



AB NOVATURAS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the nine-month period ended 30 September 2019

(unaudited)

Beginning of reporting period	1 January 2019
End of reporting period	30 September 2019
Business name	Novaturas, AB (further – “Novaturas” or “the Company”) (The Company’s financial statements and activity ratios are presented consolidated with the results of subsidiaries; separate reports of the parent company are not presented.)
Legal form	Public limited company
Registration date	16 December 1999
Registration number	135567698
LEI code	097900BGCW0000042109
Manager of register	State Enterprise Centre of Registers
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Management report

2019 nine-month key indicators:

- Novaturas's turnover in the nine months of 2019 was EUR 139,6 mln, or 0.5% lower than in the same period of 2018.
- Gross profit amounted to EUR 16.2 mln and was 20% lower than in the same period of 2018.
- Operating expenses amounted to EUR 13.4 mln or 2% more than in the same period of 2018. Excluding the impact of commissions and one-time expenses, operating costs increased by 4% from the same period a year earlier.
- EBITDA amounted to EUR 3.0 mln and was 59% smaller than in the same period of 2018.
- The actual profit tax rate in the nine months of 2019 was 42.0%, compared to 15.9% in the same period of 2018. The main reason was dividends the Estonian subsidiary paid to the parent company which resulted in a tax payment of roughly EUR 544,000 in Estonia.
- Novaturas had a net profit of EUR 1.3 mln, which is 76% less than in the same period of 2018.
- In the nine months of 2019, the Company served 238 thousand clients, 2% less than in the same period of 2018.

2019 third-quarter key indicators:

- Novaturas's turnover in the third quarter of the year was EUR 56.3 mln, or 6% lower than in the same period of 2018.
- Gross profit amounted to EUR 6.1 mln and was 1.5% lower than in the same period of 2018.
- Operating expenses totaled EUR 5 mln, 3% more than in the same period of 2018. Excluding the impact of commissions and one-time expenses, operating costs increased by 6% from the same period a year earlier.
- EBITDA amounted to EUR 1.3 mln and was 14% smaller than in the same period of 2018.
- The actual profit tax rate in the period was 12.4%, compared to 4.4% in the same period of 2018.
- Novaturas had a net profit of EUR 0.9 mln, which is 28% less than in the same period of 2018.
- In the third quarter of 2019, the Company served 101 thousand clients, 8% less than in the same period of 2018.

CEO's foreword

Dear All,

The third quarter of the year has passed. This is the most intense time of the year for our clients as it is during the summer months that most people in the Baltic States go on holiday abroad.

The first 9 months of this year were full of challenges for the entire tourism industry in the region. The markets of the Baltic States were exposed to intensified competition and one of the hottest summers in history, which invited people to switch to local tourism instead of going abroad. This clearly influenced our financial performance as well - declining revenue (0.5%) and profitability (59.1%). However, we also have some very positive news - following the unsatisfactory results in July and August, we have delivered extremely well in September - and not only our sales volumes but also our profitability exceeded expectations.

The early booking sales of the upcoming summer season has started earliest ever - on the first of August. We are happy to witness that our clients are willingly planning their vacations and benefit from the advantages of early planning. Our clients know that while planning vacations now - they will have the possibility to choose not only from the largest selection of destinations, but hotels as well. Summer 2020 early booking results have outperformed last year's results as we have already sold a lot of early bookings offers.

Travel packages remain our key product. Turkey and Greece remain the most popular holiday destinations in summer and Egypt in winter. Our clients continue to be eager to choose holidays in Turkey and Egypt, which are the fastest growing destinations. Turkey showed the strongest growth: during the three quarters of this year, this direction accounted for as much as 41% of all our vacation destinations. Holidaymakers in the Baltic States have truly enjoyed the convenience and affordable quality of Turkish resorts.

Each season we offer our clients new directions or bring back previous ones. For the first time, we invited our clients to plan their summer holidays in distant exotic lands - Bali and the Seychelles, and offered a new destination - Slovenia, and returned flights to Croatia. The wide variety of holiday destinations allows us to offer travel to clients of various needs.

The number of clients served during the three quarters of this year changed insignificantly and was 2.3% lower than last year. The number of passengers decreased by 7.9% in Lithuania, but increased in other markets - by 9% in Latvia and by 1.4% in Estonia compared to the same period last year. The Lithuanian market remains the largest market for us, serving more than half of our customers.

We remain strong because of the diversification of our sales channels: we provide our clients with services through our own traditional and digital channels as well as through our long-term partners - travel agencies. The share of the latter decreased by 0.2% and reached 71.9%. This sales channel remains our top priority. Sales on the Internet and through own agencies increased slightly.

We are happy to observe that more and more travelers are choosing not only beach holidays but also sightseeing tours. Sightseeing tours by plane increased by 40,4%, sightseeing tours by bus - 14,8%. We have started to offer sightseeing tours by plane also to other Baltic markets.

Recently, we have focused on controlling operating costs. Total operating expenses grew by just 1.78% over three quarters of the year. We regard this as satisfying delivery in the growing economies of the Baltic States.

The specifics of the tourist business is that today's situation is determined by decisions made even a year ago, because clients like to plan their holidays in advance. That is why the results of the end of the current period are promising, and looking ahead, I can say that the challenging period has very likely ended and we are back on track of the phase of sustainable growth.

Sincerely,

CEO

Audrone Keinyte



Main ratios

Financial indicators*	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Sales	56,311	60,001	-6.1	139,571	140,240	-0.5
Gross profit	6,098	6,191	-1.5	16,158	20,304	-20.4
EBITDA	1,287	1,498	-14.1	3,015	7,373	-59.1
Operating profit (EBIT)	1,191	1,440	-17.3	2,789	7,181	-61.2
Profit before taxes	1,032	1,312	-21.3	2,311	6,729	-65.7
Net profit for the period	904	1,254	-27.9	1,341	5,656	-76.3

* Unless otherwise indicated, amounts are in thousands of EUR.

Relative indicators/ratios	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Number of ordinary registered share	7,807,000	7,807,000	-	7,807,000	7,807,000	-
Profit per share (EUR)	0.12	0.16	-0.04	0.17	0.72	-0.55 pp
Gross profit margin (%)	10.8	10.3	+0.5 pp	11.6	14.5	-2.9 pp
EBITDA margin (%)	2.3	2.5	-0.2 pp	2.2	5.3	-3.1 pp
EBIT margin (%)	2.1	2.4	-0.3 pp	2.0	5.1	-3.1 pp
Profit before taxes margin (%)	1.8	2.2	-0.4 pp	1.7	4.8	-3.1 pp
Net profit margin for the period (%)	1.6	2.1	-0.5 pp	1.0	4.0	-3.0 pp
Return on assets (ROA) (%)	1.6	2.0	-0.3 pp	2.4	9.6	-7.2 pp
Debt / equity ratio (%)	40.2	41.9	-1.7 pp	40.2	41.9	-1.7 pp
Equity ratio (%)	30.0	32.7	-2.7 pp	30.0	32.7	-2.7 pp
Actual profit tax rate (%)	12.4	4.4	+8.0 pp	42.0	15.9	+26.0 pp
Total liquidity ratio	0.83	1.03	-0.20	0.83	1.03	-0.20

Segment information

For management purposes, Novaturas is organized into business units based on its services (product category), which are as follows:

- Flight package tours
- Sightseeing tours by coach
- Sightseeing tours by plane
- Other sales (flight tickets, hotels, block seats sale to other operators, own agencies commissions)

(Unless otherwise indicated, amounts are in thousands of EUR)

	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Flight package tours						
Sales	48,578	52,879	8.1%	121,417	122,517	-0.9%
Cost of sales	(42,728)	(46,779)	8.7%	(105,903)	(102,907)	2.9%
Gross profit	5,850	6,100	-4.1%	15,514	19,610	-20.9%
Gross profit margin (%)	12.0%	11.5%	0.5 pp	12.8%	16.0%	-3.2 pp
Sales commission expenses	(2,871)	(2,957)	-2.9%	(7,164)	(7,064)	1.4%
Sales profit by segment	2,979	3,143	-5.2%	8,350	12,546	-33.4%
Sales profit margin (%)	6.1%	5.9%	0.2 pp	6.9%	10.2%	-3.4 pp
Sightseeing tours by coach						
Sales	1,646	1,304	26.2%	2,954	2,595	13.8%
Cost of sales	(1,329)	(1,110)	19.7%	(2,419)	(2,280)	6.1%
Gross profit	317	194	63.4%	535	315	69.8%
Gross profit margin (%)	19.3%	14.9%	4.4 pp	18.1%	12.1%	6.0 pp
Sales commission expenses	(72)	(69)	4.3%	(130)	(120)	8.3%
Sales profit by segment	245	125	96.0%	405	195	107.7%
Sales profit margin (%)	14.9%	9.6%	5.3 pp	13.7%	7.5%	6.2 pp
Sightseeing tours by plane						
Sales	505	282	79.1%	1,319	1,033	27.7%
Cost of sales	(402)	(209)	92.3%	(1,057)	(809)	30.7%
Gross profit	103	73	41.1%	262	224	17.0%
Gross profit margin (%)	20.4%	25.9%	-5.5 pp	19.9%	21.7%	-1.8 pp
Sales commission expenses	(27)	(15)	80.0%	(70)	(56)	25.0%
Sales profit by segment	76	58	31.0%	192	168	14.3%
Sales profit margin (%)	15.0%	20.6%	-5.5 pp	14.6%	16.3%	-1.7 pp
Other products						
Sales	5,582	5,536	0.8%	13,881	14,095	-1.5%
Cost of sales	(5,754)	(5,712)	0.7%	(14,034)	(13,940)	0.7%
Gross profit	(172)	(176)	-2.3%	(153)	155	-198.7%
Gross profit margin (%)	-3.1%	-3.2%	0.1 pp	-1.1%	1.1%	-2.2 pp
Sales commission expenses	-	-	-	-	-	-
Sales profit by segment	(172)	(176)	-2.3%	(153)	155	-198.7%
Sales profit margin (%)	-3.1%	-3.2%	0.1 pp	-1.1%	1.1%	-2.2 pp

Sales of flight package tours accounted for the largest part of sales and profits. Sightseeing tours by coach and by plane remained small products, while sales of other activities have limited impact on the overall profit.

Geographic and other sales split information

The company's activities included tour organization and the distribution of tours through diversified and complementary distribution channels: a retail network of travel agencies and own retail channels (own travel agencies, e-commerce sales, tickets only sales through the Global Distribution System (GDS)). The Company worksworking with over 400 travel agencies, including all of the major agencies in the Baltics and more than 60 in Belarus. E-commerce sales are via Company websites. During nine-months of 2019, the Company's websites were visited by 3.43 million unique visitors, which is 5.1% more than the 3.26 million unique visitors in the nine months of 2018.

The Group sells flight tickets for its own organized charter flights via GDS, which means that Novaturas' charter tickets are available worldwide – to travel agents and also to passengers directly via internet portals for airlineair tickets.

The table below shows a breakdown of revenue by distribution channels:

	Q3 2019, %	Q3 2018, %	Change	9M 2019, %	9M 2018, %	Change
Travel agencies	70.8	72.2	-1.4 pp	71.9	72.1	-0.2 pp
Own retail	10.7	10.7	- pp	11.3	11.4	-0.2 pp
Web sales	15.6	14.7	+0.9 pp	14.8	14.6	+0.2 pp
GDS	2.9	2.4	+0.5 pp	2.1	1.9	+0.2 pp
Total	100	100		100	100	

After several years of very fast growth this year market demand growth weakened. We maintained our capacity at similar level compared to previous year corresponding periods.

Number of clients served by country of sales (in thousands of clients):

	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Lithuania	49.8	57.9	-13.9	121.5	132.0	-7.9
Latvia	23.7	21.6	+10.1	50.7	46.3	+9.4
Estonia	26.2	28.2	-7.0	63.4	63.0	+1.4
Other	1.1	1.5	-27.0	1.9	2.3	-17.7
Total	100.9	109.1	-7.5	237.9	243.6	-2.3

The Company's main product is flight package tours, which was also the fastest growing segment. Number of clients served by product category (in thousands of clients):

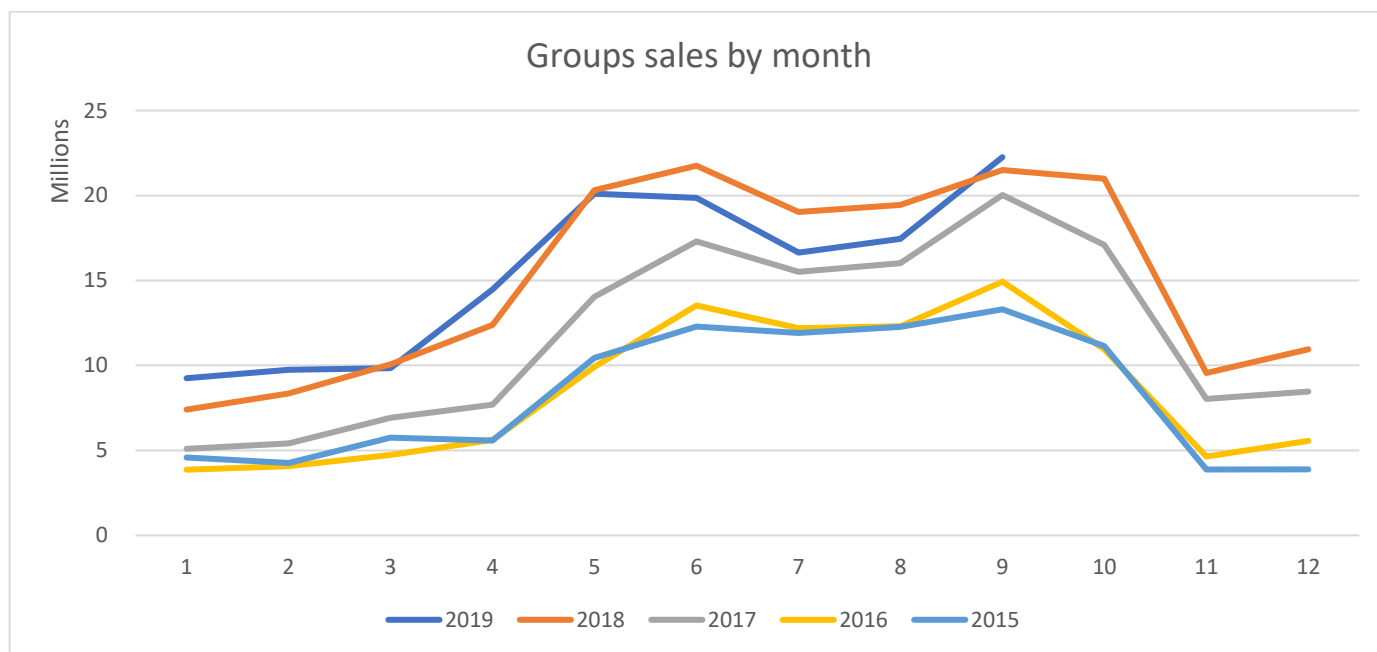
	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Flight package tours	76.3	86.8	-12.1	192.5	200.3	-3.9
Sightseeing tours by coach	4.4	3.7	+17.6	8.7	7.6	+14.8
Sightseeing tours by plane	0.5	0.3	+83.2	1.4	1.0	+40.4
Other sales (separate flight and hotel services)	19.7	18.3	+7.7	35.2	34.6	+1.7
Total	100.9	109.1	-7.5	237.9	243.6	-2.3

Turkey remains the most popular summer destination in the company’s source markets, as does Egypt as a winter destination. The other destinations with the highest demand are Greece, Bulgaria and Spain. Long-haul destinations are becoming more important each year as the number of destinations offered by company increases and growth of demand remains strong. “Other destinations”, which comprise a significant part of the company’s portfolio, meet the demand of frequent travelers for new destinations each season.

The breakdown of group package travel sales by destinations is as follows:

	Q3 2019, %	Q3 2018, %	Change	9M 2019, %	9M 2018, %	Change
Turkey	47.6	45.5	+2.1 pp	40.7	38.9	+1.8 pp
Greece	18.1	23.7	-5.6 pp	13.1	17.3	-4.2 pp
Egypt	2.8	1.3	+1.5 pp	16.2	12.3	+3.9 pp
Bulgaria	17.2	16.2	+1.0 pp	9.7	9.8	-0.1 pp
Spain (including Canary Islands)	3.0	4.1	-1.1 pp	5.0	7.3	-2.3 pp
Skiing	-	-	-	2.5	2.3	+0.2 pp
Long haul	0.1	-	+0.1 pp	3.1	2.6	+0.5 pp
Other destinations	11.2	9.2	+2.0 pp	9.7	9.5	+0.2 pp
Total	100.0	100.0		100.0	100.0	

Group monthly sales seasonality was as follows:



Information about the Supervisory Council and the Board

In keeping with the company's Articles of Association, the Supervisory Council is comprised of five members elected for a term of three years. Two independent members were elected to the Supervisory Council at the General Shareholders Meeting held on 7 May 2018.

The company's Board is comprised of four members elected for a term of three years. The Chairman of the Board is elected by the Board from among its members. The Board also appoints the CEO after receiving prior approval from the Supervisory Council. Currently, the positions of Chairman of the Board and CEO are held by the same person – Audronė Keinytė.

Information about the Supervisory Council as of 30 September 2019:

Name	Position in the Council	Legal person and position	Number of shares held in the Company	The beginning of the term
Sebastian Janusz Król	Chairman of the Supervisory Council	Danwood S.A.; Danwood Holdings sp. z o.o.; Janton S.A. – Chairman of the Supervisory Council; Zevin Investments Sp. z o.o.; Daphnee Investments Sp. z o.o. – Member of the Management 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 Board	No direct ownership, represents shareholder that owns 3,700,874 shares	2018-02-09
Ugnius Radvila	Member of the Supervisory Council, Member of the Remuneration Committee	-	740,702	2018-02-09
Vidas Paliūnas	Member of the Supervisory Council, Chairman of the Remuneration Committee, Member of the Audit Committee	Business Center 32, UAB; – Member of the Management Board	535,278	2018-02-09
Franz Leitner	Member of the Supervisory Council, Member of the Audit Committee (independent)	Leitner-Consulting – Managing Director; Sportscon Ltd. – Managing Partner	-	2018-05-07
Piotr Nowjalis	Member of the Supervisory Council, Member of the Remuneration Committee, Chairman of the Audit Committee (independent)	Orbis SA – Member of the Supervisory Board; Dino Polska S.A. – Member of the Supervisory Board; Synektik S.A. – Member of the Supervisory Board; Eurotorg Holding Plc. – independent non-executive director; Spokey sp.z.o.o. – member of the Supervisory Board	-	2018-05-07

Information about the Board as of 30 September 2019:

Name	Position within the Company	Number of shares held in the Company	The beginning of the term
Audronė Keinytė	Chairperson of the Board, CEO	-	2018-02-09 (Board member), 2019-01-16 (Chairperson of the Board, CEO)
Tomas Staškūnas	Member of the Board, CFO	58,192	2018-02-09
Birutė Čepanskienė	Member of the Board, CCO	-	2018-02-09

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.

Share capital and shareholders

The Company's share capital is EUR 234,210. It consists of 7,807,000 ordinary registered shares with a nominal value of EUR 0.03. The number of shares of the Company that grant votes in the General Meeting of Shareholders is 7,807,000.

The ordinary registered shares of AB Novaturas (ISIN code LT0000131872) are listed on the Official List of the Nasdaq Vilnius Stock Exchange (symbol NTU1L) and on the Warsaw Stock Exchange (symbol NTU, ISIN code LT0000131872).

Information about trading in AB Novaturas shares from 21 March 2018 to 30 September 2019 on the Nasdaq Vilnius exchange in Lithuania:

	Currency	Opening price	Maximum price	Lowest price	Closing price	Average price	Volume (quantity)	Volume (EUR)
Q1 2018	EUR	11.00	12.40	10.56	10.85	11.38	17,830	202,845
Q2 2018	EUR	10.85	11.37	10.67	11.20	11.01	183,160	2,016,183
Q3 2018	EUR	11.25	12.78	11.05	11.05	11.76	57,065	671,148
Q4 2018	EUR	11.20	11.23	7.90	8.00	8.94	111,267	994,816
Q1 2019	EUR	7.90	8.60	7.90	8.31	8.28	53,408	442,387
Q2 2019	EUR	8.31	8.50	6.80	7.05	8.02	276,376	2,216,747
Q3 2019	EUR	7.15	7.80	6.40	6.55	7.03	61,452	431,871

As of 30 September 2019, the company's market capitalization was EUR 51.14 million and decreased by 7.09% in the third quarter.

Information about trading in AB Novaturas shares from 21 March 2018 to 30 September 2019 on the "GPW main market" at the Warsaw Stock Exchange in Poland:

	Currency	Opening price	Max price	Lowest price	Closing price	Average price	Volume (quantity)	Volume (PLN)
Q1 2018	PLN	43.90	45.95	43.60	43.95	45.49	24,951	1,134,971
Q2 2018	PLN	43.95	48.00	42.60	48.00	44.96	150,462	6,765,241
Q3 2018	PLN	48.00	56.00	44.20	47.30	48.71	48,202	2,348,140
Q4 2018	PLN	47.30	48.30	32.39	33.20	36.98	39,843	1,473,410
Q1 2019	PLN	33.20	38.48	33.15	37.80	34.23	19,337	661,820
Q2 2019	PLN	37.80	40.00	31.80	33.20	34.38	5,150	177,060
Q3 2019	PLN	31.80	31.80	27.20	28.40	28.70	2,824	81,070

As of 30 September 2019, the company's market capitalization was PLN 221.72 million and decreased by 14.46% during third quarter.

Shareholders holding at least 5% of share capital and votes as of 30 September 2019:

Name of the shareholder	Number of shares	Share of the share capital
Central European Tour Operator S.a.r.l.	3,700,874	47.40%
Ugnius Radvila	740,702	9.49%
Rytis Šūmakaris	535,278	6.86%
Vidas Paliūnas	535,278	6.86%
Others	2,294,868	29.39%
Total	7,807,000	100.00%

Consolidated statements of comprehensive income

(Unless otherwise indicated, amounts are in thousands of EUR)

	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Sales	56,311	60,001	-6.1	139,571	140,240	-0.5
Cost of sales	(50,213)	(53,810)	-6.7	(123,413)	(119,936)	2.9
Gross profit	6,098	6,191	-1.5	16,158	20,304	-20.4
Sales and marketing expenses	(3,991)	(4,038)	-1.2	(10,357)	(10,144)	+2.1
General and administrative expenses	(917)	(712)	+28.8	(3,012)	(2,991)	+0.7
Other operating income	1	-	-	2	14	-85.7
Other operating (expenses)	-	-	-	(2)	(2)	-
Profit from operations	1,191	1,440	-17.3	2,789	7,181	-61.2
Finance income	100	(310)	-132.3	370	6	6,066.7
Finance (expenses)	(259)	182	-242.3	(848)	(458)	85.2
Profit before tax	1,032	1,312	-21.3	2,311	6,729	-65.7
Income tax (expense)	(128)	(58)	120.7	(970)	(1,073)	-9.6
Net profit	904	1,254	-27.9	1,341	5,656	-76.3
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
Result of changes in cash flow hedge reserve	70	(16)	-537.5	1,295	658	96.8
Impact of income tax	(10)	2	-600.0	(194)	(99)	96.0
Total comprehensive income for the year	964	1,240	-22.3	2,442	6,215	-60.7
Earnings per share (EPS) for continuing operations:						
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (in EUR)	0.12	0.16	-	0.17	0.72	-

Consolidated statements of financial position

(Unless otherwise indicated, amounts are in thousands of EUR)

	30 September 2019	31 December 2018	30 September 2018
ASSETS			
Non-current assets			
Goodwill	30,327	30,327	30,327
Other intangible assets	290	427	449
Property, plant and equipment	231	292	301
Long term receivables	222	65	37
Deferred income tax asset	7	6	6
Total non-current assets	31,077	31,117	31,120
Current assets			
Inventories	4	3	2
Prepayments and deferred expenses	6,295	8,861	6,413
Trade accounts receivable	929	697	883
Prepaid income tax	177	231	75
Other receivables	1,176	2,028	3,518
Other current financial assets	-	-	3,828
Restricted cash	3,200	1,700	2,600
Cash and cash equivalents	13,108	3,203	15,431
Total current assets	24,889	16,723	32,750
Total assets	55,966	47,840	63,870
EQUITY AND LIABILITIES			
Equity			
Share capital	234	234	234
Cash flow hedge reserve	(251)	(1,351)	1,044
Legal reserve	29	29	29
Foreign currency translation reserve	145	145	145
Retained earnings	16,651	15,310	19,433
Total equity	16,808	14,367	20,885
Liabilities			
Non-current borrowings	6,000	6,000	8,000
Deferred income tax liabilities	3,204	2,781	3,115
Total non-current liabilities	9,204	8,781	11,115
Current liabilities			
Current portion of non-current borrowings	750	2,000	750
Trade payables	5,872	4,611	9,033
Advances received	22,337	14,259	19,690
Income tax payable	74	29	120
Other current liabilities and accrued expenses	921	3,793	2,277
Total current liabilities	29,954	24,692	31,870
Total equity and liabilities	55,966	47,840	63,870

Consolidated statements of changes in equity

(Unless otherwise indicated, amounts are in thousands of EUR)

	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders
Balance as of 31 December 2017	226	29	484	13,963	145	14,847
Net profit for the year	-	-	-	5,415	-	5,415
Other comprehensive income	-	-	(1,835)	-	-	(1,835)
Increase in share capital	8	-	-	(8)	-	-
Dividends paid	-	-	-	(4,060)	-	(4,060)
Balance as of 31 December 2018	234	29	(1,351)	15,310	145	14,367
Net profit for the year	-	-	-	1,341	-	1,340
Other comprehensive income	-	-	1,101	-	-	1,101
Balance as of 30 September 2019	234	29	(251)	16,651	145	16,808

Consolidated statements of cash flow

(Unless otherwise indicated, amounts are in thousands of EUR)

	9M 2019	9M 2018
Cash flows from (to) operating activities		
Net profit	1,341	5,656
Adjustments for non-cash items:		
Depreciation and amortization	226	194
Change in deferred income tax	423	509
Current income tax expenses	970	678
Elimination of financial, investment and other non-cash activity results	1,576	923
	4,536	7,960
Changes in working capital:		
Decrease in inventories	(1)	(1)
(Increase) decrease in trade receivables	(232)	(361)
(Increase) decrease in other receivables	852	(4,575)
(Increase) decrease in prepayments and deferred expenses	2,409	(454)
Increase (decrease) in trade payables	1,261	5,151
Increase in advances received	8,078	7,588
Income tax paid	(978)	(880)
Increase (decrease) in other accounts payable and accrued expenses	(2,872)	(549)
Net cash flows from operating activities	13,053	13,879
Cash flows from (to) investing activities		
(Acquisition) of non-current assets (except investments)	(28)	(198)
Net cash flows (to) investing activities	(28)	(198)
Cash flows from financing activities		
Loans received	8,000	-
(Repayment) of loans	(9,250)	(5,250)
Interest (paid)	(370)	(384)
Net cash flows (to) financing activities	(1,620)	(5,634)
Net increase (decrease) in cash flows	11,405	8,047
Cash and cash equivalents at the beginning of the year	4,903	9,984
Cash and cash equivalents at the end of period	16,308	18,031

Notes to the financial statements

Information about subsidiaries

Novaturas Group is a holding structure and AB Novaturas is the parent company which conducts operations directly and through subsidiaries in their respective markets - Lithuania, Latvia and Estonia.

Company	Country of operations	Shareholding % as of 30 September 2019
Novatours SIA	Latvia	100
Novatours OÜ	Estonia	100
Aviaturas ir Partneriai UAB	Lithuania	100
SRL Novatours Holidays*	Romania	100

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

Sales and marketing expenses

	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Commissions	2,970	3,041	-2.3	7,364	7,240	+1.7
Salaries and related taxes	621	581	+6.9	1,826	1,647	+10.9
Advertising and marketing expenses	284	269	+5.4	797	910	-12.4
Rent and maintenance expenses	58	61	-5.7	168	154	+9.1
Depreciation and amortization	6	9	-34.9	15	15	-
Business trips expenses	4	14	-68.2	25	30	-16.7
Communication expenses	9	15	-44.0	32	37	-13.5
Transportation expenses	12	8	+54.0	29	25	+16.0
Representation expenses	12	29	-60.2	49	41	+19.5
Training expenses	-	-	-	-	6	-66.7
Other	16	11	+46.4	50	39	+28.2
Total:	3,991	4,038	-1.2	10,357	10,144	+2.1

General and administrative expenses

	Q3 2019	*Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Salaries and related taxes	489	508	-3.7	1,573	1,539	+2.2
Rent and maintenance expenses	25	18	+41.5	92	87	+5.7
Depreciation and amortization	88	51	+74.1	211	177	+19.2
Business trips expenses	23	22	+2.2	65	79	-17.7
Communication expenses	10	7	+49.7	29	32	-9.4
Consulting expenses	24	58	-58.5	149	392	-62.0
Transportation expenses	10	18	-46.9	33	54	-38.9
Representation expenses	30	11	+174.1	75	54	+38.9
Bad debt expenses	4	1	+300.0	30	9	+233.3
Training expenses	6	2	+191.2	16	7	+128.6
Other	209	18	+1,078.2	739	561	+31.7
Total:	917	712	+28.8	3,012	2,991	+0.7

* Other expenses in Q3 2018 were reduced in amount of EUR 130k by reversal of VAT accrual.

Part of expenses in amount of EUR 164k related to salaries were incorrectly reported under the General and administrative Group instead of Sales and marketing expenses group in Q2 2019.

In the nine-months of 2019, the Company incurred one-off expenses related to legal cases (EUR 66,000) and headcount decrease (EUR 105,000). In the nine-months of 2018, the Company incurred one-off expenses related to the IPO (EUR 295,000) and legal costs (EUR 134,000). Total one-off expenses amounted to EUR 171,000 in the nine-months of 2019 and EUR 429,000 in the nine-months of 2018. These costs are reflected in the consulting and other expenses lines.

Hedging

The Company operates as a tour operator. Due to its business specifics the Company is exposed to the risk of fluctuation in the price of aviation fuel and the EUR/USD foreign exchange rate. The Company hedges against changes in aviation fuel prices (which affect fuel costs) and against changes in the EUR/USD exchange rate (which affects fuel and hotel costs) for the entire period of early bookings for upcoming summer and winter seasons using forward and future contracts. When derivative positions are closed on a monthly basis, the result is accounted in the comprehensive income report.

The tables below present the closed hedging contracts result and still-held hedging contracts at the period-end market value (in thousands of EUR):

	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Result of closed hedging contracts already reflected in the period statement of comprehensive income	(239)	616	(855)	(462)	1,330	(1,792)
Market value of existing hedges at the end of the period	-	-	-	(295)	1,228	1,523

Borrowings

The loans granted to the company are shown in the table below:

Long term borrowings	30 September 2019	31 December 2018	30 September 2018
AS Luminor Bank loan, annual interest rate of 3-month EURIBOR + 3.5%	6,750	8,000	8,750
Current portion of non-current borrowings	(750)	(2,000)	(750)
Total non-current borrowings	6,000	6,000	8,000

As of 30 September 2019 the Company had no current borrowings.

Off-balance sheet commitments:

Bank guarantee	Total Limit at 30 September 2019	Used limit at 30 September 2019
AB Luminor Bank annual interest rate of 3-month EURIBOR + 1.7%	10,000	10,000

Bank guarantees are used to ensure the travel organizer's obligations in Lithuania, Latvia and Estonia.

Related party transactions

During the nine-month period ended 30 September 2019, total payments of EUR 68,000 (of which EUR 23,000 during the third quarter) were made to Supervisory Council members.

Management confirmation of the Consolidated Financial Statements

In accordance with Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Information Disclosure of the Bank of Lithuania, we, Audronė Keinytė, the CEO of AB Novaturas, and Tomas Staškūnas, the CFO of AB Novaturas, hereby confirm that, to the best of our knowledge, the unaudited interim consolidated financial statements for AB Novaturas for the nine-month period ended 30 September 2019, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the consolidated group's assets, liabilities, financial position, profit or loss, and cash flows.

Audronė Keinytė
CEO

Tomas Staškūnas
CFO