECEMBER 2015
(All amounts are in EUR, unless otherwise stated)

30. Disposal of part of business

Based on the insurance contracts, on 31 May 2015 the Company transferred the rights and obligations of the Latvian branch to Balta ASS under the business transfer agreement dated 26 February 2015, signed by the parties.

Based on the insurance contracts, on 31 May 2015 the Company transferred the rights and obligations of the Estonian branch to Lietuvos Draudimas AB under the business transfer agreement dated 20 May 2015, signed by the parties.

The transferred assets and liabilities of foreign branches as well as consideration received are presented below:

Consideration received	7 854 000
Transferred assets:	
Intangible assets	2 018 712
Investment	16 235 756
Amounts receivable	11 666 190
Cash at bank	2 183 731
Other assets	4 409 556
Total assets:	36 513 945
Transferred liabilities:	
Technical provisions	30 936 879
Other liabilities	5 577 066
Total liabilities:	36 513 945
Non-amortised goodwill as of the date of transfer	28 605 390
Result from transfer	20 751 390

The distribution of the Company's results between the main company and foreign branches is specified below:

EUR	31 December 2014		31 December 2015		Other adjustments related to separation
	Gjensidige ADB excluding branches	Branches	Gjensidige ADB excluding branches	Branches	
Earned premiums	48 272 118	13 001 771	48 656 681	17 088 406	-
Other technical income	565 406	30 926	377 027	18 511	-
Insurance claims expenses	(30 439 643)	(10 777 032)	(34 070 883)	(12 758 867)	-
Changes in other technical provisions, not shown under other headings	(1 524 470)	-	(877 915)	(1 272 185)	-
Bonuses and rebates	(298)	-	-	-	-
Net operating expenses	(18 525 178)	(5 358 930)	(20 944 604)	(5 649 106)	-
Other technical expenses	(1 154 856)	(281 669)	(1 386 239)	(309 666)	-
Investment income	4 493 554	-	5 881 495	-	289 000
Investment charges	(2 808 517)	-	(4 410 706)	-	(21 040 390)
Other income	12 971	1 237	99 888	558	-
Other charges	(294 449)	(9 887)	(428 633)	(12 050)	-
Income tax	373 230	-	(3 620)	-	-
NET PROFIT (LOSS) FOR THE ACCOUNTING PERIOD	(1 030 432)	(3 393 584)	(7 107 509)	(2 894 399)	(20 751 390)

EXPLANATORY NOTES
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31. Subsequent events

On 18 January 2016, the General Meeting of Shareholders adopted a decision to reorganise DK PZU Lietuva UAB from a limited liability company to a public limited liability company and change the name to a joint stock insurance company.

On 1 March 2016, DK PZU Lietuva UAB was reorganized to a joint stock insurance company Gjensidige.

After the reorganization, all the Company's assets, rights and obligations will be transferred to Gjensidige ADB, which will continue to operate after the reorganization.

There were no other events in the Company from 31 December 2015 until the date of issue of the financial statements that might have a significant impact on the financial statements.

Financial statements were approved and signed on behalf of the Company's management on 4 March 2016:

Manager of Insurance Company

Chief Accountant

Chief Actuary



Marius Jundulas

Jolanta Motukaitė

Jurgis Navikas