NOVATURAS AB

Independent Auditor’s Report
Consolidated Annual Report
Consolidated and Company Financial Statements
for the year ended 31 December 2018

CONTENT

	PAGES
INDEPENDENT AUDITOR'S REPORT	**3 – 6**
CONSOLIDATED ANNUAL REPORT	**7 – 21**
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS:	
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION	22 – 23
CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	24
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY	25 – 26
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS	27 – 28
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS	29 – 63
CORPORATE GOVERNANCE REPORT	**64 – 77**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Novaturas AB:

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Novaturas AB (the Company) and consolidated financial statements of Novaturas AB and its subsidiaries (the Group), which comprise the statements of financial position of the Company and the Group as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, of the financial position of the Company and the Group as at 31 December 2018, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment analysis	
Refer to pages 33, 41 – 42 of the financial statements As at 31 December 2018, the Company and the Group had goodwill amounting to 30,327 thousand Eur. Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment. The assessment of the value in use requires numerous estimates and judgments made by the Company and the Group, as described in Note 13, and in particular the assessment of the competitive, economic and financial environment of the region in which the Company and the Group operates, the ability to realize operating cash flows from strategic plans, the level of investment to be made and the discount and growth rates used in calculating recoverable amounts.	Our audit procedures in relation to management's impairment assessment included, among others: • assessing design and implementation of key controls related managemet has established over the goodwill valuation process; • assessing the appropriateness of the valuation methodologies used; • challenging the reasonableness of key assumptions utilised in valuing the goodwill based on our knowledge of the business and industry; • performing sensitivity analyses on the key assumptions where we flexed the growth rates and discount rates as these are the key assumptions against which the value in use calculations are most sensitive to; and

We have considered that the valuation of the goodwill is a key audit matter given the significant amount of goodwill in the financial statements and significant judgment involved regarding assumptions used.	• testing source data from the business plan used to calculate the recoverable amount to supporting evidence: – comparing business plans from previous financial years with actual earnings over the financial periods in question; – interviewing operational and finance managers at the Company to assess the key assumptions used in the business plans and assess assumptions based on the explanations obtained; – reconciling the data used in the plans submitted to the board of directors. • evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other Information

The other information comprises the information included in the Company's and the Group's annual report, including Corporate Governance statement, and Corporate Social Responsibility Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Company's and the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's and the Group's annual report, including Corporate Governance statement, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's and the Group's annual report, including Corporate Governance statement, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Group Undertakings of the Republic of Lithuania and the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with the decision made by Shareholders on 28 September 2018 we have been chosen to carry out the audit of the Company's and the Group's separate and consolidated financial statements. Our appointment to carry out the audit of the Company's and the Group's separate and consolidated financial statements in accordance with the decision made by Shareholders has been renewed annually and the period of total uninterrupted engagement is two years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Company and Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Saulius Bakas.

Deloitte Lietuva UAB
Audit Company License No 001275

Saulius Bakas

Saulius Bakas
Lithuanian Certified Auditor
License No 000604

Vilnius, Republic of Lithuania
27 March 2019

(all amounts are in thousand EUR unless otherwise stated)

General information

Reporting period
This report covers the calendar year ended on 31 December 2018.

Issuer and its contact details

Name of the issuer	**Novaturas AB**
Legal form	Public company
Registration date	16 December 1999
Register manager	Valstybės įmonė Registrų centras
Reg. company No	135567698
LEI code	097900BGCW0000042109
Registered office address	A. Mickevičiaus St. 27, LT-44245 Kaunas
Telephone	+370 37 321 264
Fax	+370 37 321 130
Email address	info@novaturas.lt
Website	www.novaturasgroup.com

On 25 November 2014, reorganisation of Novaturas UAB into Novaturas AB was registered in the Register of Legal Entities. From the date of reorganisation and registration of the new legal status, Novaturas AB (hereinafter – the Company) assumed all rights and responsibilities of Novaturas UAB.

Core activities of the Company and its subsidiaries: tours organisation and distribution.

The authorised capital of the Company amounts to EUR 234,210 and has been divided into 7,807,000 ordinary registered shares, share par value EUR 0.03. All the shares have been fully paid for.

As at 31 December 2018, there are 5 members of the Supervisory Council of the Company.

As at 31 December 2018, there are 4 members of the Board of the Company.

Managing Director Linas Aldonis was the head of the Company as at 31 December 2018.

Subsidiaries
Novaturas Group consists of Parent Company Novaturas AB and its subsidiaries (hereinafter – the Group) through which the Company operates in various markets.

			Shareholding, % as at 31 December	
Name of subsidiary	**Country**	**Registered office address**	**2018**	**2017**
Novatours SIA	Republic of Latvia	Kr. Valdemara 100, Riga, Latvia	100	100
Novatours OU	Republic of Estonia	Ravala 6, Tallinn, Estonia	100	100
Aviaturas ir Partneriai UAB	Republic of Lithuania	Konstitucijos pr. 15/5, Vilnius, Lithuania	100	100
Novatours Holidays SRL*	Republic of Romania	M. Caramfil g. 53, Bucharest, Romania	100	100

* Operations of the subsidiary in Romania were discontinued in 2009.

As at 31 December 2018, the Company employs 134 people and the Group 250 people (as at 31 December 2017: 124 and 240, respectively).

The Company did not acquire own shares and did not hold them as of the year end. The Company's subsidiaries do not hold the Company's shares either.

As at 31 December 2018 and 2017, the Company had a branch with registered office at Jasinskio St. 16, Vilnius, Lithuania. The registration code of the branch is 125142371. Operating results of the branch are included in the financial statements of the Company.

(all amounts are in thousand EUR unless otherwise stated)

Core activities
The Company is the largest tour operator in the Baltic States. The Company was established in 1999, became the market leader in the Baltics in 2004. The Company is proud of its strong position in the developing markets, well known trademark, high customer loyalty, and excellent relationships with tourism agencies and service providers, which enables the Company to offer its customers a wide range of services for an attractive price.

Our product range includes summer and winter holiday packages and sightseeing tours by coach and aircraft, with over 30 travel destinations all over the world including the most popular South European Resorts and selected locations in Northern Africa, Middle East, Asia and Latin America. We also sell flight tickets for the tours organised by the Company and offer hotel accommodation, meeting most various needs of our customers.

We operate in Lithuania, Latvia and Estonia; we are undoubted leaders in the area of chartered flights in these countries. We also sell our products through external partners in a promising Byelorussian market with excellent future development opportunities. We offer our products to more than 15 million potential clients (approx. 6.2 million in the Baltic States and approx. 9.5 million in Belarus).

Our business model is characterised by large cash flows from operations and low capital investment. This enables the Company to pay out a considerable share of income to its shareholders. Regular payment of dividends is one of the main components of the corporate strategy. The Board intends to recommend that every year 70 – 80% of the Company's net profit should be paid as dividends.

We offer our products through various distribution channels. We work with over 400 travel agencies including the largest agencies of the Baltic States and over 60 agencies in Belarus. Our points of sale are in the largest cities of Lithuania, Latvia and Estonia. Investments are also made in the development of our e-commerce channel. Online trading is conducted through the Company's websites and the Global Distribution Systems (GDS), an international platform.

Our product assortment is very wide: it includes various types of tours, prices and travel destinations. We can offer products that are in line with the needs and expectations of different client groups. This enables us to maintain our positions in almost all market segments and to effectively adapt to changing needs of our clients.

Tour packages. Organisation of recreational tours by air forms the basis of our offers. This includes holiday tours to popular European summer resorts (Mediterranean Sea region), Northern Africa and Asia as well as popular winter destinations in Europe – Italy, France and Andorra. An entire service package is offered: flights, transport from the airport to the hotel, accommodation, local guides who work round the clock and entertainment during the tour including all-day excursions in summer.

Sightseeing tours by air. Sightseeing tours by air are medium- and long-distance tours including travel to Asia and South America. Chartered and regular flights from Vilnius are organised. We offer flights, accommodation, and tourism by coach and tour guides who accompany the tourists throughout the trip and inform them about the country, its attractions and entertainment.

Sightseeing tours by coach .Sightseeing tours by coach are organised to attractions in Europe (including Poland, Germany, France, Italy, Austria, Croatia and Greece). Coach tours are organised from Lithuania. We offer travel by coach, accommodation, trips to attractions by coach and tour guides who accompany tourists throughout the trip.

Other products. Other products consist of flight tickets and ordering hotels online. We sell them to individual clients and tour operators who often need seats in the most popular chartered flights.

Trademarks. The diversity of our products also includes trademarks and product lines. The most important trademarks are Novaturas (in Lithuania) and Novatours (in Latvia and Estonia) that generate the majority of income. Apart other trademarks, we control ECO Travel, an economy class trademark, and a high-class product line Novaturas Gold. We also control Sofa Travel agency, a retail trademark.

Securities traded in regulated markets
Nasdaq Vilnius exchange is a domestic market for the Company's shares. Since 21 March 2018, shares of the Company are traded on two exchanges: Nasdaq Vilnius Stock Exchange and Warsaw Stock Exchange.

The Company's stock symbol on Nasdaq Vilnius Stock Exchange is NTU1L and on the Warsaw Stock Exchange NTU.

Share class	Number of shares	Share par value, EUR	Total par value, EUR	Issue code
Ordinary shares	7,807,000	0.03	234,210	LT0000131872

Other material events in the reporting period
On 3 December 2018, the Company concluded a long-term agreement with Getjet Airlines, under which the latter undertook to conduct chartered flights from Vilnius.

On 22 November 2018, the Company concluded an agreement with the Lithuanian National Olympic Committee under which the Company was granted the official status of a distributor of tickets to Tokyo Olympic Games and of an official carrier of the Lithuanian delegation and fans. Sale of tickets to the Olympic Games will start in the summer of 2019.

Latest events
On 16 January 2019, the Managing Director of the Company was replaced and composition of the Board was changed: Audronė Keinytė was appointed the Managing Director and Chairperson of the Board of Novaturas AB. She replaced Linas Aldonis who had decided to resign from his positions as the Managing Director and Chairperson of the Board and undertake other activities outside the Company. Audronė Keinytė has experience of many years in the tourism market and knows the specificity of the business well. She has been working with Novaturas for over 12 years. In 2009-2010 Audronė Keinytė worked as the manager of service organisation abroad, and during the past 8 years she was responsible for the corporate product development and procurement. She is a member of the Board of Novaturas AB since February 2018.

Financial information

Achievements of the Group in 2018:
- Sales reached EUR 182 m and were 29% larger compared with the same period of 2017.
- Gross profit was EUR 26.3 m, which is 2% less compared with the same period of 2017.
- Operating costs amounted to EUR 18.6 m, which is 14% more compared with the same period of 2017. Upon elimination of the effects of commission and one-off expenses, operating costs grew by 1% compared with the same period of 2017.
- EBITDA amounted to EUR 7.9 m, which is 27% less compared with the same period of 2017.
- Profit tax rate was 17.8% (2017: 10.6%). The main reason for this was the payment of a dividend tax after the Estonian subsidiary paid dividend to the parent company. An EUR 600,000 dividend tax was paid in Estonia.
- Net profit of the Group reached EUR 5.4 m, which is 35% less than in 2017.
- The Group served 305,700 clients, which is 31% more than in the same period of 2017.

In the second half of the year, the influence of an unusually hot and dry summer was felt in all the three Baltic States. Hot weather lasted in June, July and August, reducing the demand for foreign travel, which, on its turn, had an adverse impact on last minute prices: to stimulate the demand for the remaining places, we had to reduce prices and sales profitability at the same time. In the last quarter of the year the Company had to find a new aviation services provider in Lithuania as Small Planet Airlines was experiencing financial difficulties. The write-off costs related to the change in the airlines amounted to EUR 0.4 m, which had a negative impact on the results due to increased aviation service prices.

Tour packages remain the main product of the Group. In summer, the most popular destinations are Turkey, Greece and Bulgaria, in winter – Egypt. For each season we offer new destinations or reinstate previous ones. Tunisia was offered for the 2018 summer season; Jordan and Cuba are novelties for the coming winter season. A wide selection of destinations enables us to offer tours for clients with various needs. Demand for tours in all directions was increasing.

The number of clients served was increasing in all markets in which the Group operates. The fasted rate of growth was observed among Byelorussian clients (102%). The Group does not organise flights from Belarus but sells tours from Vilnius to Byelorussian clients. The growth in Lithuanian clients was 30%, Latvian 31% and Estonian 31% compared with the same period of 2017.

Tour package sales grew most rapidly (31% growth), whereas other product sales increased 29%. Tickets for chartered flights organised by Novaturas are most popular among other products. Flight tickets are sold through both travel agencies and GDS.

The share of travel agencies in the sales increased 1.8% and reached 72.7%. We focussed on online sales rather than on our own sale offices (their share decreased by 1.7% to 11.4%). Online sales decreased by 0.1% to 14.1%, whereas the share of sales through GDS remained similar, i. e. 1.8%. As planned, in June we launched the version of the Group's website in all the Baltic States. The adapting webpage design is more convenient for mobile device users who are using the website increasingly for both information search and online purchases.

Well-managed operating costs were growing significantly slower than the Group's income, which means that efficiency of the Group was increased. In 2018, direct marketing accounted for 0.7% of the Group's sales (2017: 0.7%). The growth in wages and related tax costs increased 4% during the year. Upon elimination of commission and one-off expenses, in 2018 the operating costs increased 1% on year-on-year basis. One-off expenses in 2018 were largely related to the costs of a primary public share offer and the bankruptcy of Small Planet Airlines. In 2018, one-off expenses totalled EUR 887,000. With one-off expenses included but excluding commission, operating costs increased 2% during the year. The operating costs including commission increased 14%. In 2018, commission expenses accounted for 5.3% and in 2017 – 5.2% of sales.

(all amounts are in thousand EUR unless otherwise stated)

The profit tax costs include the costs of the EUR 600,000 dividend tax in Estonia (incurred after the Estonian subsidiary paid dividend to the parent company in Lithuania).

Other short-term liabilities and accrued costs as at 31 December 2018 include a reserve for the hedging transaction market value of EUR 1.6 m. Cash shown on the restricted cash line as of the same date were deposited for the guarantee issue purposes; such deposited funds totalled EUR 1.5 million (the guarantees for the performance of the tour operator's obligations under the law).

In September 2018, the Company renewed the overdraft loan agreement until the end of 2020. Under this agreement the Company will be able to use the credit limit between January and June each year. Repayment of a long-term loan takes place according to schedule, with EUR 6 m repaid in 2018. The considerable increase in prepayments by customers resulted from the much larger number of clients served and very good results of early sales.

Main indicators of the Group

Financial indicators	**2018**	**2017**	**Change, %**
Income	182,032	141,147	+29,0
Gross profit	26,279	26,802	-2,0
EBITDA	7,908	10,789	-26,7
Operating profit (EBIT)	7,643	10,479	-27,1
Profit before tax	6,590	9,313	-29,2
Net profit for the period	5,415	8,329	-35,0

Relative indicators/ratios	**2018**	**2017**	**Change**
Number of ordinary registered share	7,807,000	7,807,000	-
Profit per share (EUR)	0.69	1.07	-0.38
Gross profit margin (%)	14.4	19.0	-4.6 pp
EBITDA margin (%)	4.3	7.6	-3.3 pp
EBIT margin (%)	4.2	7.4	-3.2 pp
Profit before taxes margin (%)	3.6	6.6	-3.0 pp
Net profit margin for the period (%)	3.0	5.9	-2.9 pp
Return on assets (ROA) (%)	9.5	14.9	-5.3 pp
Debt / equity ratio (%)	55.7	94.3	-38.6 pp
Capital / assets ratio (%)	30.0	29.3	+0.7 pp
Actual profit tax rate	17.8	10.6	+7.2 pp
Total liquidity ratio	0.68	0.59	+0.10

Tour packages accounted for the largest share in both sales and earnings. Sightseeing tours by coach and air account for a small part. Other sales income increased, however, its impact on profit was not significant.

Geographical information and other sales information
In 2018, core activities of the Company was tour organising and selling tour packages through a retail travel agency network, internal sales channels (own retail sale offices, website, sale of flight tickets through GDS), Novaturas tours are sold by over 400 travel agencies in the Baltic States and over 60 agencies in Belarus. E-commerce sales take place through Novaturas websites. There were 3.87 m unique visitors to the Company's website in 2018, which is a 24% increase compared with the relevant period of 2017 (3.12 m of unique visitors).

The Company also sells tickets for its charter flights through GDS. This means that these tickets are available to agents worldwide, and people can acquire these tickets through most popular ticket distribution platforms.

Income structure by sales channels:

	2018, %	**2017, %**	**Change**
Travel agencies	72.7	70.9	+1.8 pp
Own travel agencies	11.4	13.1	-1.7 pp
Online sales	14.1	14.2	-0.1 pp
GDS	1.8	1.8	-
Total	**100**	**100**	

The most significant growth was observed in the Byelorussian clients segment (included in 'Other'). The growth in the numbers of passengers in all most significant markets remained strong in 2018. The strong demand is determined by increasing income of the population. The growth of the Company's passenger volume was similar to that of all markets.

Number of clients serviced in by country of sale ('000 passengers):

	2018	2017	Change, %
Lithuania	164.4	126.4	+30.1
Latvia	57.8	44.3	+30.5
Estonia	80.9	61.6	+31.3
Other	2.5	1.2	+108.3
Total	**305.6**	**233.5**	**+30.9**

Tour packages is the main product of the Company which has also shown the fastest rate of growth. Number of customers served by product category (data provide by '000 passengers):

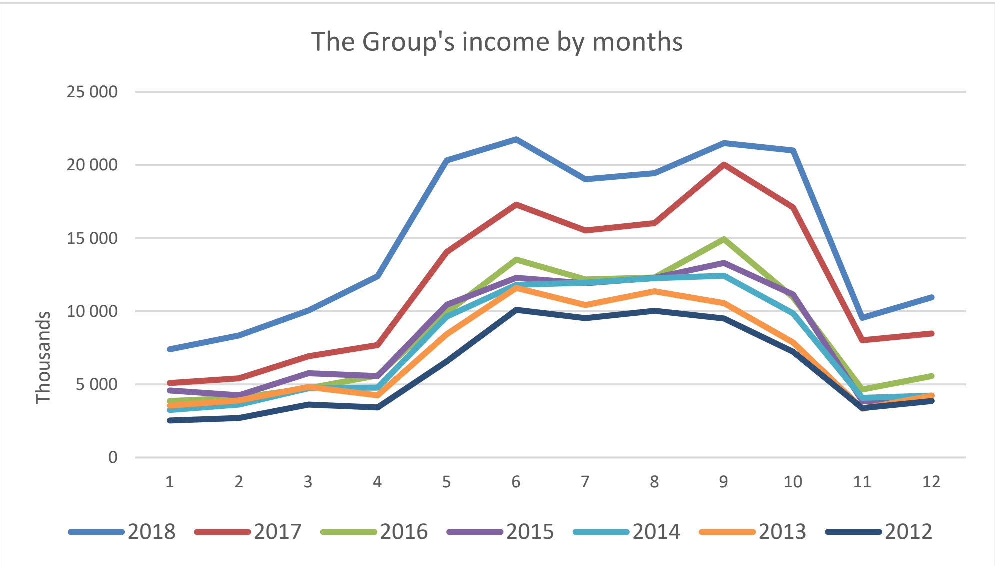
	2018	2017	Change, %
Tour packages	252.9	185.5	+36.3
Sightseeing tours by coach	8.8	11.8	-25.4
Sightseeing tours by air	1.5	1.6	-6.3
Other (sale of flight tickets and hotel bookings)	42.4	34.6	+22.5
Total	**305.6**	**233.5**	**+30.9**

Turkey remains the most popular travel destination in summer, and Egypt in winter, followed by Greece, Bulgaria and Spain. Long-distance tours are gaining importance and the Company is increasing the number of destinations offered. Other destinations account for a significant share of sales and are intended for clients that have already experienced the main destinations and are looking for new things.

Income from tour packages by destinations:

	2018, %	2017, %	Change
Turkey	36.0	30.8	+5.2 pp
Egypt	18.2	14.7	+3.5 pp
Greece	15.3	19.1	-3.8 pp
Spain (incl. Canary islands))	8.4	12.2	-3.8 pp
Bulgaria	7.6	10.3	-2.7 pp
Skiing	1.8	2.2	-0.4 pp
Remote countries	3.0	3.0	-
Other destinations	9.7	7.7	+2.0 pp
Total	**100**	**100**	

Seasonality of the income by months:



Information about related party transactions
Related party transactions are presented in the Explanatory Notes to the financial statements.

Risk management

The Group's main business partners risk
Pursuant to contracts with the key business partners, the Group is obliged to make advance payments for services ordered (e.g. charter airlines, coach companies or hotel operators). Thus, potentially not fulfilling or not properly fulfilling contractual obligations toward the Group and/or insolvency of the Group's key business partners, including primarily toward charter airlines, may have a material adverse effect on the Group's operations, its financial condition and results of operations. In order to mitigate the risk Group diversifies partners and works with several aviation partners simultaneously also in big volume destinations works with several hotel providing partners.

Credit risk
The Company's credit risk is relatively low as payment is requested before the tour. In addition, credit limits have been granted to travel agencies through which the majority of sales takes place. They are intended for ensuring timely payments by the agencies. If a travel agency exceeds the set credit limit, the booking system automatically blocks their sales. The Company does not provide guarantees for other parties' liabilities. The highest credit risk is represented by the book value of each financial asset including derivative financial instruments in the Statement of Financial Position, if any. Therefore, in the opinion of the Company's management, maximum risk is equal to the sum of trade debtors and other accounts receivable less impairment losses recognised in the Statement of Financial Position as of its date.

Interest rate risk
A loan with a variable interest rate linked to EURIBOR accounts for a larger part of the Company's debts and constitutes an interest rate risk. The Group do not use Interest Rate Swap transactions to hedge against possible losses or gains due to interest rate fluctuations, because the Group does not expect any materials fluctuations in the loan duration period.

Foreign currency risk
For foreign currency risk management purposes the Company mainly concludes agreements in euros. Functional currency of the Latvian and Estonian subsidiaries is euro.

In December 2010, seeking to reduce the risk of EUR/USD exchange rate and aviation fuel price fluctuations, started using derivative instruments that help manage such foreign currency and commodity risk. Forward, future, and option contracts were concluded. Since 1 January 2014 the Group and the Company have been using derivative financial instruments that are subject to hedge accounting.

Liquidity management
The Company pursues a policy of maintaining a sufficient amount of cash and cash equivalents or to secure financing by means of credit lines in order to fulfil its obligations under strategic plans. Liquidity risk is managed by planning the Company's cash flows.

According to credit and loan agreements with the Luminor Bank AS the Group must comply with financial and non-financial ratios and covenants. The Group Equity Ratio shall be no lower than 30% and The Group Net Financial Debt to EBITDA Ratio shall not be more than 2. The Group complies with the stated covenants.

Capital management
The main purpose of capital management is to ensure that the Company meets external capital requirements and maintains correct capital indicators so that the Company's activities are sound and shareholder value is maximised (according to IAS 1, 'capital' corresponds to equity disclosed in financial statements).

The Company manages the structure of its capital and changes it having regard to changes in the economic environment and operating risk. In order to maintain or change capital structure, the Company may change payments of dividends to shareholders, return capital to shareholders, or initiate a new share issue.

According to the Republic of Lithuania Law on Companies, the Company's equity must account for at least 50% of its authorised capital which consists of share capital and share premiums. The Company was also subject to external capital requirements for the equity and asset ratio set by the bank that had made a loan to the Company.

The Company assesses capital by means of the debt / equity ratio. Capital consists of ordinary shares, reserves and retained profit assigned to the parent company's equity holders.

Neither the Group nor the Company conduct any research and development.

(all amounts are in thousand EUR unless otherwise stated)

Plans and projections

- The main objectives for 2019 are to maintain the position of a market leader in the Baltic States;
- Ensure further geographical expansion to the Byelorussian market;
- Introduce new products and services in order to secure profitable growth;
- Maintain a balanced structure of distribution channels, with a focus on the development of e-commerce;
- Ensure regular payment of divided to the shareholders.

The Company does not make projections of its future results; such projections are provided by analysts of Swedbank in Lithuania and PKO BP and Trigon in Poland that observe its operations.

Management Report
According to the Articles of Association of the Company, its management bodies include the general meeting of shareholders, Supervisory Council, the Board and the head of the Company – the Managing Director.

Decisions of the general meeting of shareholders taken within its remit stated in the Articles of Association are binding upon the shareholders, the Supervisory Council, the Board, the Managing Director and other employees of the Company. Shareholders who were recorded as such as of the end of the record date are entitled to attend the general meeting of shareholders. The record date for the purposes of the general meeting of shareholders is the 5th (fifth) working day prior to the general meeting of shareholders or the 5th (fifth) working day prior to any adjourned general meeting of shareholders. A person taking part in the general meeting of shareholders and entitled to vote must produce a personal identity documents. A person who is not a shareholder must produce, in addition to the personal identity document, a document evidencing his/her right to vote at the general meeting of shareholders.

According to the Articles of Association of the Company, the Supervisory Council consists of five members elected for the term of office of three years and acting jointly as a supervisory body. The Council represents the shareholders and performs supervisory and control functions. Members of the Supervisory Council are elected by the general meeting of shareholders according to provisions of the Republic of Lithuania Law on Companies. Two out of the five members are independent. The chairperson is elected by the members from among themselves. The Council has two committees: the Audit Committee and the Remuneration and Appointments Committee. Their members are elected for the term of office of three years from among the members of the Supervisory Council. All the three members of the Audit Committee possess degrees and experience in the field of finances and economics; two members of the committee are independent.

According to the Articles of Association of the Company, the Board consists of four members elected for the term of office of three years and acting jointly as a management body of the Company. Members of the Board are elected by the Supervisory Council according to a statutory procedure. The chairperson is elected by the members from among themselves.

The Board appoints and recalls the Managing Director subject to the Supervisory Council's consent, sets his/her remuneration and other terms of employment, approves job regulations, provides incentives and imposes sanctions. The Managing Director is a single-handed management body of the Company responsible for organising routine activities of the Company. The Company's transactions are signed by the Managing Director and one of members of the Board jointly.

The Company complies, in substance, with the corporate governance recommendations provided by Nasdaq Vilnius Stock Exchange and the best practice recommendations provided by the Warsaw Stock Exchange. A detailed list of recommendations that the Company does not comply with is provided as a separate document appended to the financial statements. On its website www.novaturasgroup.com, the Company publishes a list of recommendations that are not complied with in full or in part.

Authorised capital
Authorised capital of the Company amounts to EUR 234,210 and consists of 7,807,000 ordinary registered shares of EUR 0.03 par value each. The number of the shares entitling to vote at the general meeting of shareholders is 7,807,000.

Shareholders

	Number of shares	**Share of authorised capital and total number of votes**
Central European Tour Operator S.a.r.l., part of Polish Enterprise Fund VI owned by Enterprise Investors	3,700,874	47.40
Ugnius Radvila	740,702	9.49
Rytis Šūmakaris	535,278	6.86
Vidas Paliūnas	535,278	6.86
Other shareholders	2,294,868	29.39
Total	**7,807,000**	**100.00**

According to the data as of the record date (21 September 2018) of the last general meeting of shareholders that was held on 28 September 2018, the Company has 375 shareholders.

(all amounts are in thousand EUR unless otherwise stated)

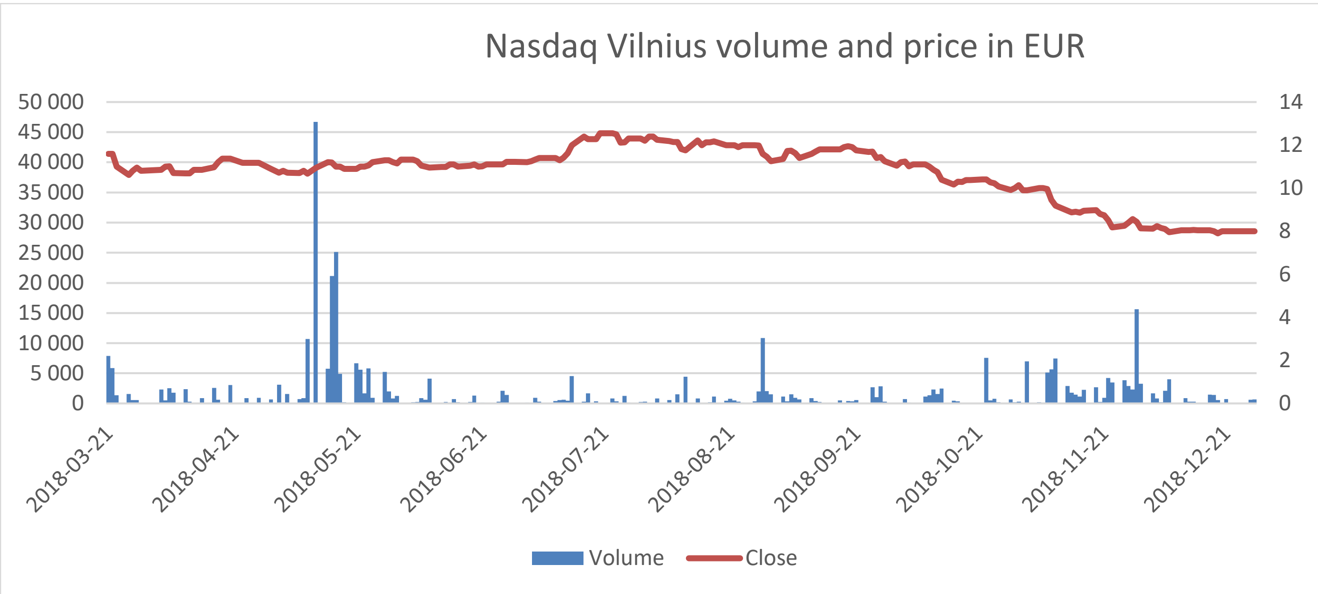
Shareholders rights
Neither shareholder of the Company has any special right of control. All the shareholders have equal rights. As at 31 December 2018, the number of the shares entitling to vote at the general meeting of shareholders is 7,807,000. An ordinary registered share grants one vote at the general meeting of shareholders of the Company.

The Company has no information about any agreements between the shareholders which would restrict the voting rights attached to the shares. During the primary public offering, the following restriction periods were set and are in force as at 31 December 2018: 540 days for Ugnius Radvila, Vidas Paliūnas and Rytis Šumakaris and 720 days for Linas Aldonis and Tomas Staškūnas. The restriction period are calculated since 21 March 2018 when trading in the Company's shares was started in Nasdaq Vilnius Stock Exchange.

Information about trading in the Company's securities
7,807,000 ordinary registered shares of Novaturas AB (ISIN code LT0000131872) are included in the Official Trading List of Nasdaq Vilnius Stock Exchange (symbol NTU1L) and the Warsaw Stock Exchange (symbol NTU, ISIN code LT0000131872).

Information about trading in the shares of Novaturas AB from 21 March 2018 until 31 December 2018 in Nasdaq Vilnius Stock Exchange (Lithuania):

	Currency	Opening price	Maximum price	Minimum price	Closing price	Average price	Traded quantity	Trading volume, EUR
2018	EUR	11.00	12.78	7.90	8.00	10.52	369,322	3,884,992

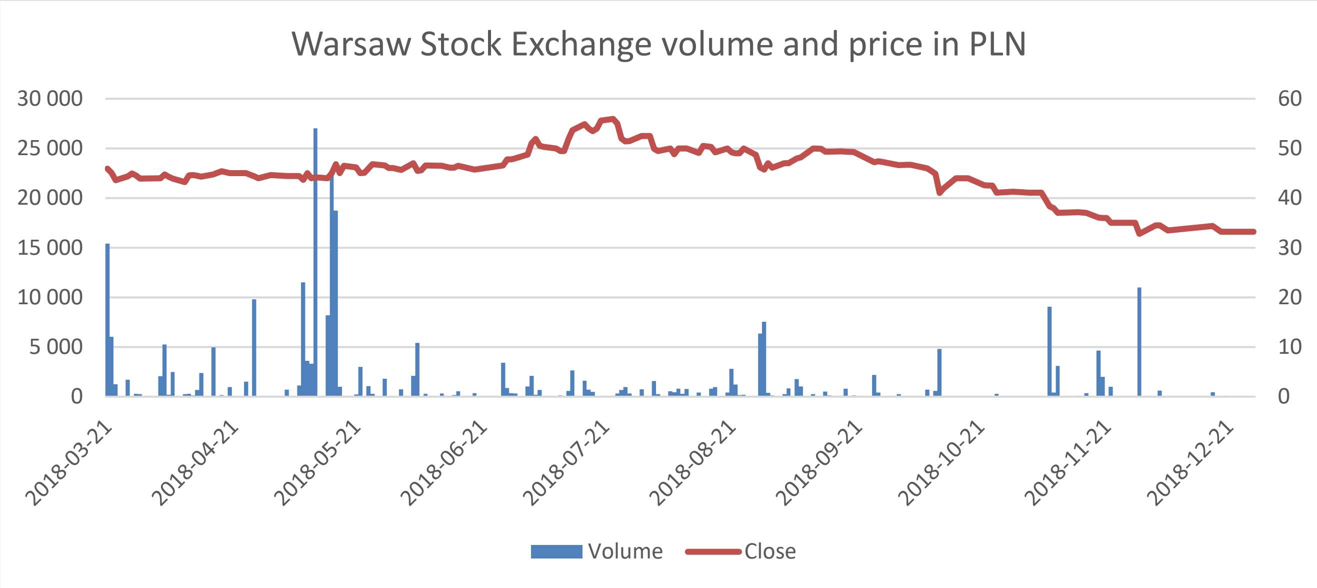


As at 31 December 2018 the Company's market capitalisation was EUR 62.45 million.

(all amounts are in thousand EUR unless otherwise stated)

Information about trading in the shares of Novaturas AB from 21 March 2018 until 31 December 2018 in GPW Main Market (Poland):

	Currency	Opening price	Maximum price	Minimum price	Closing price	Average price	Traded quantity	Trading volume, PLN
2018	PLN	44.13	56.00	32.39	33.20	44.31	263,458	11,673,310



As at 31 December 2018 the Company's market capitalisation was PLN 259.19 million.

Information about own shares held by the Company
The Company has not acquired any own shares. The Company has not acquired any own shares from the Company's management.

Dividend
In 2018, the Board approved the dividend payment policy according to which dividend should account for 70 – 80% of the profit earned by the Company. The general meeting of shareholders held on 28 September 2018 approved a divided of EUR 0.52 per share of the Company, which accounts for 75% of the Company's profit in 2018.

Procedure for amending the Articles of Association
The Articles of Association of the Company are amended according to a procedure established in the Law on Companies by decision of the general meeting of shareholders adopted by a 2/3 majority vote of shareholders attending the meeting. Upon adoption of such decision, the text of the amended Articles of Association is signed by a person authorised by the meeting.

Activities of the Supervisory Council
Eight meetings of the Supervisory Council were held in 2018. All of them had the quorum required under legal acts. Matters considered/approved at the meetings of the Supervisory Council: work regulations of the Supervisory Council; new composition of the Board; procedure for the payment of remuneration for activities of the Board's members; main terms and conditions of an agreement with the Board's members; regulations of the Audit Committee; regulations of the Remuneration and Appointment Committee; election of members of the Audit Committee and the Remuneration and Appointment Committee and approving remuneration thereto; appointment of an internal auditor; approval of the interim financial statements and report (6 months) for 2018 for submission to the general meeting of shareholders.

At the meetings of the Supervisory Council, Sebastian Janusz Krol was elected the Chairperson of the Supervisory Council, Franz Leitner and Piotr Nowjalis were appointed as members of the Audit Committee, Ugnius Radvila and Piotr Nowjalis were appointed as members of the Remuneration and Appointment Committee; Vidas Paliūnas was appointed as the Chairperson of the Remuneration and Appointment Committee and Piotr Nowjalis as the Chairperson of the Audit Committee.

Two vacancies in the Supervisory Council were filled when independent members Franz Leitner and Piotr Nowjalis were elected at the general meeting of shareholders held on 7 May 2018.

(all amounts are in thousand EUR unless otherwise stated)

Five meetings of the Audit Committee were held in 2018. Matters considered/approved at the meetings: procedure for the election of the auditor of the Company; internal audit regulations; internal audit plan for 2018, and a procedure for selecting a certified auditor for the audit of financial statements. The Audit Committee recommended Deloitte Lietuva UAB for the carrying out of an audit of the Group's interim and annual financial statements. All the meetings of the Audit Committee were chaired by Chairperson Piotr Nowjalis.

The Audit Committee also considered and approved the purchase of a non-audit service from Deloitte Lietuva UAB (assistance in the preparation of internal pricing documentation).

The Remuneration and Appointment Committee did not hold any meetings in 2018.

Numbers of meetings in which members of the Supervisory Council took part are shown in the table below:

	General meetings of shareholders	Meetings of the Supervisory Council	Meetings of the Audit Committee	Meetings of the Remuneration and Appointment Committee
Total number of meetings	5	8	5	-
Sebastian Krol	4	8	Not a committee member	Not a committee member
Ugnius Radvila	3	7	Not a committee member	-
Vidas Paliūnas	4	8	5	-
Franz Leitner	-	6	5	Not a committee member
Piotr Nowjalis	-	5	5	-

Three of the Council's members represent the shareholders and the other too, namely, Franz Leitner and Piotr Nowjalis are independent members.

Members of the Supervisory Council as at 31 December 2018:

Name	Position in the Council	Workplace	Number of shares held.	Start of term of office
Sebastian Janusz Król	Chairperson of the Supervisory Council	Danwood S.A.; Danwood Holdings sp. z o.o.; Janton S.A. – Chairperson of the Supervisory Council; Zevin Investments Sp. z o.o.; Daphnee Investments Sp. z o.o. – member of the Board; Enterprise Investors Sp zo.o. – Vice President; Stowarzyszenie Lipków-Eko – President; Warszawsko-Mazowiecki Związek Jeździecki – member of the supervisory council Anwim S.A. - member of the supervisory council	Does not hold shares directly but represents a shareholder holding 3 700 874 shares	2018-02-09
Ugnius Radvila	Member of the Supervisory Council, member of the Remuneration and Appointment Committee		740 702	2018-02-09
Vidas Paliūnas	Member of the Supervisory Council, Chairperson of the Remuneration and Appointment Committee, member of the Audit Committee	Verslo centras 32, UAB – member of the board	535 278	2018-02-09
Franz Leitner	Member of the Supervisory Council, independent member of the Audit Committee	Leitner-Consulting - Director General; Sportscon Ltd. – lead partner	-	2018-05-07
Piotr Nowjalis	Member of the Supervisory Council, member of the Remuneration and Appointment Committee, chairperson of the Audit Committee (independent member)	CCC S.A. – member of the supervisory council; Dino Polska S.A. – member of the supervisory council; Synektik S.A. – member of the supervisory council	-	2018-05-07

(all amounts are in thousand EUR unless otherwise stated)

Sebastian Król has been working with Enterprise Investors since 2001 and is a partner at present. He is a member of supervisory councils of the companies included in the Fund‘s portfolio. He is also the Funds Director of Enterprise Investors. In 2009–2015 he worked as the Director of Enterprise Investors Corporation. He is a graduate of Lodz University with a Master‘s Degree in Economics. He does not hold shares directly but represents a shareholder holding 47.4% of the Company‘s shares.

Ugnius Radvila has been with the Company since its establishment. In 1999-2011 he was the Director of the Vilnius Branch; he has been a consultant of the Company since 2011. In 1995-2004 he was the Tourism Manager with Interservis kelionių agentūra UAB. He graduated from the Faculty of Communications of Vilnius University with a Master‘s Degree in Communications and Information (study programme ‘International Communication‘). He holds 9.49% of the shares in the Company.

Vidas Paliūnas took part in the formation of Novaturas UAB of three travel agencies, one of them being DELTA travel agency of which he was the Managing Director. In 2009–2018 he was a member of the Board of Novaturas, and became a member of the Supervisory Council in February 2018. He received a degree in Information Technologies at Chemnitz University of Technologies in Germany. He holds 6.86% of the shares in the Company.

Piotr Nowjalis has been working in financial management for 20 years. He worked in managerial positions in companies listed on the Warsaw Stock Exchange such as CCC (the largest footwear retailer in Central and Eastern Europe), AB (the largest IT distributor in Central and Eastern Europe) and Dino Polska (retail trade in foodstuffs). He is a graduate of Warsaw Kozminski University (with a MBA) and has completed studies of economics, law and administration at Gdansk University.

Franz Leitner is a specialist in European tourism markets, in particular German, Austrian, Swiss (DACH), Central and Eastern European (CEE) and Russian. In 1994 – 2007 he worked in managerial positions (CEO) at Thomas Cook/Neckermann and TUI, gaining extensive experience in Austrian, CEE and Russian markets. Since 2007 he provides consulting on transactions as well as consulting for international tourism sector clients. He is a graduate of Innsbruck Tourism College (Austria).

Activities of the Board
As at 31 December 2018, the Board of the Company consists of four members elected for three years. The new Board started its term of office on 9 February 2018. The chairperson of the Board is elected by members from among themselves. The Board appoints the Managing Director subject to approval of the Supervisory Council. In 2018. Linas Aldonis was the Chairperson of the Board and the Managing Director.

Members of the Board as at 31 December 2018

Name	Position	Number of shares held	Start of term of office
Linas Aldonis	Chairperson of the Board and Managing Director	117,480	2018-02-09
Tomas Staškūnas	Member of the Board and Financial Director	58,192	2018-02-09
Birutė Čepanskienė	Member of the Board and Product Realisation Director	-	2018-02-09
Audronė Keinytė	Member of the Board and Procurement Director	-	2018-02-09

Linas Aldonis has been working with Novaturas Group for 17 years. He started his career as the Company‘s representative abroad and worked in various countries. Later he worked in managerial positions with Novaturas. Managing Director of the Group since 2010. He is a graduate of Lithuanian Sport University with a Bachelor‘s Degree in Tourism and Sport Management. He holds 1.50% of shares in the Company.

Tomas Staškūnas has been working with Novaturas Group for 9 years. He is responsible for reporting, budget formation, relations with financial institutions and organisation of accounting process. He holds a diploma in Business and Management in Vytautas Magnus University and a Master's Degree in Finances and Banking. He holds 0.75% of the shares in the Company.

Birutė Čepanskienė has been working with Novaturas Group for 17. At first she was responsible for sales and bookings, later for the coordination of sales activities on the Group‘s level. At the end of 2011 she started working as the Product Realisation Director. She received a Bachelor‘s Degree in Tourism and Hotel Management at Kaunas College and completed a course on English language and literature at Nottingham Trent University. She is also a graduate of Vytautas Magnus University (Faculty of Business Management, Master‘s Degree in Marketing and Sales.

Audronė Keinytė has been working with Novaturas since 2006. At first she was the Company‘s representative for foreign markets. In 2009-2010 she worked as the Manager of Service Organisation Abroad, and since 2010 she is responsible for development and sales. She is a graduate of the Faculty of Philosophy at Vilnius University with Bachelor‘s and Master‘s Degrees in Sociology. In addition, she gained professional experience in the hotel sector in Lithuania and the USA in 1999-2003.

Procedure for the election and replacement and Powers of the Board Members
Members of the Board are elected and replaced by decision of the Supervisory Council. Members of the Board analyse and evaluate organisation of the Company's activities, financial position, financial statements, annual reports, interim reports and exercise other powers granted to them under the law and the Articles of Association.

Information about payments to members of management bodies

	Salaries paid, EUR'000	Remuneration for work in a management and/or supervisory body, EUR'000	Dividends, EUR'000	Other payments, EUR'000
Members of the Supervisory Council				
Sebastian Janusz Król	-	-	-	-
Vidas Paliūnas	-	19	278	-
Ugnius Radvila	-	15	385	-
Piotr Nowjalis	-	16	-	-
Franz Leitner	-	12	-	-
Members of the Board				
Linas Aldonis	148	-	61	-
Birutė Čepanskienė	53	-	-	-
Audronė Keinytė	52	-	-	-
Tomas Staškūnas	74	-	30	-

Auditor
Deloitte Lietuva UAB, a member of Deloitte network, carried out an audit of the Company's consolidated and separate statements of financial position as at 31 December 2017 and 31 December 2018 and related profit and loss statements, comprehensive income statements, statements of changes in equity and cash flow statements for the years then ended, together with the explanatory notes including a summary of main accounting policies.

The extraordinary general meeting of shareholders held on 7 May 2018 elected Deloitte Lietuva UAB as the auditor of the Company for conducting an audit of the Company's interim separate financial statements and evaluating the interim report for six months of 2018. The shareholders authorised the Managing Director to conclude an agreement on audit services stipulating the agreed price for the services not exceeding EUR 25,000 (twenty five thousand euros) exclusive of VAT.

The extraordinary general meeting of shareholders held on 28 September 2018 elected Deloitte Lietuva UAB as the auditor of the Company for conducting an audit of the Company's annual consolidated and separate financial statements and evaluating the consolidated annual report for 2018 and 2019. The shareholders authorised the Managing Director to conclude agreements on audit services stipulating the agreed price for the services not exceeding EUR 85,000 (eighty five thousand euros) exclusive of VAT for 2018 and not exceeding EUR 95,000 (ninety five thousand euros) exclusive of VAT for 2019.

Global Deloitte network covers member companies operating in 150 countries and territories and providing audit, tax consultancy and financial advice services to both public and private sectors in various areas of business.

Apart from audit services, the Company and Deloitte Lietuva UAB agreed on the assistance in the preparation of internal pricing documentation of the Company.

Employees

Average number of employees by main types of operations:

	2018	2017	Change, %
Representatives and guides abroad	78	65	+20.0
Sales assistants in own sales channels	45	41	+9.8
Other employees	129	122	+5.7
Total	**252**	**228**	**+10.5**

The employee numbers do not include employees on maternity or childcare leave.

Human resources policy
Human resources policy pursued by the Company helps it to implement its strategic objectives through appropriate management and development of employees. We are always open and fair with both existing and potential employees: the policy provides for equal opportunities for employment, development and career irrespective of the employee‘s gender, race, ethnicity, religion, age, disability, sexual orientation, nationality, political convictions, membership of trade unions, social position and/or other factors in accordance with the law. The Company applies a fair remuneration system including salaries and bonuses. We do not tolerate discrimination and disrespect; collaboration with the employees is based on respect and trust and open and transparent communication.

Attention to employees
The Company promotes development of employees' competences and professional knowledge. Professional and team-building training sessions are held, and increasing of employees‘ motivation receives due attention. Division managers ensure smooth introduction of new employees into the organisation.

Evaluation of performance
The employee evaluation system is organised in two stages: monthly and annual evaluation. Monthly evaluations are performed by line managers, specifically, they assess personal achievements of the employee having regard to set objectives. Annual evaluations are held in the form of an interview between the employee and the Managing Director. During the interview, monthly evaluations for the past year and matters related to the employee motivation, competence development and pay are discussed.

Student practice
The Company collaborates with higher educational establishments by enabling students to have their practice periods at the Company and get acquainted with its activities. The most motivated students who achieve beat results receive offers to work with the Company.

Safe working environment
The Company maintains safe and reliable working environment in accordance with national standards.

Remuneration policy
The Company ensures for its employees a competitive and fair remuneration for results achieved by the Company and the employee individually. The purpose of the remuneration policy is to retain existing and attract new employees to ensure business success.

Main components of pay:

- Basic pay;
- Variable pay usually accounting for 10% of the employee‘s monthly pay, paid on a monthly basis together with the basic pay provided that the Company has achieved the target financial result;
- Annual addition is a motivational part of the pay, payment of which depends on whether:
    - personal objectives set for the employee have been achieved;
    - objectives of the Company stated at the beginning of the year have been achieved.

Pay is reviewed for all the employees once in a year, during the annual interview with the Managing Director.

Social responsibility
The Company considers it important to conduct its business in a sustainable and responsible manner and to contribute to and initiate social responsibility projects. In order to ensure the social responsibility of our business, first of all, in our daily activities, we endeavour to act fairly, ethically and transparently in respect of our employees, clients and partners. The Company has introduced ISO 9001 Quality Management System Standard, which means that the Company seeks to ensure clients' satisfaction with the quality of service. Certificates held by the Company are guarantee for clients that products and services offered to them are of good quality. The ISO 9001 certified management system also serves as an organisational management tool assisting in the implementation of process control and in the increase of efficiency of processes and the entire organisation.

Social responsibility initiatives of the Company:

Support for animal shelters
The Company encourages its employees to contribute to supporting animal welfare organisations. Voluntary assistance weekends are organised, during which the employees help the shelter staff and animals. The campaigns are held in Vilnius and Kaunas on an annual basis.

Environmental protection
The Company uses latest Setra ComfortClass 500 HD coaches that have been officially recognised as the world‘s best tourist coach for its sightseeing tours. The coaches comply with the most advanced EURO 6 standard, therefore, all tours are safe, comfortable, and environmentally friendly.

The Company has afforded opportunities for its employees to familiarise themselves with ecodriving with the help of professional instructors, seeking to contribute to ensuring that driving on the roads is responsible, efficient and ethical, with the driving taking account of the flow dynamics, sparing use of the vehicle and cutting fuel consumption. The employees received both theoretical and practical training.

Partnership with 'Neregėta Lietuva'
In order to meaningfully contribute to the promotion of the name of Lithuania and creation of a positive image, the Company has become a partner and sponsor of M. Jovaiša's project 'Neregėta Lietuva' and donated to Lithuania's people an album of photographs on libraries of Lithuania. A decade ago, M. Jovaiša launched an initiative to plant an oak-tree forest to commemorate one thousand years since the mentioning of Lithuania's name. The Company's employees joined the project by participating in an annual event of planting and maintaining the oak-trees. There are over 30,000 oak-trees in the forest as of 2018.

Sport
The Company pays for its employees' memberships at selected fitness clubs in order to contribute to active leisure, health promotion and a healthy lifestyle.

Campaign 'Give a Gift of Summer to a Child' supported by the President
The Company has joined the project 'Give a Gift of Summer to a Child' supported by the President of the Republic of Lithuania Dalia Grybauskaitė, the purpose of which is to achieve that all children of Lithuania have eventful summer holidays.

Flexible work schedules
The Company provides its employees with remote work opportunities so that they can achieve a better balance between professional and personal life. The employees can also select working hours that suit them if a justifiable need exists.

Approval by officers of the Company

In accordance with Article 22 of the Republic of Lithuania Law on Securities and the Information Disclosure Rules of the Bank of Lithuania, the undersigned Managing Director of Novaturas AB Audronė Keinytė and Financial Director of Novaturas AB Tomas Staškūnas, confirm that, to the best of our knowledge, the consolidated annual report of Novaturas AB for 2018 presents a true overview of business development and activities and an overall position of consolidated companies, together with a description of existing main risks and uncertainties.

Audronė Keinytė

Managing Director

Tomas Staškūnas

Financial Director

(all amounts are in thousand EUR unless otherwise stated)

Statements of financial position

		Group		Company	
	Notes	**As at 31 December 2018**	**As at 31 December 2017 (restated, Note 24)**	**As at 31 December 2018**	**As at 31 December 2017**
ASSETS					
Non-current assets					
Goodwill	**3**	30,327	30,327	30,327	30,327
Other intangible assets	**3**	427	448	349	359
Property, plant and equipment	**4**	292	297	221	233
Investments into subsidiaries	**5**	-	-	3,220	3,220
Long term receivables		65	56	40	15
Deferred income tax asset	**17**	6	6	-	-
Total non-current assets		**31,117**	**31,134**	**34,157**	**34,154**
Current assets					
Inventories		3	1	1	1
Prepayments and deferred expenses	**6**	8,861	5,940	5,263	2,953
Trade accounts receivable	**7**	697	700	439	285
Accounts receivable from related parties	**20**	-	-	1,288	11,508
Prepaid income tax		231	101	114	100
Other receivables	**7**	2,028	2,202	1,194	1,474
Other current financial assets	**8**	200	569	200	569
Restricted cash	**9**	1,500	2,000	1,500	2,000
Cash and cash equivalents	**9**	3,203	7,984	1,184	3,871
Total current assets		**16,723**	**19,497**	**11,183**	**22,761**
Total assets		**47,840**	**50,631**	**45,340**	**56,915**

(Continued in the next page)

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

(all amounts are in thousand EUR unless otherwise stated)

Statements of financial position (continued)

		Group		Company	
	Notes	As at 31 December 2018	As at 31 December 2017 (restated, Note 24)	As at 31 December 2018	As at 31 December 2017
EQUITY AND LIABILITIES					
Equity					
Share capital	**1**	234	226	234	226
Cash flow hedge reserve		(1,351)	484	(1,351)	484
Legal reserve	**10**	29	29	29	29
Foreign currency translation reserve	**10**	145	145	-	-
Retained earnings		15,310	13,963	9,611	5,127
Equity attributable to equity holders of the parent		**14,367**	**14,847**	**8,523**	**5,866**
Non-controlling interests		-	-	-	-
Total equity		**14,367**	**14,847**	**8,523**	**5,866**
Liabilities					
Non-current liabilities					
Grants and subsidies		-	-	-	-
Non-current borrowings	**11**	6,000	-	6,000	-
Other non-current liabilities	**11**	-	-	12,000	12,000
Deferred income tax liabilities	**17**	2,781	2,606	2,797	2,621
Total non-current liabilities		**8,781**	**2,606**	**20,797**	**14,621**
Current liabilities					
Current portion of non-current borrowings	**11**	2,000	14,000	2,000	14,000
Current borrowings	**11**	-	-	2,000	6,826
Trade payables		4,611	3,882	3,126	2,876
Payables to related parties	**20**	-	-	511	5,735
Advances received	**2,15**	14,259	12,102	5,695	4,799
Income tax payable		29	296	29	161
Other current liabilities and accrued expenses	**12**	2,203	2,898	1,069	2,031
Other current financial liabilities	**8**	1,590	-	1,590	-
Total current liabilities		**24,692**	**33,178**	**16,020**	**36,428**
Total equity and liabilities		**47,840**	**50,631**	**45,340**	**56,915**

(Concluded)

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

Managing Director	Audronė Keinytė	27 March 2019
Finance Director	Tomas Staškūnas	27 March 2019
Chief Financier	Giedrius Ribakovas	27 March 2019

(all amounts are in thousand EUR unless otherwise stated)

Statements of comprehensive income

		Group		Company	
	Notes	**2018**	**2017 (restated, Note 24)**	**2018**	**2017**
Sales	**13**	182,032	141,147	105,152	81,230
Cost of sales	**14**	(155,753)	(114,345)	(91,395)	(66,400)
Gross profit		**26,279**	**26,802**	**13,757**	**14,830**
Sales and marketing expenses	**15**	(13,792)	(11,017)	(6,623)	(5,440)
General and administrative expenses	**15**	(4,856)	(5,278)	(3,269)	(3,155)
Other operating income		14	1	14	-
Other operating (expenses)		(2)	(29)	-	-
Profit from operations		**7,643**	**10,479**	**3,879**	**6,235**
Finance income	**16**	820	564	6,464	253
Finance (expenses)	**16**	(1,873)	(1,730)	(1,262)	(1,658)
Profit before tax		**6,590**	**9,313**	**9,081**	**4,830**
Income tax (expense)	**17**	(1,175)	(984)	(529)	(716)
Net profit		**5,415**	**8,329**	**8,552**	**4,114**
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	**8**	(2,160)	218	(2,160)	218
Impact of income tax		324	(33)	324	(33)
Total comprehensive income for the year		**3,579**	**8,514**	**6,716**	**4,299**
Net profit attributable to:					
The shareholders of the Company		5,415	8,329	8,552	4,114
Non-controlling interests		-	-	-	-
		5,415	**8,329**	**8,552**	**4,114**
Total comprehensive income attributable to:					
The shareholders of the Company		3,580	8,514	6,717	4,299
Non-controlling interests		-	-	-	-
		3,580	**8,514**	**6,717**	**4,299**
Earnings per share (EPS) for continuing operations:	**21**				
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (in EUR)		0.69	1,066.86		

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

Managing Director	Audronė Keinytė		27 March 2019
Finance Director	Tomas Staškūnas		27 March 2019
Chief Financier	Giedrius Ribakovas		27 March 2019

(all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity

		Equity, attributable to the equity holders of the parent							
Group	**Notes**	**Share capital**	**Legal reserve**	**Cash flow hedge reserve**	**Retained earnings**	**Foreign currency translation reserve**	**Equity attributable to equity holders of the parent**	**Non-controlling interests**	**Total**
Balance as at 31 December 2016		**226**	**29**	**299**	**15,134**	**145**	**15,833**	**-**	**15,833**
Net profit for the year (restated, Note 24)		-	-	-	8,329	-	8,329	-	8,329
Other comprehensive income		-	-	185	-	-	185	-	185
Total comprehensive income (restated, Note 24)		-	-	185	8,329	-	8,514	-	8,514
Dividends paid	**20**	-	-	-	(9,500)	-	(9,500)	-	(9,500)
Balance as at 31 December 2017 (restated, Note 24)		**226**	**29**	**484**	**13,963**	**145**	**14,847**	**-**	**14,847**
Net profit for the year		-	-	-	5,415	-	5,415	-	5,415
Other comprehensive income		-	-	(1,835)	-	-	(1,835)	-	(1,835)
Total comprehensive income		-	-	(1,835)	5,415	-	3,580	-	3,580
Increase in share capital		8	-	-	(8)	-	-	-	-
Dividends paid	**20**	-	-		(4,060)		(4,060)	-	(4,060)
Balance as at 31 December 2018		**234**	**29**	**(1,351)**	**15,310**	**145**	**14,367**	**-**	**14,367**

(Continued in the next page)

(all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity (continued)

Company	Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Total
Balance as at 31 December 2016		**226**	**29**	**299**	**10,513**	**11,067**
Net profit for the year		-	-	-	4,114	4,114
Other comprehensive income		-	-	185	-	185
Total comprehensive income		-	-	185	4,114	4,299
Dividends paid	20	-	-	-	(9,500)	(9,500)
Balance as at 31 December 2017		**226**	**29**	**484**	**5,127**	**5,866**
Net profit for the year		-	-	-	8,552	8,552
Other comprehensive income		-	-	(1,835)	-	(1,835)
Total comprehensive income		-	-	(1,835)	8,552	6,717
Increase in share capital		8	-	-	(8)	-
Dividends paid	20	-	-		(4,060)	(4,060)
Balance as at 31 December 2018		**234**	**29**	**(1,351)**	**9,611**	**8,523**

(Concluded)

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

Managing Director	Audronė Keinytė		27 March 2019
Finance Director	Tomas Staškūnas		27 March 2019
Chief Financier	Giedrius Ribakovas		27 March 2019

(all amounts are in thousand EUR unless otherwise stated)

Statements of cash flows

		Group		Company	
	Notes	**As at 31 December 2018**	**As at 31 December 2017 (restated, Note 24)**	**As at 31 December 2018**	**As at 31 December 2017**
Cash flows from (to) operating activities					
Net profit		5,415	8,329	8,552	4,114
Adjustments for non-cash items:					
Depreciation and amortization		265	310	201	265
Change in deferred income tax	**17**	154	568	176	588
Current income tax expenses	**17**	675	431	29	161
Elimination of financial, investment and other non-cash activity results		(1,347)	747	(7,355)	964
		5,162	10,385	1,603	6,092
Changes in working capital:					
(Increase) / decrease in inventories		(2)	-	-	(1)
(Increase) / decrease in trade receivables		(175)	(89)	10,066	(9,125)
(Increase) / decrease in other receivables and current financial assets		543	136	649	(184)
(Increase) / decrease in prepayments and deferred expenses		(2,930)	(2,906)	(2,335)	(1,097)
Increase / (decrease) in trade payables		907	574	(4,974)	6,230
Increase / (decrease) in advances received		2,157	4,114	896	1,779
Increase /(decrease) in other accounts payable and accrued expenses		895	1,616	628	1,266
Cash generated from operations		**6,557**	**13,830**	**6,533**	**4,960**
Interest (paid)		(488)	(566)	(779)	(782)
Income tax paid		(1,051)	(141)	(176)	(75)
Net cash flows from operating activities		**5,018**	**13,123**	**5,578**	**4,103**
Cash flows from (to) investing activities					
(Acquisition) of non-current assets (except investments)		(240)	(290)	(179)	(275)
Dividends received		-	-	6,300	-
Proceeds from sale of non-current assets (except investments)		1	5	-	95
Net cash flows (to) investing activities		**(239)**	**(285)**	**6,121**	**(180)**

(Continued in the next page)

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

(all amounts are in thousand EUR unless otherwise stated)

Statements of cash flows (continued)

		Group		Company	
	Notes	**As at 31 December 2018**	**As at 31 December 2017 (restated, Note 24)**	**As at 31 December 2018**	**As at 31 December 2017**
Cash flows from financing activities					
Loans received	**11**	-	-	2,000	12,000
(Repayment) of loans	**11**	(6,000)	-	(12,826)	(5,625)
Dividends (paid)		(4,060)	(9,500)	(4,060)	(9,500)
Net cash flows (to) financing activities		**(10,060)**	**(9,500)**	**(14,886)**	**(3,125)**
Net increase (decrease) in cash flows		**(5,281)**	**3,338**	**(3,187)**	**798**
Cash and cash equivalents at the beginning of the year		**9,984**	**6,646**	**5,871**	**5,073**
Cash and cash equivalents at the end of the year		**4,703**	**9,984**	**2,684**	**5,871**

(Concluded)

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

Managing Director	Audronė Keinytė		27 March 2019
Finance Director	Tomas Staškūnas		27 March 2019
Chief Financier	Giedrius Ribakovas		27 March 2019

(all amounts are in thousand EUR unless otherwise stated)

Notes to the financial statements

1 General information

Novaturas AB (hereinafter – the Company) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

A. Mickevičiaus St. 27, Kaunas,
Lithuania.

The Group and the Company operate as tour operators and travel agencies. The Company was registered on 16 December 1999.

The shareholders of the Company were:

	As at 31 December 2018		As at 31 December 2017	
	Number of shares held	Percentage	Number of shares held	Percentage
Central European Tour Operator S.R.A.L.	3,700,874	47.40	5,521	70.72
Vidas Paliūnas	535,278	6.86	762	9.76
Ugnius Radvila	740,702	9.49	762	9.76
Rytis Šūmakaris	535,278	6.86	762	9.76
Other	2,294,868	29.39	-	-
Total	**7,807,000**	**100.00**	**7,807**	**100.00**

The ultimate parent of the Central European Tour Operator S.R.A.L (Luxemburg) is L.P. Polish Enterprise Fund VI with residence in Ugland House, South Church street, KY – George Town, USA.

All shares with a nominal value of EUR 0.03 each are ordinary and were fully paid as at 31 December 2018 and 2017. In 2018, the share capital was increased by EUR 8 thousand. Subsidiaries did not hold any shares of the Company as at 31 December 2018 and 2017. The Company also did not hold its own shares.

The Group consists of Novaturas AB and the following subsidiaries (hereinafter – the Group):

Company	Registration address	Share of the stock held by the Company 31 December 2018, %	Share of the stock held by the Company 31 December 2017, %	Main activities
Novatours SIA	Kr. Valdemara St. 100, Riga, Latvia	100	100	Organization and distribution of tours.
Novatours OU	Ravala St. 6, Tallinn, Estonia	100	100	Organization and distribution of tours.
Aviaturas ir partneriai UAB	Konstitucijos av. 15/5, Vilnius, Lithuania	100	100	Organization and distribution of tours.
Novatours Holidays SRL	M. Caramfil St. 53, Bucharest, Romania	100	100	Organization and distribution of tours.

In 2018 and 2017, the subsidiary of the Company SRL Novatours Holidays was not active.

As at 31 December 2018 and 2017, the Company had a branch with registered office at Jasinskio St. 16, Vilnius, Lithuania. The registration code of the branch is 125142371. Operating results of the branch are included in the financial statements of the Company.

As at 31 December 2018, the number of employees of the Group was 250 (as at 31 December 2017: 240 employees) and the number of employees of the Company was 134 (as at 31 December 2017: 124 employees).

2 Accounting principles

The main accounting principles, which have been applied in preparation of the Company's and the Group's financial statements for the year ended 31 December 2018, are as follows:

2.1. Basis of preparation

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

The Company's management authorized these financial statements on 25 March 2019. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of the financial statements.

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for derivative financial instruments that are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Initial application of new amendments to the existing standards effective for the current reporting period
The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

  Prepaid agency commissions are not recognized in the Group and the Company Statements of financial position, because amounts are insignificant.

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014 -2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's and the Company's financial statements.

(all amounts are in thousand EUR unless otherwise stated)

2 Accounting principles (continued)

2.1. Basis of preparation (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective
At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

  The summary of the financial impact on adopting IFRS 16 is presented in the table below:

	As at 1 January 2018	As at 31 December 2018
Lease liability	254	161
Cumulative impact recognized as an adjustment to the equity at the date of initial application	-	3
Expected impact on statement of comprehensive income:		
- Increase of depreciation	(89)	(89)
Expected impact on statement of cash flows:		
- Increase of net cash flow from operating activities	(93)	(70)

  The Group and the Company has only office lease agreements.

- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The Group and the Company has elected not to adopt new standard, amendments to existing standard and interpretation in advance of their effective dates. The Group and the Company anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group and the Company in the period of initial application.

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU
At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU (the effective dates stated below is for IFRS as issued by IASB:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).

2 Accounting principles (continued)

2.1. Basis of preparation (continued)

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

The Group and the Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group and the Company in the period of initial application.

2.2. Functional and presentation currency

The amounts shown in these financial statements are presented in the local currency of the Republic of Lithuania, euro (EUR), which is also the functional currency of the Company and the Group companies located in Lithuania, Latvia and Estonia. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

Transactions in foreign currencies are initially recorded in the functional currency as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange as at the date of the statement of financial position.

The assets and liabilities of foreign subsidiaries are translated into euro at the reporting date using the rate of exchange as of the date of the statement of financial position, and their statements of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on this translation are recognized in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that foreign operation is recognized in profit (loss).

Long-term receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future are considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognized in the separate financial statements of the subsidiary in relation to these monetary items are reclassified to other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that foreign operation is recognized in the profit (loss).

2.3. Principles of consolidation

The consolidated financial statements of the Group include Novaturas AB and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date from which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated. The equity and net income attributable to non-controlling interests are shown separately in the statement of financial position and the statement of comprehensive income.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition of control and up to the effective date of the loss of control, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests (even if this results in the non-controlling interests having a deficit balance).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. The financial statements of subsidiaries used for consolidation purposes are prepared for the financial year of the parent company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Acquisitions and disposals of minority interest by the Group are accounted as equity transaction: the difference between the carrying value of the net assets acquired from/disposed to the minority interests in the Group's financial statements and the acquisition price/proceeds from disposal is accounted directly in equity.

2 Accounting principles (continued)

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages at the acquisition date the fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets and liabilities. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in a statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4. Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's and the Company's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.5. Investments in subsidiaries (the Company)

Investments in subsidiaries in the Company's separate financial statements are accounted at cost, less impairment.

2.6. Intangible assets (other than goodwill)

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Company have no intangible assets with indefinite useful life except for goodwill.

After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives.

Software
The costs of acquisition of new software are capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized over a period of 3 years.

Costs incurred in order to restore or maintain the future economic benefits that are expected from the originally assessed standard of performance of existing software systems are recognized as an expense when the restoration or maintenance work is carried out.

2 Accounting principles (continued)

2.7. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When an item of property, plant and equipment is sold or retired, its cost and accumulated depreciation are eliminated and gain (loss) is included in the statement of comprehensive income.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the statement of comprehensive income in the period the costs are incurred.

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

Vehicles	6 - 10 years
Other equipment, tools and fixtures	2 - 5 years
Other property, plant and equipment	2 - 5 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

2.8. Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

<u>Amortised cost and effective interest method</u>
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

2 Accounting principles (continued)

2.8. Financial assets (continued)

Amortised cost and effective interest method (continued)
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item (Note 16).

Impairment of financial assets
The Group and the Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Write-off policy
The Group and the Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's and the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(ii) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's and the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

Derecognition of financial assets
The Group and the Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2 Accounting principles (continued)

2.9. Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group and the Company, are measured in accordance with the specific accounting policies set out below.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
The Group and the Company derecognises financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group and the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group and the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

2.10. Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, or cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

<u>Cash flow hedges</u>
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group and the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

<u>Fair value hedges</u>
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line relating to the hedged item.

2 Accounting principles (continued)

2.10. Hedge accounting (continued)

Fair value hedges (continued)
Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

The resulting gain or loss from the change of fair value of the financial derivative is immediately recognized in profit or loss in the comprehensive income statement.

2.11. Fair value

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

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

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

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

2.12. Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and in current bank accounts as well as deposits in bank with original term equal to or less than 3 months.

2.13. Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

No borrowing costs meeting capitalization criteria have been incurred in 2018 and 2017.

2 Accounting principles (continued)

2.13. Borrowings (continued)

Borrowings are initially recognized at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortized cost, the difference between net proceeds and redemption value being recognized in the net profit or loss over the period of the borrowings using the effective interest method (except for the capitalized part). The borrowings are classified as non-current if the completion of a refinancing agreement before the date of the statement of financial position provides evidence that the substance of the liability at the date of the statement of financial position was long-term.

2.14. Financial and operating leases

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

Financial lease
The Group and the Company recognize financial leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, the Company's composite interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the Group's and the Company's statement of comprehensive income for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets cannot be depreciated over the period longer than lease term, unless the Group or the Company, according by the lease contract, gets transferred their ownership after the lease term is over.

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

2.15. Provisions

Provisions are recognized when the Group and the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

2.16. Income tax

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. The Company's corporate income tax is calculated in accordance with provisions of tax legislation of the Republic of Lithuania. The income taxes of foreign subsidiaries are calculated in accordance with tax legislation applicable in those jurisdictions.

Standard income tax rate in Lithuania is 15%.

Tax losses in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group and the Company change its activities due to which these losses incurred except when the Group and the Company do not continue its activities due to reasons which do not depend on the Group or the Company itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Starting from 1 January 2014, tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%.

2 Accounting principles (continued)

2.16. Income tax (continued)

According to Estonian legislation, profit of Estonian entities and permanent establishments in Estonia are not subject to income tax, if the profits are retained. Earnings are subject to tax when they are distributed in the form of dividends or other form. Applied tax rate for distributed earnings is 20/80. As the taxable object is retained profit but not in financial period earned profit there are no temporary differences between assets and liabilities tax and balance sheet values, which would create recognition of deferred tax asset or liability.

Starting from 1 January 2018, in Latvia entities and permanent establishments are not subject to income tax, if the profits are retained. Earnings are subject to tax when they are distributed in the form of dividends or other form. Applied tax rate for distributed earnings is 20%.

Deferred taxes are calculated using liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the date of the statement of financial position.

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

2.17. Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and service provided net of value-added tax, rebates or discounts.

Revenue is recognized on accrual basis: revenue is recognized when earned, irrespective of cash receipts. Revenue from tours are recognized on the first day of the trip.

Block chair revenue recognized under gross revenue method.

Advance payments are received from clients, paying according to the standard schedule. According it the client pays 20 percent at the moment of booking with remaining 80 percent paid three weeks before the trip starts. Advance payments are accounted as liabilities under Advances received caption and taken to revenue on the first day of the trip as noted above.

Interest income is recognized on accrual basis, based on the amount of outstanding debt and using effective interest rate. Interest inflows are presented under investing activities in the statements of cash flows.

The Group and the Company recognizes revenue from the inbound tourism promotion program approved by Turkish and Egyptian governments based on the number of flights, tourists, which arrived to resorts listed by Turkish and Egyptian governments during the period of promotion program, and of a fixed incentive amount, approved by local government. The related accrued revenue is estimated by the management based on historical experience and the information available.

2.18. Commission expenses

Commissions, which are paid to travel agencies for sale of travel packages provided by the Group and the Company, are recognized as selling expenses matching with revenue recognized from related trip. The Group and the Company decided do not capitalize part of agencies commissions expenses as requires IFRS 15, because amount is insignificant. Moreover The Group and the Company chose to match agencies commissions expenses with revenue recognized from related trips.

2.19. Impairment of assets

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

For financial assets carried at amortized cost, whenever it is probable that the Group and the Company will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognized in the statement of comprehensive income. The reversal of impairment losses previously recognized is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the statement of comprehensive income. However, the increased carrying amount is only recognized to the extent it does not exceed the amortized cost that would have been had the impairment not been recognized.

2 Accounting principles (continued)

2.19. Impairment of assets (continued)

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

Goodwill
Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.20. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards, as adopted by the EU, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to depreciation (Notes 2.7 and 4), amortization (Notes 2.6 and 3), impairment evaluation of goodwill (Notes 2.3 and 3), impairment evaluation of other assets (Notes 2.17, 5, 6 and 7, 8) and assumptions used while assessing accrued revenue amount (Note 7). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.21. Contingencies

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

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

2.22. Subsequent events

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

2.23. Offsetting

When preparing the financial statements, assets and liabilities as well as revenue and expenses are not set off, except the cases when certain International Financial Reporting Standards specifically requires such set-off.

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets

Group	**Goodwill**	**Other intangible assets**	**Total**
Acquisition cost:			
Balance as at 31 December 2016	30,327	884	31,211
Additions	-	206	206
Write offs	-	-	-
Balance as at 31 December 2017	30,327	1,090	31,417
Additions	-	133	133
Write offs	-	(522)	(522)
Balance as at 31 December 2018	30,327	701	31,028
Accumulated amortization / impairment:			
Balance as at 31 December 2016	-	442	442
Charge for the year	-	200	200
Write offs	-	-	-
Balance as at 31 December 2017	-	642	642
Charge for the year	-	154	154
Write offs	-	(522)	(522)
Balance as at 31 December 2018	-	274	274
Net book value as at 31 December 2018	**30,327**	**427**	**30,754**
Net book value as at 31 December 2017	**30,327**	**448**	**30,775**
Net book value as at 31 December 2016	**30,327**	**442**	**30,769**

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets (continued)

Company	**Goodwill**	**Other intangible assets**	**Total**
Acquisition cost:			
Balance as at 31 December 2016	30,327	803	31,130
Additions	-	206	206
Write offs	-	(90)	(90)
Balance as at 31 December 2017	30,327	919	31,246
Additions	-	116	116
Write offs	-	(442)	(442)
Balance as at 31 December 2018	30,327	593	30,920
Accumulated amortization / impairment:			
Balance as at 31 December 2016	-	362	362
Charge for the year	-	198	198
Write offs	-	-	-
Balance as at 31 December 2017	-	560	560
Charge for the year	-	126	126
Write offs	-	(442)	(442)
Balance as at 31 December 2018	-	244	244
Net book value as at 31 December 2018	**30,327**	**349**	**30,676**
Net book value as at 31 December 2017	**30,327**	**359**	**30,686**
Net book value as at 31 December 2016	**30,327**	**441**	**30,768**

After merging of Central European Tour Operator UAB on 30 September 2008 into Novaturas UAB, goodwill, which arose on the acquisition of shares of Novaturas UAB, was recognized in the financial statements of the Group and the Company. The goodwill is not amortized, but it is tested for impairment.

For the purposes of measurement of goodwill impairment, the goodwill as at 31 December 2018 and 2017 was allocated to one cash flow generating unit – Novaturas AB and all its subsidiaries owned at the moment of business combination.

The recoverable amount of every cash generating unit as at 31 December 2018 and 2017 was determined based on the expected future cash flows in accordance with 5 year forecasts approved by the management. The main assumptions on which cash flow projections are based in 2018 and 2017 are described below. When determining the recoverable amount of cash generating unit in 2018 and 2017, it was assumed that the level of commissions and related costs would not change and the change in general and administrative expenses will be similar to the increase of revenue. Starting from 2019, there will be a reasonable increase of revenue influenced by rising prices and recovering market. Cash flows after 5 years horizon were extrapolated based on 2% constant annual growth assumption, which reflects the best management's estimate of the situation in this industry. Discount rate was based on weighted average cost of capital and was 9.7% (pre-tax) for 2018 (2017: 8.41%).

Based on the estimated recoverable values of cash generating unit as at 31 December 2018 and 2017, no impairment of goodwill was recognized.

According to management estimate, no reasonable change in the assumptions used in impairment testing of the recoverable amount of cash generating units as at 31 December 2018 and 2017 as described above would result in material impairment.

The Group and the Company has no internally generated intangible assets. The amortization expenses for the years 2018 and 2017 are included within selling, general and administrative expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 92 thousand as at 31 December 2018 (as at 31 December 2017: EUR 323 thousand) was fully amortized, but was still in use by the Group. Software with the acquisition cost of EUR 70 thousand as at 31 December 2018 (as at 31 December 2017: EUR 323 thousand) was fully amortized, but was still in use by the Company.

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment

Group	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Acquisition cost:				
Balance as at 31 December 2016	150	261	230	641
Additions	30	45	9	84
Write offs	-	(5)	-	(5)
Balance as at 31 December 2017	180	301	239	720
Additions	65	13	28	106
Write offs	(70)	-	(58)	(128)
Balance as at 31 December 2018	175	314	209	698
Accumulated depreciation:				
Balance as at 31 December 2016	125	44	148	317
Charge for the year	23	51	36	110
Write offs	-	(4)	-	(4)
Balance as at 31 December 2017	148	91	184	423
Charge for the year	28	54	29	111
Write offs	(70)	-	(58)	(128)
Balance as at 31 December 2018	106	145	155	406
Net book value as at 31 December 2018	**69**	**169**	**54**	**292**
Net book value as at 31 December 2017	**32**	**210**	**55**	**297**
Net book value as at 31 December 2016	**25**	**217**	**82**	**324**

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment (continued)

Company	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Total**
Acquisition cost:				
Balance as at 31 December 2016	88	251	68	407
Additions	23	45	1	69
Write offs	-	(5)	-	(5)
Balance as at 31 December 2017	111	291	69	471
Additions	28	14	21	63
Write offs	(27)	-	(1)	(28)
Balance as at 31 December 2018	112	305	89	506
Accumulated depreciation:				
Balance as at 31 December 2016	71	64	40	175
Charge for the year	14	45	8	67
Write offs	-	(4)	-	(4)
Balance as at 31 December 2017	85	105	48	238
Charge for the year	17	47	11	75
Write offs	(27)	-	(1)	(28)
Balance as at 31 December 2018	75	152	58	285
Net book value as at 31 December 2018	**37**	**153**	**31**	**221**
Net book value as at 31 December 2017	**26**	**186**	**21**	**233**
Net book value as at 31 December 2016	**17**	**187**	**28**	**232**

Property, plant and equipment of the Group and the Company is used only for the Group's and the Company's purposes.

Depreciation expenses of the Group's and the Company's property, plant and equipment for 2018 and 2017 are included within selling, general and administrative expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 189 thousand and EUR 83 thousand, respectively, were fully depreciated as at 31 December 2018 (as at 31 December 2017: EUR 173 thousand and EUR 98 thousand, respectively), but were still in use. Depreciated property, plant and equipment still in use consist of computer hardware and other equipment.

(all amounts are in thousand EUR unless otherwise stated)

5 Investments into subsidiaries

Investments into subsidiaries of the Company as at 31 December are as follows:

	2018				2017			
Subsidiary	**Acquisition cost**	**Controlled part, %**	**Net profit (loss) of subsidiary**	**Equity of subsidiary**	**Acquisition cost**	**Controlled part, %**	**Net profit (loss) of subsidiary**	**Equity of subsidiary**
Novatours SIA	1,073	100	1,021	1,169	1,073	100	1,414	4,048
Novatours OU	1,786	100	2,139	7,720	1,786	100	2,779	7,980
UAB Aviaturas ir Partneriai	361	100	3	158	361	100	6	155
SRL Novatours Holidays	95	100	-	-	95	100	-	-
Less impairment	(95)	-	-	-	(95)	-	-	-
Total carrying value	**3,220**				**3,220**			

As at 31 December 2018 and 2017, impairment of investment into subsidiary SRL Novatours Holidays was accounted for.

As at 31 December 2018 and 2017, the shares of SIA Novatours, OU Novatours and UAB Aviaturas ir Partneriai, owned by the Company, were pledged to the Luminor Bank AS in accordance with the long-term loan agreement (Note 11).

6 Prepayments and deferred expenses

	Group		Company	
	As at 31 December 2018	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2017**
Prepayments and deferred expenses	9,027	6,106	5,263	2,953
Less: impairment	(166)	(166)	-	-
	8,861	**5,940**	**5,263**	**2,953**

The main part of the Group's and the Company's prepayments and deferred expenses as at 31 December 2018 and 2017 consisted of cost related to airline tickets, hotel services, visas, ferry boat tickets and other services. Change in allowance for doubtful prepayments for the years 2018 and 2017 has been included into general and administrative expenses.

7 Trade, other and long term receivables

	Group		Company	
	As at 31 December 2018	**As at 31 December 2017 (restated, Note 24)**	**As at 31 December 2018**	**As at 31 December 2017**
Trade receivables, gross	732	930	439	480
VAT receivable	128	98	84	54
Accrued revenue from government subsidies	1,890	2,061	1,094	1,403
Accrued supplier discounts	-	-	-	-
Other receivables	10	43	16	17
Less: allowance for doubtful receivables	(35)	(230)	-	(195)
	2,725	**2,902**	**1,633**	**1,759**

The Group and the Company accrued revenue is based on the inbound tourism promotion program approved by Turkish and Egyptian governments. According to this program, the Group and the Company assessed the size of accrual as at 31 December 2018. Accrual was accounted for according to the approved methodology by assessing the number of flights, tourists, which arrived to resorts listed by Turkish and Egyptian governments during the period of promotion program, and of a fixed incentive amount, approved by local government. The accrued revenue amount is the best estimate as at 31 December 2018 of the Group's and the Company's management of the amounts the Group and the Company is entitled to in accordance with these programs and are expected to be collected based on actual experience (including subsequent collections) and the information available.

Change in allowance for doubtful receivables for the year 2018 and 2017 has been included into general and administrative expenses.

(all amounts are in thousand EUR unless otherwise stated)

7 Trade, other and long term receivables (continued)

Movement in the allowance for the Group's and the Company's receivables is as follows:

	Group Individually impaired	Company Individually impaired
Balance as at 31 December 2016	**(217)**	**(195)**
Reversal of impairment for the year	-	-
Written off amounts	-	-
Charge for the year	(13)	-
Balance as at 31 December 2017	**(230)**	**(195)**
Reversal of impairment for the year	195	195
Written off amounts	-	-
Charge for the year	-	-
Balance as at 31 December 2018	**(35)**	**-**

The ageing analysis of the Group's trade and other receivables (presented net of allowance for impaired receivables) as at 31 December is as follows):

	Receivables neither past due nor impaired	Receivables past due, but not impaired					
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2017 (restated, Note 24)	321	124	40	31	6	221	743
2018	203	168	42	34	10	250	707

The ageing analysis of the Company's trade and other receivables (presented net of allowance for impaired receivables) as at 31 December is as follows):

	Receivables neither past due nor impaired	Receivables past due, but not impaired					
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	Total
2017	11	111	42	27	1	110	302
2018	79	162	14	29	5	166	455

No interests are applied for trade receivables from clients. Generally, the Group and the Companyrequire settlement of receivable for the tour before the commencement of the tour.

Prepayments paid to suppliers for plane rent and hotels are accounted under long term receivables caption in the statement of financial position.

(all amounts are in thousand EUR unless otherwise stated)

8 Other current financial assets and other current financial liabilities

	Group		Company	
	As at 31 December 2018	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2017**
Financial asset at fair value through other comprehensive income				
Derivative financial instruments that are subject to hedge accounting (effective part)	-	569	-	569
Other financial assets	200	-	200	-
Total financial assets at fair value through other comprehensive income	**200**	**569**	**200**	**569**
Financial asset at fair value through profit or loss				
Derivative financial instruments that are subject to hedge accounting (ineffective part)	-	-	-	-
Total financial asset at fair value through profit or loss	**-**	**-**	**-**	**-**
Total other current financial assets	**200**	**569**	**200**	**569**

	Group		Company	
	As at 31 December 2018	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2017**
Other current financial liabilities at other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	1 590	-	1 590	-
Total other current and non-current financial liabilities	**1 590**	**-**	**1 590**	**-**

Since 1 January 2014, the Group and the Company has applied the hedge accounting policy (cash flow hedge) for financial instruments (ICE Brent Futures, Foreign exchange forwards). On the basis of documentation of hedge transactions, derivative financial instruments, for the hedge of foreign currency exchange rate and aviation fuel price fluctuation risks, are recognized at fair value at the day of the contract and on an ongoing basis. Quoted market prices are used for fair value measurements (level 2 of fair value hierarchy). Positive fair values of the contracts are recognized in the statement of financial position as assets and negative fair values of contracts are recognized in the statement of financial position as liabilities. Resulting profit or loss from the changes of fair value of derivatives is recognized in the statement of comprehensive income (other comprehensive income), until the factual date when hedge transaction occurs. The transactions, which are hedged by the instruments outstanding are expected to occur within next financial year. Effectiveness of hedge instruments was tested according to requirements of IFRS 39.

As at 31 December 2018, the Group and the Company accounted for current liability of EUR 1,590 thousand which were accounted for in the financial statements under the caption of other current financial assets. Related loss of EUR 2,160 thousand was accounted for in the other comprehensive income (Note 16).

As at 31 December 2017, the Group and the Company accounted for current asset of EUR 569 thousand which were accounted for in the financial statements under the caption of other current financial assets. Related gain of EUR 218 thousand was accounted for in the other comprehensive income (Note 16).

During the year of 2018, the Group and the Company has accounted for the gain of EUR 1,839 thousand, by decreasing the main activity cost of aviation and hotel respectively by EUR 1,287 thousand and EUR 552 thousand, in profit or loss of the statement of comprehensive income.

During the year of 2017, the Group and the Company has accounted for the gain of EUR 193 thousand, by decreasing the main activity cost of aviation and hotel respectively by EUR 134 thousand and EUR 59 thousand, in profit or loss of the statement of comprehensive income.

(all amounts are in thousand EUR unless otherwise stated)

9 Cash, cash equivalents and restricted cash

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Cash at bank	3,156	7,929	1,172	3,856
Cash on hand	47	55	12	15
Cash in transit	-	-	-	-
Restricted cash	1,500	2,000	1,500	2,000
	4,703	**9,984**	**2,684**	**5,871**

EUR 1,500 thousand from cash at bank was restricted till 31 December 2019 for the issued bank guarantees according to law requirements.

10 Reserves

Legal reserve
A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the share capital. The legal reserve can only be used to cover accumulated losses.

Legal reserve of the Group and the Company amounted to EUR 29 thousand as at 31 December 2018 and 2017 and was fully formed.

Foreign currency translation reserve
The foreign currency translation reserve is made for translation differences arising on consolidation of financial statements of foreign subsidiaries.

Exchange differences are classified as share capital in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the exchange differences accumulated in the translation reserve are recognized as income or expenses in the same period, when the gain or loss on disposal by investment is recognized.

Cash flow hedge reserve
This reserve represents the effective part of the change in fair value of the derivative financial instruments, used by the Group and the Company to secure the cash flows from aviation fuel and foreign currency exchange (USD) change risk, at the reporting date. The reserve is accounted for according to the requirements of IAS 39.

11 Borrowings

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Long term borrowings				
Luminor Bank AS loan, annual interest rate – 3 month EURIBOR + 3.50%	8,000	14,000	8,000	14,000
Novatours OU loan, annual interest rate – 3 month EURIBOR + 2.68%	-	-	12,000	12,000
Total long term borrowings	8,000	14,000	20,000	26,000
Less: current portion of non-current borrowings	(2,000)	(14,000)	(2,000)	(14,000)
	6,000	-	18,000	12,000
Short term borrowings				
Short-term loan granted by Novatours SIA (EUR), annual interest rate – 3.08%	-	-	2,000	-
Over-night loan granted by Novatours SIA (EUR), interest free	-	-	-	6,826
Current portion of non-current borrowings	2,000	14,000	-	-
	2,000	**14,000**	**2,000**	**6,826**

(all amounts are in thousand EUR unless otherwise stated)

11 Borrowings (continued)

Weighted average effective interest rates of borrowings outstanding at the year-end:

	Company	
	2018	**2017**
Short term loans	3.08%	-
Long term loans	3.5%	3.5%

In 2018 and 2017, part of the Company's short-term loans were interest-free, since loans have very short maturities, interests would not be material.

Terms of repayment of long-term borrowings are as follows:

	Group		Company	
Year	**As at 31 December 2018**	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2017**
2018	-	14,000	-	14,000
2019	2,000	-	2,000	-
2020	6,000	-	6,000	-
2021	-	-	-	-
Later	-	-	12,000	12,000
	8,000	**14,000**	**20,000**	**26,000**

As at 31 December, borrowings outstanding were denominated in national and foreign currencies as follows:

	Group		Company	
	As at 31 December 2018	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2017**
Currency of the borrowing:				
EUR	8,000	14,000	22,000	32,826
	8,000	**14,000**	**22,000**	**32,826**

As at 31 December 2018 and 2017, shares of Novatours SIA, Novatours OU ir Aviaturas ir Partneriai UAB owned by the Company were pledged to Luminor Bank AS for non-current loan granted (Note 5).

As at 31 December 2018 and 2017, the Group and the Company had no unused credit facility.

In November 2015, the Company signed agreement with Luminor Bank AS regarding long-term loan. Remaining principal amount of the loan at 31 December 2018 amounts to EUR 8,000 thousand, loan maturity is till 31 October 2020.

According to credit and loan agreements with Luminor Bank AS the Group and the Company must comply with financial and non-financial ratios and covenants. The Group Equity Ratio shall be no less than 30% and The Group Net Financial Debt to EBITDA Ratio shall be no more than 2. As at 31 December 2018, the Group has met both ratios.

Breach of loan agreement covenant in 2017

According to credit and loan agreements of the bank the Group and the Company must comply with financial and non-financial ratios and covenants. As at 31 December 2017, the Company has not met 30% equity ratio financial obligation contained in the loan agreement with Luminor Bank AS with a carrying amount of EUR 14.0 mio. The breach arose because of a delay in signing the loan agreement amendment. The lender did not request accelerated repayment of the loan and the waiver was received by the Company in February 2018. As a result, the Group and the Company reclassified long-term portion of the loan to short term as at 31 December 2017. In addition, the loan agreement amendment was signed on 7 February 2018, which reduced such equity ratio to 27% for Q1 2018 (for Q2 2018: equity ration 30%) and amended the repayment schedule of the loan. Management has increased its procedures to monitor compliance with bank's covenants to ensure that such circumstances do not recur.

(all amounts are in thousand EUR unless otherwise stated)

12 Other current liabilities and accrued expenses

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Payroll related liabilities	263	268	141	169
Taxes payable (except for income tax)	55	246	2	198
Other payables and accrued expenses	1,885	2,384	926	1,664
	2,203	**2,898**	**1,069**	**2,031**

Other current liabilities are interest free and are settled during 1-90 days.

13 Sales

	Group		Company	
	2018	2017	2018	2017
Flight package tours	157,977	120,567	85,296	63,460
Sightseeing tours by coach	2,933	3,785	2,933	3,785
Sightseeing tours by plane	1,564	1,590	1,422	1,590
Other sales	19,558	15,205	15,501	12,395
	182,032	**141,147**	**105,152**	**81,230**

14 Cost of sales

	Group		Company	
	2018	2017	2018	2017
Cost of flight package tours	132,841	94,748	75,053	51,527
Cost of sightseeing tours by coach	2,632	3,351	2,632	3,351
Cost of sightseeing tours by plane	1,232	1,104	1,116	1,104
Cost of other sales	19,048	15,142	12,594	10,418
	155,753	**114,345**	**91,395**	**66,400**

15 Selling, general and administrative expenses

	Group		Company	
	2018	2017 (restated (Note 24)	2018	2017
Selling expenses				
Agency commissions	9,652	7,363	4,864	3,757
Salaries and related taxes	2,431	2,197	1,237	1,081
Advertising and marketing expenses	1,229	982	692	583
Rent and maintenance expenses	212	192	71	68
Business trips expenses	48	57	30	34
Representation expenses	48	51	40	37
Communication expenses	46	47	19	17
Transportation expenses	31	42	14	27
Depreciation and amortization	19	52	15	50
Training expenses	7	6	7	5
Other	69	28	(366)*	(219)*
	13,792	**11,017**	**6,623**	**5,440**

* Above stated amounts are negative because the Company is re-alocating some expenses to other subsidiaries.

(all amounts are in thousand EUR unless otherwise stated)

15 Selling, general and administrative expenses (continued)

	Group		Company	
	2018	**2017**	**2018**	**2017**
General and administrative expenses				
Salaries and related taxes	2,280	2,331	1,659	1,761
Consulting expenses	558	364	251	213
Depreciation and amortization	247	258	186	214
Representation expenses	118	73	78	42
Rent and maintenance expenses	116	112	70	61
Business trips expenses	104	121	91	102
Transportation expenses	71	84	59	58
Communication expenses	45	46	29	28
Training expenses	14	8	11	2
Other	1,303	1,881	835	674
	4,856	**5,278**	**3,269**	**3,155**

Investigation done during year 2017 has uncovered improper management behaviour and accounting in subsidiary in Estonia. Several key employees of the subsidiary received increased salary payments, which were not approved by the supervising bodies. Some amounts were paid to external parties (some of them owned directly or indirectly by employees who committed wrongdoing in the subsidiary) possibly causing damage to the company. The damage made to the Group for the periods of 2017 were EUR 534 thousand and were presented in these financial statements under Other line. Employees involved in the alleged wrongdoing activities were removed from the company as the fact was discovered. Internal operating procedures were updated to prevent from improper behaviour in the future. The Group has few ongoing lawsuits against wrongdoers to recover damage, but the possible gains are not recognized.

The Group and the Company had several contracts of operating lease of offices concluded as at 31 December 2018 and 2017. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

Minimal lease payments according to the non-cancellable lease contracts signed are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Within one year	187	188	102	131
From the second to the fifth year inclusive	496	391	412	32
After five years	-	269	-	-
	683	**848**	**514**	**163**

	Group		Company	
	2018	**2017**	**2018**	**2017**
Lease payments recognized as an expense	228	216	91	86
	228	**216**	**91**	**86**

(all amounts are in thousand EUR unless otherwise stated)

16 Finance income (expenses), net

	Group		Company	
	2018	**2017**	**2018**	**2017**
Interest income	1	-	-	-
Foreign currency exchange gain	819	563	164	253
Other financial income (including fines)	-	1	6,300	-
Total financial income	820	564	6,464	253
Interest expenses	(488)	(566)	(779)	(782)
Loss from derivative financial instruments	-	(127)	-	(127)
Foreign currency exchange loss	(1,382)	(1,036)	(483)	(748)
Other financial expenses	(3)	(1)	-	(1)
Total financial expenses	(1,873)	(1,730)	(1,262)	(1,658)
	(1,053)	**(1,166)**	**5,202**	**(1,405)**

17 Income tax

	Group		Company	
	2018	**2017**	**2018**	**2017**
Components of the income tax expenses (income)				
Current income tax expenses	675	431	29	161
Deferred income tax (income) expenses	500	553	500	555
Income tax (income) expenses recorded in the statement of comprehensive income	**1,175**	**984**	**529**	**716**

	Group		Company	
	2018	**2017**	**2018**	**2017**
Deferred income tax asset				
Tax loss carry forward	61	129	61	129
Impairment of investments and loans granted	-	-	-	-
Allowance for doubtful accounts receivable	5	34	-	29
Derivative financial instruments	239	-	239	-
Other accruals	28	121	11	111
Deferred income tax asset, net of fair value allowance	333	284	311	269
Deferred income tax liability				
Amortization of goodwill	(3,108)	(2,805)	(3,108)	(2,805)
Derivative financial instruments	-	(85)	-	(85)
Deferred income tax liability	(3,108)	(2,890)	(3,108)	(2,890)
Deferred income tax, net	**(2,775)**	**(2,606)**	**(2,797)**	**(2,621)**
Deferred income tax asset	6	6	-	-
Deferred income tax liability	(2,781)	(2,606)	(2,797)	(2,621)

Deferred tax asset and liabilities were offset in the consolidated statement of financial position by the amounts, which relate to tax levied by the same tax authority and to the same taxable entity.

Tax loss carry forward of the Group and the Company can be transferred for unlimited period.

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (continued)

While assessing deferred tax assets and liabilities for the Lithuanian entities, 15% tax rate was applied in 2018 and 2017. As at 31 December 2017, deferred taxes of Latvian entyti was calculated using 15% tax rate.

Starting from 1 January 2018, in Latvia entities and permanent establishments are not subject to income tax, if the profits are retained. Earnings are subject to tax when they are distributed in the form of dividends or other form. Applied tax rate for distributed earnings is 20%. As the taxable object is retained profit but not in financial period earned profit there are no temporary differences between assets and liabilities tax and balance sheet values, which would create recognition of deferred tax asset or liability.

A tax rate of 0% was levied on the retained profits of the Estonian subsidiary. If the management decides to distribute all retained profits of OU Novatours (Estonia), which amount to EUR 7,720 thousand as at 31 December 2018, income tax liability would amount to EUR 1,544 thousand. This income tax calculation is based on 20/80 tax tariff applicable for distributable profits.

The changes of temporary differences before and after tax effect in the Group were as follows:

	As at 31 December 2017	**Recognized in profit (loss)**	**Recognized in other comprehensive income**	**As at 31 December 2018**
Tax loss carry forward	859	(453)	-	406
Impairment of investments and loans granted	-	-	-	-
Allowance for doubtful accounts receivable	230	(195)	-	35
Amortization of goodwill and other intangibles	(18,702)	(2,021)	-	(20,723)
Derivative financial instruments	(569)	-	2,159	1,590
Other accruals	811	(622)	-	189
Total temporary differences before fair value allowance	(17,371)	(3,291)	2,159	(18,503)
Less: allowance	-	-	-	-
Total temporary differences	(17,371)	(3,291)	2,159	(18,503)
Deferred income tax, net	**(2,606)**	**(493)**	**324**	**(2,775)**

The changes of temporary differences before and after tax effect in the Company were as follows:

	As at 31 December 2017	**Recognized in profit (loss)**	**Recognized in other comprehensive income**	**As at 31 December 2018**
Tax loss carry forward	859	(453)	-	406
Impairment of investments and loans granted	1,495	-	-	1,495
Allowance for doubtful accounts receivable	195	(195)	-	-
Derivative financial instruments	(569)	-	2,159	1,590
Other accruals	744	(665)	-	79
Amortization of goodwill	(18,702)	(2,021)	-	(20,723)
Total temporary differences before fair value allowance	(15,978)	(3,334)	2,159	(17,153)
Less: allowance	(1,495)	-	-	(1,495)
Total temporary differences	(17,473)	(3,334)	2,159	(18,648)
Deferred income tax, net	**(2,621)**	**(500)**	**324**	**(2,797)**

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (continued)

The changes of temporary differences before and after tax effect in the Group were as follows:

	As at 31 December 2016	Recognized in profit (loss)	Recognized in other comprehensive income	As at 31 December 2017
Tax loss carry forward	3,366	(2,507)	-	859
Impairment of investments and loans granted	1	(1)	-	-
Allowance for doubtful accounts receivable	217	13	-	230
Amortization of goodwill and other intangibles	(16,680)	(2,022)	-	(18,702)
Derivative financial instruments	(478)	127	(218)	(569)
Other accruals	107	704	-	811
Total temporary differences before fair value allowance	(13,467)	(3,686)	(218)	(17,371)
Less: allowance	(20)	20	-	-
Total temporary differences	(13,487)	(3,666)	(218)	(17,371)
Deferred income tax, net	**(2,023)**	**(550)**	**(33)**	**(2,606)**

The changes of temporary differences before and after tax effect in the Company were as follows:

	As at 31 December 2016	Recognized in profit (loss)	Recognized in other comprehensive income	As at 31 December 2017
Tax loss carry forward	3,366	(2,507)	-	859
Impairment of investments and loans granted	1,495	-	-	1,495
Allowance for doubtful accounts receivable	195	-	-	195
Derivative financial instruments	(478)	127	(218)	(569)
Other accruals	41	703	-	744
Amortization of goodwill	(16,680)	(2,022)	-	(18,702)
Total temporary differences before fair value allowance	(12,061)	(3,699)	(218)	(15,978)
Less: allowance	(1,495)	-	-	(1,495)
Total temporary differences	(13,556)	(3,699)	(218)	(17,473)
Deferred income tax, net	**(2,033)**	**(555)**	**(33)**	**(2,621)**

The reported amount of income tax expenses attributable to the year can be reconciled to the amount of income tax expenses that would result from applying statutory income tax rate to pre-tax income as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Income tax expenses (income) computed at statutory rate 15%	1,016	1,370	1,362	725
Effect of different tax rate applicable to foreign subsidiaries	(348)	(390)	-	-
Change in deferred tax asset valuation allowance	-	3	-	-
Non-deductible expenses for tax purposes (not taxable income)	507	1	(833)	(9)
Income tax expenses reported in the statement of comprehensive income	**1,175**	**984**	**529**	**716**

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management

Credit risk
The Group's and the Company's credit risk is relatively low, since there is a requirement to pay for the tour before the tour starts. In addition, travel agencies, which carry out the majority of sales, are granted credit limits. The main purpose of these credit limits is to ensure timely payments. If they exceeded the credit limit, the Company's reservation system automatically blocks the sales.

The Group and the Company do not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group and the Company consider that their maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognized at the statement of financial position. Moreover, the Group's and the Company's ageing analysis of trade receivables as at 31 December 2018 and 2017 shows that there are no significant debts overdue more than 90 days, except accrued revenue (Note 7) which recovery period is not defined at the date of financial statements.

Interest rate risk
As at 31 December 2018, the major part of the Group's and the Company's borrowings are subject to variable rates, related to EURIBOR, which creates an interest rate risk. There are no financial instruments designated to manage the exposure to fluctuation in interest rates outstanding as at 31 December 2018 and 2017.

The sensitivity analyses below have been determined based on the exposure to floating interest rates for loan agreement with Luminor Bank AS at the end of the reporting period. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2018, would decrease/increase by EUR 40 thousand (2017: decrease / increase by EUR 70 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign exchange risk
The Group and the Company manage foreign exchange risk by contracting agreements in EUR and functional currency of subsidiaries in Latvia and Estonia is EUR.

In December 2010, the Company started to use derivative financial instruments in order to reduce EUR/USD foreign exchange risk and fuel price variance risk. For this purpose Foreign exchange forward, and ICE Brent Future contracts were bought, which allow management of the aforementioned risks. Starting from 1 January 2014 the Group and the Company started to use derivatives, for which hedge accounting is applied (Note 8).

Monetary assets and liabilities stated in various currencies as at 31 December were as follows (EUR equivalent):

	2018		2017	
Group	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Euro	7,677	19,231	13,979	23,131
U.S dollars	46	-	16	280
Indian rupee	-	-	-	-
Tunisian dinar	-	-	-	-
Thai Baht	-	-	8	252
	7,723	**19,231**	**14,003**	**23,663**

	2018		2017	
Company	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Euro	5,915	31,124	20,184	31,205
U.S dollars	46	-	16	97
Indian rupee	-	-	-	-
Tunisian dinar	-	-	-	4
Thai Baht	-	-	8	164
	5,961	**31,124**	**20,208**	**31,470**

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (continued)

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Group and the Company's profit before tax (through the impact on monetary assets and liabilities) without the effect of hedge instruments owned:

	Group		Company	
	Increase / decrease in basis points	Effect on the profit before tax	Increase / decrease in basis points	Effect on the profit before tax
2018				
U.S dollars	(10%)	(20)	(10%)	14
U.S dollars	10%	20	10%	(14)
2017				
U.S dollars	(10%)	(15)	(10%)	10
U.S dollars	10%	15	10%	(10)

<u>Fair value of financial assets and liabilities</u>

The following methods and assumptions are used to estimate the fair values of each class of financial assets and liabilities:

a) The carrying amount of trade, related party and other accounts receivable, current trade, related party and other accounts payable and current borrowings approximates fair value.
b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile (level 2). The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. The fair value of borrowings with fixed interest rates has been calculated by discounting the expected future cash flows using market interest rates.
c) Fair value of the derivative financial instruments are defined as level 2 based on market observable inputs.

There were no movements of financial instruments between the levels during 2018 and 2017.

Set out is a comparison of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	As at 31 December 2018	As at 31 December 2017 (restated, Note 24)	As at 31 December 2018	As at 31 December 2017
Financial assets				
Restricted cash	1,500	2,000	1,500	2,000
Cash and cash equivalents	3,203	7,984	3,203	7,984
Trade accounts receivable	697	700	697	700
Other current financial assets	200	569	200	569
Other receivables	2,028	2,104	2,028	2,104
Financial liabilities				
Interest bearing borrowings	8,000	14,000	8,000	14,000
Trade accounts payable and payables to related parties	4,611	3,882	4,611	3,882
Other current financial liabilities	1,590	-	1,590	-
Other current liabilities and accrued expenses	2,203	2,384	2,203	2,384

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (continued)

Set out is a comparison of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	Carrying amount		**Fair value**	
	As at 31 December 2018	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 December 2017**
Financial assets				
Cash and cash equivalents	2,684	5,871	2,684	5,871
Accounts receivable from related parties	1,288	11,508	1,288	11,508
Trade accounts receivable	439	285	439	285
Other current financial asset	200	569	200	569
Other receivables	1,194	1,420	1,194	1,420
Financial liabilities				
Interest bearing borrowings	22,000	26,000	22,000	26,000
Interest free short term loans	-	6,826	-	6,826
Trade accounts payable (including trade payables to related parties)	3,637	8,611	3,637	8,611
Other current financial liabilities	1,590	-	1,590	-
Other current liabilities and accrued expenses	1,069	1,664	1,069	1,664

The carrying amounts of financial assets and liabilities of the Group are approximately equal to their fair value because receivables are rather short term as well as amounts are not material, payables are rather short term and borrowings interest rate is considered to be at market terms without significant impact on the book values.

Liquidity management

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. Liquidity risk is managed by planning of the Group's and the Company's cash flows.

The Group's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as at 31 December 2018 were 0.68 and 0.68, respectively (0.58 and 0.58 as at 31 December 2017, respectively). The Company's liquidity and quick ratios as at 31 December 2018 were 0.70 and 0.70, respectively (0.62 and 0.62 as at 31 December 2017).

As at 31 December 2018, the Group's current liabilities exceeded current assets by EUR 7,969 thousand. The Group's and the Company's financial statements were prepared under going concern assumption. The Group management's going concern assessment is based on the following main assumptions:

- The main objective of the Group for the year 2019 – to be profitable and to generate positive cash flows. The Group management plans that the Group will generate operating cash flows in 2019 not lower than the actual operating cash flows for the year 2018. The Group management believes that plans for the year 2019 will be achieved also considering the actual interim results of operations in 2019.
- A significant part of EUR 24,692 thousand of current liabilities as at 31 December 2018 is related to advances received from customers, which will not require repayment and will be settled by delivering services in the future. Also, part of future service delivery costs are prepaid to suppliers (as at 31 December 2018: EUR 8,861).

In conclusion, the Group and the Company plan to use operating cash flows generated by their activity for repayment of the relevant portion of the credit received. Company's going concern assessment is made in the context of the Group as the Company can use free financial resources of its subsidiaries.

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (continued)

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments (the maturity is based on long-term loan not reclassified into current loans as Company received waiver from bank for covenant breach and subsequently signed amendments to long-term loan agreement):

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	70	2,184	6,280	8,534
Trade accounts payable	-	4,611	-	-	4,611
Other current financial liabilities	-	1,590	-	-	1,590
Other current liabilities	-	2,203	-	-	2,203
As at 31 December 2018	**-**	**8,474**	**2,184**	**6,280**	**16,938**
Interest bearing borrowings	-	123	3,484	11,380	14,987
Trade accounts payable	-	3,882	-	-	3,882
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	2,384	-	-	2,384
As at 31 December 2017	**-**	**6,389**	**3,484**	**11,380**	**21,253**

The table below summarizes the maturity profile of the Company's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments (the maturity is based on long-term loan not reclassified into current loans as Company received waiver from bank for covenant breach and subsequently signed amendments to long-term loan agreement):

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	148	4,418	7,528	12,094
Trade accounts payable	-	3,637	-	-	3,637
Other current financial liabilities	-	1,590	-	-	1,590
Other current liabilities	-	1,069	-	-	1,069
As at 31 December 2018	**-**	**6,444**	**4,418**	**7,528**	**18,390**
Interest bearing borrowings	-	201	3,718	12,628	16,547
Interest free short term loans	6,826	-	-	-	6,826
Trade accounts payable (including trade payables to related parties)	-	8,611	-	-	8,611
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	1,664	-	-	1,664
As at 31 December 2017	**6,826**	**10,476**	**3,718**	**12,628**	**33,648**

The Group and the Company is not expecting that any cash flow will be significantly before or afterwards the periods listed above.

Capital management

The primary objective of the Group's and the Company's capital management is to ensure that the Group and the Company comply with externally imposed capital requirements and that the Group and the Company maintain healthy capital ratios in order to support the business and to maximize shareholders' value (capital in the meaning of IAS 1 comprises of the equity presented in the financial statements).

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2018 and 2017.

The Group and the Company is obliged to upkeep the equity at not less than 50% of the share capital, as imposed by the Law on Companies of the Republic of Lithuania. As at 31 December 2018 and 2017, the Group and the Company also had external share capital requirements from the bank regarding equity and asset ratio. As at 31 December 2018 and 2017, the Group and the Company were in compliance with the above mentioned requirements.

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (continued)

The Group and the Company assess capital using a ratio of total liabilities and equity. The Group's capital includes ordinary shares, reserves and retained earnings attributable to the equity shareholders of the parent company. The Group's and the Company's Management has not identified a specific target of the liabilities-to-equity ratio, however, below stated ratios are regarded as rather good by the management:

	Group		Company	
	As at 31 December 2018	**As at 31 December 2017 (restated, Note 24)**	**As at 31 December 2018**	**As at 31 December 2017**
Non-current liabilities	8,781	2,606	20,797	14,621
Current liabilities	24,692	33,178	16,020	36,428
Total liabilities	**33,473**	**35,784**	**36,817**	**51,049**
Equity attributable to the equity holders of the parent	**14,367**	**14,847**	**8,523**	**5,866**
Liabilities and equity ratio	**2.33**	**2.41**	**4.32**	**8.70**

19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as at 31 December 2018 and 2017 except for required by law Tour Operator commitments insurance or bank guarantees which are for the Group and the Company in amount of EUR 15,000 thousand and EUR 7,450 thousand as at 31 December 2018.

20 Related party transactions

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions. The related parties of the Group and the Company and the transactions with them in 2018 and 2017 were as follows (also see the table below):

Subsidiaries:
- Novatours SIA;
- Novatours OU;
- Aviaturas ir Partneriai UAB;
- Novatours Holidays SRL.

The shareholders of the Company are disclosed in Note 1.

2018	**Purchases**	**Sales**	**Receivable amounts (including loans)**	**Payable amounts (including loans)**
The shareholders of the Company	-	-	-	-
Parent and subsidiaries	3,951	11,719	1,288	14,511
	3,951	**11,719**	**1,288**	**14,511**

2017	**Purchases**	**Sales**	**Receivable amounts (including loans)**	**Payable amounts (including loans)**
The shareholders of the Company	-	-	-	-
Parent and subsidiaries	1,257	3,531	11,508	24,543
	1,257	**3,531**	**11,508**	**24,543**

As at 31 December 2018 and 2017, there were no guaranties provided or assets pledged for any related party receivable or payable amounts. It is expected to cover receivable and payable amounts with related parties by cash payments or offsetting with payable or receivable amounts from these parties.

Approved dividends per one share amounted to EUR 0.52 in 2018 (EUR 1,216.86 in 2017).

Transactions with related parties of the Company include purchases and sales of travel packages, block chairs, managemen, trademark, travel packages creation and market analysts fees. The conditions of loans received from the Group companies are disclosed in Note 11.

(all amounts are in thousand EUR unless otherwise stated)

20 Related party transactions (continued)

The ageing analysis of the Company's receivables from related parties as at 31 December 2018 and 2017:

		Receivables past due but not impaired				
	Receivables neither past due nor impaired	**less than 30 days**	**31 – 60 days**	**61 – 90 days**	**overdue for more than 91 day**	**Total**
2017	11,508	-	-	-	-	**11,508**
2018	1,288	-	-	-	-	**1,288**

<u>Management remuneration and other payments</u>
In 2018, the remuneration for the management of the Group and the Company amounted to EUR 506 thousand and EUR 328 thousand, respectively (EUR 748 thousand and EUR 488 thousand, respectively, in 2017). The management of the Group comprised 7 persons as at 31 December 2018 (5 persons as at 31 December 2017). The management of the Company consisted of 4 persons as at 31 December 2018 (2 persons as at 31 December 2017).

Investigation done during year 2017 has uncovered improper management behaviour and accounting in subsidiary in Estonia. The management of subsidiary in Estonia has, without any authorization or approval by the subsidiary's shareholder, awarded themselves suspected remuneration of EUR 171 thousand in 2017, in excess of their contractually limited remuneration for the year. These amounts are not included in the figures of the Group management remuneration above.

There were no guarantees provided, other payments made, expenses recognized or assets transferred to the management of the Group and of the Company.

21 Earnings per share (EPS)

	Group	
	2018	**2017 (restated, Note 24)**
Net profit attributable to ordinary equity holders of the parent company	5,415	8,329
Weighted average number of ordinary shares	7,807,000	7,807
Basic earnings per share (EUR)	**0.69**	**1,066.86**

There are no dilutive instruments.

22 Segment information

For management purposes, the Group is organized into business units based on its services (product category) and based on the source market. For the purpose of the segment information disclosures in accordance with IFRS 8, the management made a judgment to present the information on reportable segments identified by product category, which are as follows:

- Flight package tours
- Sightseeing tours by plane
- Sightseeing tours by coach
- Other.

No operating segments have been aggregated to form the above reportable operating segments.

(all amounts are in thousand EUR unless otherwise stated)

22 Segment information (continued)

The information reported to the Group Chief Executive in his capacity as chief operating decision maker does not include an analysis of assets and liabilities by reportable segment and accordingly IFRS 8 does not require this information to be presented. Segment performance is evaluated based on gross margin, which is measured consistently with the gross margin in the statement of comprehensive income in the financial statements, and segment sales profit, which is measured as gross margin minus related direct sales commission expenses, which is included in operating expenses in the statement of comprehensive income in the financial statements.

Year ended 31 December 2018	**Flight package tours**	**Sightseeing tours by coach**	**Sightseeing tours by plane**	**Other sales**	**Group**
Sales	157,977	2,933	1,564	19,558	182,032
Cost of sales	(132,841)	(2,632)	(1,232)	(19,048)	(155,753)
Gross margin	25,136	301	332	510	26,279
Sales commission expenses	(9,431)	(135)	(86)	-	(9,652)
Sales profit by segment	**15,705**	**166**	**246**	**510**	**16,627**
Unallocated income (expenses)					
Other operating income					14
Operating expenses (other than sales commission)					(8,996)
Other operating (expenses)					(2)
Profit from operations					7,643
Finance income (expenses), net					(1,053)
Profit before tax					6,590
Income tax (expenses)					(1,175)
Net profit					**5,415**

Unallocated expenses represent costs managed at Group level, such as operating expenses (except sales commissions), financing and taxes.

Year ended 31 December 2017 (restated, Note 24)	**Flight package tours**	**Sightseeing tours by coach**	**Sightseeing tours by plane**	**Other sales**	**Group**
Sales	120,567	3,785	1,590	15,205	141,147
Cost of sales	(94,748)	(3,351)	(1,104)	(15,142)	(114,345)
Gross margin	25,819	434	486	63	26,802
Sales commission expenses	(7,086)	(186)	(91)	-	(7,363)
Sales profit by segment	**18,733**	**248**	**395**	**63**	**19,439**
Unallocated income (expenses)					
Other operating income					1
Operating expenses (other than sales commission)					(8,932)
Other operating (expenses)					(29)
Profit from operations					10,479
Finance income (expenses), net					(1,166)
Profit before tax					9,313
Income tax (expenses)					(984)
Net profit					**8,329**

Unallocated expenses represent costs managed at Group level, such as operating expenses (except sales commissions), financing and taxes.

(all amounts are in thousand EUR unless otherwise stated)

22 Segment information (continued)

Geographic information

Geographic information is presented by source market, i.e. based on location of customers, for revenue and based on location of the assets for non-current assets and is as follows:

Year ended 31 December 2018	Lithuania	Latvia	Estonia	Other	Group
Sales	98,008	34,386	48,151	1,487	182,032
Non-current assets	638	29	53	-	720

Goodwill assigned for the whole region and not showing in the table above.

Year ended 31 December 2017	Lithuania	Latvia	Estonia	Other	Group
Sales	77,197	26,158	37,073	719	141,147
Non-current assets	697	55	49	-	801

Goodwill assigned for the whole region and not showing in the table above.

Non-current assets for this purpose consists of property, plant and equipment and intangible assets, except goodwill (goodwill is allocated to cash generating units as disclosed in Note 3).

There was no single external customer generating revenues amounting to 10% or more of the Group's revenues.

23 Notes to the cash flow statement

Changes in liabilities arising from financing activities
The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Company's cash flow statement as cash flows from financing activities:

	Non-cash changes					
	Group			Group		
	As at 1 January 2018	Financing cash flows	As at 31 December 2018	As at 1 January 2017	Financing cash flows	As at 31 December 2017
Bank loans	14,000	(6,000)	8,000	14,000	-	14,000
Loans from related parties	-	-	-	-	-	-
Total liabilities from financing activities	**14,000**	**(6,000)**	**8,000**	**14,000**	**-**	**14,000**

	Non-cash changes					
	Company			Company		
	As at 1 January 2018	Financing cash flows	As at 31 December 2018	As at 1 January 2017	Financing cash flows	As at 31 December 2017
Bank loans	14,000	(6,000)	8,000	14,000	-	14,000
Loans from related parties	18,826	(4,826)	14,000	12,450	6,376	18,826
Total liabilities from financing activities	**26,450**	**(12,826)**	**22,000**	**26,450**	**6,376**	**32,826**

(all amounts are in thousand EUR unless otherwise stated)

24 Restatement of comparative figures

The Management identified accounting error while preparing 2018 Group financial statements.

The nature of an error found in Estonian subsidiary was related to technical discrepancy occuring importing commision data from reservation system into accounting system. The error resulted in overstated amount of commision expenses. The error only related to financial year 2017 and after finding was systemically corrected and will not occure in the future.

The error has been corrected by restating each of the affected financial statements line items for the prior period, as follows:

Statements of financial position

	As at 31 December 2017 before corrections	Corrections	As at 31 December 2017 after corrections
ASSETS			
Non-current assets	31,134		31,134
Current assets	19,319	178	19,497
Total assets	**50,453**	**178**	**50,631**
EQUITY AND LIABILITIES			
Equity	14,669	178	14,847
Non-controlling interests	-		-
Total equity	14,669	178	14,847
Liabilities			
Non-current liabilities	2,606		2,606
Current liabilities	33,178		33,178
Total equity and liabilities	**50,453**	**178**	**50,631**

Statements of comprehensive income

	2017 before corrections	Corrections	2017 after corrections
Sales	141,147		141,147
Cost of sales	(114,345)		(114,345)
Gross profit	**26,802**		**26,802**
Sales and marketing expenses	(11,195)	178	(11,017)
General and administrative expenses	(5,278)		(5,278)
Other operating income	1		1
Other operating (expenses)	(29)		(29)
Profit from operations	**10,301**	**178**	**10,479**
Finance income	564		564
Finance (expenses)	(1,730)		(1,730)
Profit before tax	**9,135**	**178**	**9,313**
Income tax (expense)	(984)		(984)
Net profit	**8,151**	**178**	**8,329**

25 Subsequent events

On 16 January 2019, the Managing Director of the Company was replaced and composition of the Board was changed: Audronė Keinytė was appointed the Managing Director and Chairperson of the Board of Novaturas AB. She replaced Linas Aldonis who had decided to resign from his positions as the Managing Director and Chairperson of the Board and undertake other activities outside the Company. Audronė Keinytė has experience of many years in the tourism market and knows the specificity of the business well. She has been working with Novaturas for over 12 years. In 2009 – 2010 Audronė Keinytė worked as the manager of service organisation abroad, and during the past 8 years she was responsible for the corporate product development and procurement. She is a member of the Board of Novaturas AB since February 2018.

NOVATURAS AB CORPORATE GOVERNANCE REPORT

The public limited liability company *Issuer's name* (hereinafter referred to as the "**Company**"), acting in compliance with Article 22 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

1. Summary of the Corporate Governance Report:

According to the Articles of Association of the Company, its management bodies include the general meeting of shareholders, Supervisory Council, the Board and the head of the Company – the Managing Director.

Decisions of the general meeting of shareholders taken within its remit stated in the Articles of Association are binding upon the shareholders, the Supervisory Council, the Board, the Managing Director and other employees of the Company. Shareholders who were recorded as such as of the end of the record date are entitled to attend the general meeting of shareholders. The record date for the purposes of the general meeting of shareholders is the 5^{th} (fifth) working day prior to the general meeting of shareholders or the 5^{th} (fifth) working day prior to any adjourned general meeting of shareholders. A person taking part in the general meeting of shareholders and entitled to vote must produce a personal identity documents. A person who is not a shareholder must produce, in addition to the personal identity document, a document evidencing his/her right to vote at the general meeting of shareholders.

According to the Articles of Association of the Company, the Supervisory Council consists of five members elected for the term of office of three years and acting jointly as a supervisory body. The Council represents the shareholders and performs supervisory and control functions. Members of the Supervisory Council are elected by the general meeting of shareholders according to provisions of the Republic of Lithuania Law on Companies. Two out of the five members are independent. The chairperson is elected by the members from among themselves. The Council has two committees: the Audit Committee and the Remuneration and Appointments Committee. Their members are elected for the term of office of three years from among the members of the Supervisory Council. All the three members of the Audit Committee possess degrees and experience in the field of finances and economics; two members of the committee are independent.

According to the Articles of Association of the Company, the Board consists of four members elected for the term of office of three years and acting jointly as a management body of the Company. Members of the Board are elected by the Supervisory Council according to a statutory procedure. The chairperson is elected by the members from among themselves.

The Board appoints and recalls the Managing Director subject to the Supervisory Council's consent, sets his/her remuneration and other terms of employment, approves job regulations, provides incentives and imposes sanctions. The Managing Director is a single-handed management body of the Company responsible for organizing routine activities of the Company. The Company's transactions are signed by the Managing Director and one of members of the Board jointly.

2. Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	YES	
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	YES	
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	YES	
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	YES	
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	YES	
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	YES	
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	YES	

1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	NO	The Company does not provide the opportunity to attend and vote in the general meeting of shareholders by using electronic communication means, because in the opinion of the Company this is related to the threat to the fairness and efficiency of the general meeting of shareholders. In the opinion of the Company, there is a high risk of threat to such type of communication security and technical malfunctions. In addition, the Company does not have the appropriate technical and organizational measures to implement the above principle and the Company would incur significant additional costs as a result of implementation of this principle. However, the Company grants its shareholders the right to vote at the general meeting of shareholders either in person or through an authorized representative. In the light of the above, the Company will not follow the above recommendation.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	YES	
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	YES	
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	YES	

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	YES	
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	YES	
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	YES	
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	YES	
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	YES	
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	YES	The members of the supervisory board have been elected on the basis of their qualification, professional experience, and diversity of competencies. The supervisory board currently does not maintain the gender balance principle, as the supervisory board comprises men members only.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	YES	

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	NO	The Company has not followed the recommendation and a member of the management board was appointed to the position of a chair of the supervisory board, but two independent members of the supervisory board were elected to the supervisory board to ensure the impartiality of activities.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	YES	
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	YES	
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	YES	
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	NO	The supervisory board constantly analyzes and assesses its performance, expertise, efficiency of its work both jointly and individually, but the official assessment report has not been prepared and the announcement of the same has not been published. In the future, the supervisory board will plan to include in the agenda the preparation and publication of report of such nature.
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	YES	

3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	YES	
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	YES	
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	YES/NO	The management board takes all reasonable measures to ensure that the Company complies with applicable laws, binding rules, and standards. On a short-term horizon, the Company plans to implement the tools recommended in the OECD Good Practice Guidance to ensure adherence to all recommendations of the OECD Good Practice Guidance.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	YES	
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	YES	
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	YES	
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	YES	

3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	YES	
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	YES	
3.2.6. Each member should give sufficient time and attention to perform the duties of a member of the management board. If a member of the management board has attended less than half of the board meetings during the financial year of the Company, the Company's supervisory board should be informed of the same, if the supervisory board is not formed in the Company - the general meeting of shareholders.	YES	
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	NOT APPLICABLE	The supervisory board is formed in the Company.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	NO	The remuneration policy for the management board has been approved by the supervisory board.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	YES	
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	NO	The management board constantly analyzes and assesses its performance, expertise, efficiency of its work both jointly and individually, but the official assessment report has not been prepared and the announcement of the same has not been published. In the future, the management board will plan to include in the agenda the preparation and publication of report of such nature.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf
[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	YES	
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	YES	
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	YES	
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	YES	
Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	YES	The Company, as recommended, has formed the nomination, remuneration and audit committees. The nomination and remuneration committee has been formed as a single committee due to relatively low number of supervisory board / management board / managers in the Company, but it fulfils the objectives set for both nomination and remuneration committees.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	YES	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	YES	
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	YES	
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	YES	
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	YES	

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	YES	
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	YES	
5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	YES	
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	YES	
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	YES	

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	YES	
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	YES	
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	YES/NO	YES – the Company provides the possibility of lodging complaints directly or by email by addressing the Company's bodies, administration, or heads of units. NO – the Company has not yet formally approved the system for lodging complaints.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	NO	At the request of the supervisory board, the audit committee presents its activities at the meetings of the supervisory board, but its activity report is not documented. In the short run, the Company will consider the issue of drafting and presenting the report of such nature to the supervisory board.
Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	NO	The Company acknowledges that the members of the Company's supervisory and management bodies comply with the requirements set out in this article, however, the formal policy for declaring and managing personal interests is yet not in place in the Company.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	YES/NO	YES – the remuneration policy has been approved. NO – the remuneration policy has not been posted on the website of the Company. It is in the plans of the Company to publish it.

7.2.The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	YES/NO	YES – the remuneration policy has been approved. NO – some issues have not been discussed in the remuneration policy in detail, as the Company goes by the rules established in the applicable laws. The remuneration policy has not been posted on the website of the Company. It is in the plans of the Company to publish it.
7.3.With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	YES	
7.4.The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	NO	The remuneration policy does not cover special terms and conditions (better than those provided for in the laws of the Republic of Lithuania) that should be made public.
7.5.In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	YES	The information has been provided in the Company's prospectus.
7.6.The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	NO	The Company's prospectus covered the information on the actual disbursements for 2017 and the remuneration policy for 2018 and subsequent years.
7.7.It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	YES	

Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "*stakeholders*" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	YES	
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	YES	The corporate governance framework creates conditions for stakeholders (investors) to participate in corporate governance in the manner prescribed by law. Representatives of employees or other interest groups do not participate in the corporate governance
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	YES	The Company provides a possibility of reporting any illegal or unethical practices to the collegial body performing the supervisory function by addressing its member directly or sending information by email. The Company has not provided conditions for confidential reporting.
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	YES	
9.1.2. objectives and non-financial information of the company;	YES	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	YES	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	YES	
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	YES	
9.1.6. potential key risk factors, the company's risk management and supervision policy;	YES	

9.1.7. the company's transactions with related parties;	YES	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	YES	
9.1.9. structure and strategy of corporate governance;	YES	
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	YES/NO	The Company is a socially responsible undertaking guided by the principle of good faith, but no formal anti-corruption policy is yet in place.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	YES	
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	YES	
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	YES	
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	YES	
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	YES	
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	YES	