

NOVATURAS AB

Consolidated Annual Report
Independent Auditor's Report
Consolidated and the Company's Financial Statements
for the year ended on 31 December 2021

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Statement of the Head of the Company

Dear All,

2021 was a year of a rapid recovery for us: the lifting travel restrictions revived the market. Changes introduced during the pandemic allowed us to make the most of growth opportunities.

In 2021, we earned EUR 1,0 million net profit, while in 2020 we experienced net loss of EUR 5.7 million. The Group's EBITDA in 2021 reached EUR 2.6 million, while in 2020 EBITDA was negative of EUR 3.1 million. In 2021, we served more than 172 thousand customers, the Group's revenue last year reached EUR 109 million, and compared to 2020 was higher by almost threefold.

A leading role in the market by being the first to open safe holiday destinations and have gradually increased our flight programs, accelerating vaccination processes and the EU digital certificate – all of these factors led us to profitable 2021. Although the number of travellers served and the revenue generated in 2021 still differs quite significantly compared to the results of 2019 (41% and 39%, respectively), we started approaching the pre-pandemic number of travellers as from the second half of the year onwards.

Last year showed a stable and gradual growth of operations. Due to the pandemic, we have resumed operations only in February with very limited supply. And already in April, with the start of the summer season, we were able to offer almost all the holiday destinations that we had before the pandemic. Looking at the overall results for 2021 – as of February, the Company showed a stable climb in every quarter

The third quarter clearly showed that the tourism market is gradually returning to planning holiday in advance, with last-minute sales declining in the market. The return of the planning in advance itself is a good trend, allowing tour operators to plan their activities more efficiently. We opened sales of summer holidays to the most popular summer holiday destinations back in June 2021, and in November introduced all markets with the entire summer 2022 holiday season with more than 20 holiday destinations portfolio.

Ski resorts are back on track

In 2021, after more than a year break, the skiing holiday season has not only returned to the market, but also exceeds 2019–2020 winter season program by 62%. This year, the main focus is to the most popular skiing resorts in Italian and French Alps, maximizing the selection of both resorts and hotels. The market has responded positively to the return of the ski season, even though the safety requirements of the EU and the resorts themselves are constantly changing.

Prestigious long-haul exotic destinations have also returned. Even though some of the most popular exotic countries have not yet opened to international travellers or still impose strict restrictions on them, we offered flights to Cuba, Mexico, Mauritius, Seychelles, Thailand, Zanzibar as early as November. Our Group of companies plans to return to the pre-pandemic destination available levels in 2022.

Reducing the financial liabilities

In February 2021, we made the agreement with the State Investment Management Agency on EUR 10 million investment in the Company's bonds for a period of six years. The investments in ordinary and convertible bonds have reached the Company in May and June, respectively. The Group has redeemed the entire EUR 5 million worth emission of convertible bonds before the scheduled maturities without any additional restrictions.

We allocated the first part of the investment of EUR 5 million received for ordinary bonds to its strategic priorities – development of relations with partners abroad, strengthening the Company's positions in holiday destinations and improvement of the e-commerce system.

Sincerely,
Chief Executive Officer
Vitalij Rakovski



General information

Reporting period

This report covers the calendar year ended on 31 December 2021.

Issuer and its contact details

| | |
|--------------------|--|
| Name of the issuer | Novaturas AB |
| Legal form | The public limited liability company |
| Registration date | 16 December 1999 |
| Register manager | State Enterprise Center of Registers |
| Company code | 135567698 |
| LEI code | 097900BGCW0000042109 |
| Registered office | 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, the 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.

As at 31 December 2021, there are 4 members of the Board of the Company.

Audronė Keinytė, Chief Executive Officer, was the head of the Company as at 31 December 2021.

Subsidiaries

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

| Name of subsidiary | Country | Registered office | Shareholding, % as at 31 December | |
|-----------------------------|-----------------------|---|--------------------------------------|------|
| | | | 2021 | 2020 |
| Novatours SIA | Republic of Latvia | Kr. Valdemara St. 100, Riga, Latvia | 100 | 100 |
| Novatours OU | Republic of Estonia | Ravala g. 6, Tallinn, Estonia | 100 | 100 |
| Aviaturas ir Partneriai UAB | Republic of Lithuania | Konstitucijos ave. 15/5, Vilnius, Lithuania | 100 | 100 |
| Novatours Holidays SRL* | Republic of Romania | M. Caramfil st. 53, Bucharesht, Romania | 100 | 100 |

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

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 2021, 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.

Core activities

Place of operation

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 Baltic markets, well known trademark, high customer loyalty, and long-term relationships with travel agencies and service providers, which enables the Company to offer travellers a wide range of services for an attractive price.



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 be paid in dividends (as soon as the Company's activities are no longer affected by the crisis caused by the pandemic).

Sales channels

Our products are accessible to people through various distribution channels. We work with over 400 travel agencies, including the largest agencies of the Baltic States. 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.

Product range

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 travellers. 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.



Tour packages. Offers consist principally of organisation of recreational tours by air. This includes recreational tours to popular European summer resorts (Mediterranean Sea region), Northern Africa, Asia and South America, as well as popular winter destinations in Europe – Italy and France. 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). Tours by coach are organised from Lithuania. We offer travel by coach, accommodation, trips to attractions by coach and tour guides who accompany travellers throughout the trip.

Holidays in the Baltics. Holiday and accommodation services in all the main resorts and major cities of the Baltic States.

New service – Self-isolation pause.

This service allows the travellers to change the travel date, destination, or hotel if, in case of a close contact with coronavirus infected person, the travellers are required to self-isolate.

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, Sofa travel, and Novaturas Gold, a high-class product line.



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 |

Material events in 2021:

- 13/01/2021 The Company agreed on additional EUR 1.18 million loan to refund cancelled trips due to pandemic.
- 09/02/2021 Audra Keinytė, Chief Executive Officer, and Tomas Staškūnas, Finance Director, introduced first quarter operating results for the year 2020 to investors and analysts.
- 17/02/2021 The Company announced that it reached agreement with the State Investment Management Agency on EUR 10 million investment in the Company's bonds for a period of six years.
- 02/03/2021 The Company made final settlement of refunds for the trips that have been cancelled due to the pandemic.
- 08/03/2021 The Company was enlisted between TOP 20 best rated investor relations companies on Nasdaq Baltic Market.
- 02/04/2021 The Company signed EUR 10 million investment agreement with the State Investment Management Agency.
- 08/04/2021 The Company agreed regarding facilitation of repayment of the loan.
- 28/04/2021 Audra Keinytė, Chief Executive Officer, and Tomas Staškūnas, Finance Director, introduced first quarter operating results to investors and analysts.
- 30/04/2021 The Company presented annual information for the year 2020.
- 08/06/2021 Audronė Keinytė, Chief Executive Officer, replaced Leonīds Močēņovs in the Board of SIA "Novatours", the subsidiary of the Company in Latvia, as a new member.
- 10/06/2021 The smallest tick size has been applied to the Company's shares.
- 16/06/2021 The investment for issued bonds emissions has reached the Group of companies
- 28/07/2021 The Company redeemed convertible bonds of EUR 2.5 million.
- 29/07/2021 Audra Keinytė, Chief Executive Officer, and Tomas Staškūnas, Finance Director, introduced operating results of the first half of the year to investors and analysts.
- 06/09/2021 CFO and member of TOP executives' team Tomas Staškūnas leaves the Group of companies. Giedrius Ribakovas, a long-term employee starts as the Company's head of Finance.
- 09/2021 The Company repaid a long-term bank loan earlier the terms agreed.
- 14/10/2014 Sales director Albert Zinevič joins the Company and TOP executives' team.
- 27/10/2021 Audra Keinytė, Chief Executive Officer, and Giedrius Ribakovas, Finance Director, introduced first quarter operating results to investors and analysts.
- 11/11/2021 The Company strengthens its management team in Latvia – Sanda Roze with accumulated extensive experience in sales joined the Company as head of sales.
- 17/11/2021 The Company redeemed the remaining part of convertible bonds of EUR 2.5 million.
- 06/12/2021 The Company informed about received notice from the Member of the Board Janek Pohla regarding resignation from the position of a Member of the Board of the Company as of 17 December 2021.

Material events in 2022 (01/01/2022–01/04/2022)

- 26/01/2022 Vitalij Rakovski became the new head of "Novaturas" group and replaced Audronė Keinytė who have held this position since the January 2019.
- 08/02/2022 Vitalij Rakovski, Chief Executive Officer, introduced operating results for the year 2021 to investors and analysts.
- 24/02/2022 The Company submitted information on flights routes corrections through the Ukrainian airspace.
- 01/03/2022 The Company's announcement regarding termination operation in Russia and Belarus and organisation of the assistance to travellers from Ukraine that were trapped abroad.
- 01/03/2022 Enlight Research carried out research of Novaturas AB

Financial information

The Group's result for 2021:

- Sales amounted to EUR 109m and were 231% higher compared with the same period of 2020.
- Gross profit was EUR 13.5m, which is 275% more compared with the same period of 2020.
- Operating costs amounted to EUR 11.2m, which is 52% more compared with the same period of 2020. Upon elimination of the effects of commission and one-off expenses, operating costs decreased by 7% compared with the same period of 2020.
- EBITDA was positive and amounted to EUR 2.6m, where in the same period of 2020 it was negative and amounted to EUR 3.3m.
- Profit tax rate was 3%, where in the same period of 2020 it was 12%.
- Net profit of the Group amounted to EUR 0.9m, meanwhile in 2020 this indicator amounted to EUR 5.8m.
- The Group served 172k clients, which is 255% more than in the same period of 2020.

Main indicators of the Group

| Financial indicators | 2021 | 2020 | Change, % |
|---------------------------|---------|---------|-----------|
| Revenue | 108,995 | 32,894 | +231.4 |
| Gross profit | 13,489 | 3,595 | +275.2 |
| EBITDA | 2,553 | (3,123) | - |
| Operating profit (EBIT) | 2,403 | (3,564) | - |
| Profit before taxes | 938 | (6,550) | - |
| Net profit for the period | 909 | (5,750) | - |

| Relative indicators/ratios | 2021 | 2020 | Change |
|--------------------------------------|------------|------------|---------|
| Number of ordinary registered shares | 7,807,000, | 7,807,000, | - |
| Earnings per share (EUR) | 0.12 | -0.74 | +0.86pp |
| Gross profit margin (%) | 12.4 | 10.9 | +1.5pp |
| EBITDA margin (%) | 2.3 | -10.1 | +12.4pp |
| EBIT margin (%) | 2.2 | -10.8 | +13.0pp |
| Profit before taxes margin (%) | 0.9 | -19.9 | +20.8pp |
| Net profit margin for the period (%) | 0.8 | -17.5 | +18.3pp |
| Return on assets (ROA) (%) | 1.7 | -12.5 | +14.2pp |
| Debt / equity ratio (%) | 94.9 | 122.5 | -27.6pp |
| Capital / assets ratio (%) | 33.8 | 30.3 | +3.45pp |
| Actual profit tax rate | 3.1 | 12.2 | -9.1pp |
| Total liquidity ratio | 0.75 | 0.66 | +0.09 |

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 2021, the Company's core activity was tour organisation and sale of tour packages through a retail travel agency network, internal sales channels (own retail sale offices, website, sale of flight tickets through GDS). Tours provided by Novaturas are sold by more 400 travel agencies in the Baltic States. E-commerce sales take place through websites of the Group companies of Novaturas. There were 2.6M unique visitors to the Company's website in 2021, which is an 18% increase compared with 2020 (2.2M 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:

| | 2021, % | 2020, % | Change |
|-------------------------------|------------|------------|---------|
| Travel agencies | 69.1 | 71.9 | -2,8 pp |
| The Company's travel agencies | 11.1 | 11.7 | -0,6 pp |
| Online sales | 17.4 | 14.6 | +2,8 pp |
| GDS | 2.4 | 1.8 | +0,6 pp |
| Total | 100 | 100 | |

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

| | 2021 | 2020 | Change, % |
|--------------|--------------|-------------|---------------|
| Lithuania | 87.3 | 20.4 | +327.9 |
| Latvia | 30.0 | 9.7 | +209.3 |
| Estonia | 54.7 | 18.3 | +198.9 |
| Other | - | 0.1 | - |
| Total | 172.0 | 48.5 | +254.6 |

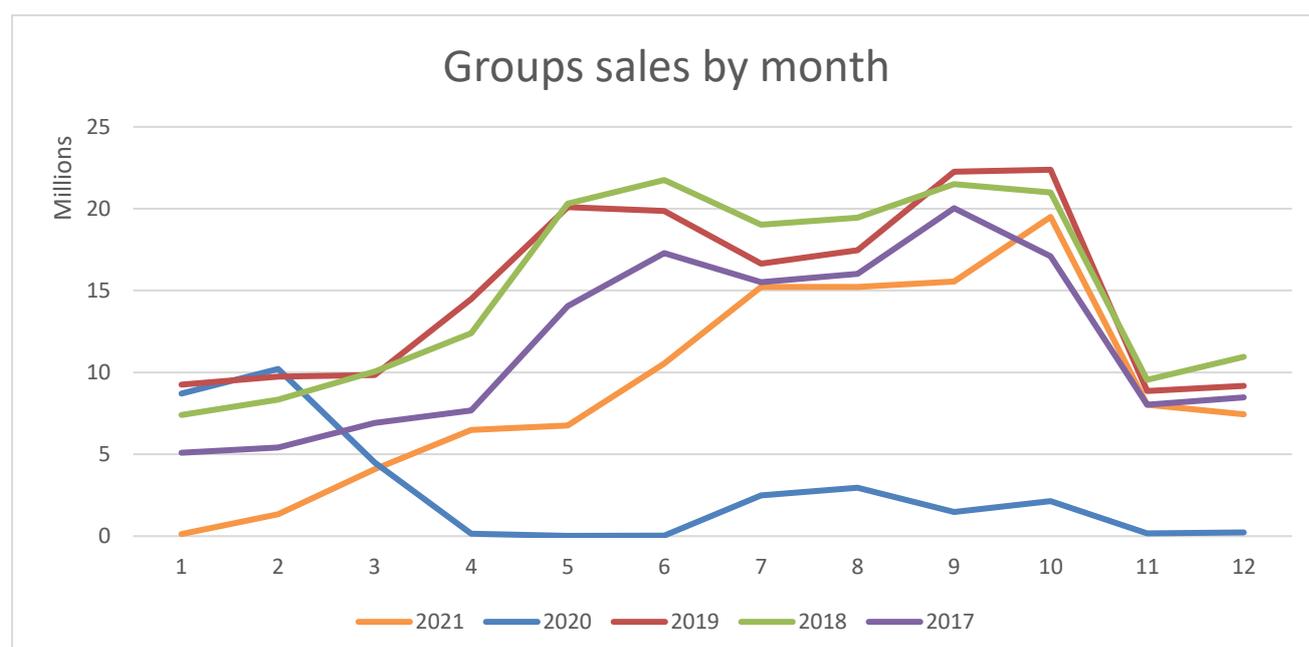
Tour packages is the main product of the Company, which has also shown the fastest rate of growth. Number of customers served by product category (data provide by '000 passengers):

| | 2021 | 2020 | Change, % |
|---|--------------|-------------|---------------|
| Flight packages | 136.0 | 37.5 | +262.7 |
| Sightseeing tours by bus | 0.3 | 0.5 | -40.0 |
| Sightseeing tours by air | 0.3 | 0.2 | +50.0 |
| Other (sale of flight tickets and hotel bookings) | 35.4 | 10.3 | +243.7 |
| Total | 172.0 | 48.5 | +254.6 |

Due to the restrictions imposed by COVID-19, flights to popular summer holiday destinations such as Turkey or Bulgaria were interrupted in 2020. The holiday season in the Greek islands also started later than usual. The most popular winter holiday destinations were Egypt and the Canary Island of Tenerife.

| | 2021, % | 2020, % | Change |
|------------------------------|------------|------------|----------|
| Turkey | 36.9 | - | +36,9 pp |
| Greece | 19.3 | 16.7 | +2,6 pp |
| Egypt | 20.1 | 34.2 | +14,1 pp |
| Bulgaria | 6.9 | 0.2 | +6,7 pp |
| Spain (incl. Canary islands) | 7.5 | 11.7 | -4,2 pp |
| Ski destinations | - | 9.0 | -9,0 pp |
| Remote countries | 0.7 | 12.9 | -12,2 pp |
| Other destinations | 8.6 | 15.3 | -6,7 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 Group'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. 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 does not provide guarantees for other parties' liabilities. 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. 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 Group'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 exchange 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, the Company started to use derivatives to reduce EUR/USD foreign exchange risk and fuel price variance risk that help manage such foreign currency and commodity risk. For this purpose, the Company entered into forward, futures and options contracts. Since 1 January 2014, the Group and the Company have been using derivative financial instruments that are subject to hedge accounting.

Liquidity management

The Group 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 Group's cash flows.

In accordance with credit and loan agreements, the Group had no any mandatory financial and non-financial ratios as at 31 December 2021.

Capital management

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

The Group manages the structure of its capital and changes it having regard to changes in the economic environment and operating risk. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders and issue new shares.

In accordance with the Law on Companies of the Republic of Lithuania, 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. The capital includes ordinary shares, reserves and retained earnings attributable to the equity shareholders of the parent company.

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

Plans and projections

The main objectives for 2022 were the following:

- Maintain the position of a market leader in the Baltic States;
- Increase business volume, taking into account the constraints caused by the pandemic and their reduction during the vaccination campaign;
- Maintain a balanced structure of distribution channels, with a focus on the development of e-commerce;
- Ensure adequate liquidity of the Company.

Environmental, Social and Governance Report

Governance Report

Prior to the decision of the General Meeting of Shareholders of 30 June 2020, the management bodies of the Company were: the General Meeting of Shareholders, the Supervisory Council, the Board and the head of the Company – the Chief Executive Officer. On 30 June 2020, the General Meeting of Shareholders decided to reorganize the management structure of the Company by relinquishing the Supervisory Council and transferring its functions to the newly formed Board of the Company. As from 30 June 2020, the Company's management bodies include the General Meeting of Shareholders, the Board and the head of the Company – the Chief Executive Officer.

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, until 30 June 2020, 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 represented the shareholders and performed supervisory and control functions. Members of the Supervisory Council were elected by the general meeting of shareholders according to provisions of the Republic of Lithuania Law on Companies. Two out of the five members were independent. The chairperson is elected by the members from among themselves. The Council had two committees: the Audit Committee and the Remuneration and Appointments Committee. Their members were 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 possessed degrees and experience in the field of finances and economics; two members of the committee were independent.

In accordance with the Articles of Association of the Company, until 30 June 2020, the Board consisted 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 were elected by the Supervisory Council according to a statutory procedure. The Board elects the Chair of the Board from among its members. As from 30 June 2020, the restructured Board was elected by the General Meeting of Shareholders under new version of the Articles of Association of the Company. The Board consists of five members elected for the term of office of four years and acting jointly as a management body of the Company. Two of five Board's members are independent, and remaining three represent the interests of the shareholders. The Board elects the Chair of the Board from among its members. A newly elected Board of the Company performs supervisory, control and strategy development functions. The Board appoints and recalls the Chief Executive Officer, 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 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 at the end of the Governance Report together with explanations. On its website www.novaturasgroup.com, the Company publishes a list of recommendations that are not complied with in full or in part.

Issued capital

Issued 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, % |
|--------------------|------------------|--|
| ME Investicija UAB | 779,900 | 9.99 |
| Rendez Vous OU | 650,983 | 8.34 |
| Ugnius Radvila | 740,702 | 9.49 |
| Moonrider OU | 543,346 | 6.96 |
| Rytis Šūmakaris | 535,278 | 6.86 |
| Vidas Paliūnas | 535,278 | 6.86 |
| Other | 4,021,513 | 51.5 |
| Total | 7,807,000 | 100 |

According to the data as of the record date (23 April 2021) of the last general meeting of shareholders that was held on 30 April 2021, the Company has 3,528 shareholders.

Shareholders rights

Neither shareholder of the Company has any special right of control. All the shareholders have equal rights. As at 31 December 2021, 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.

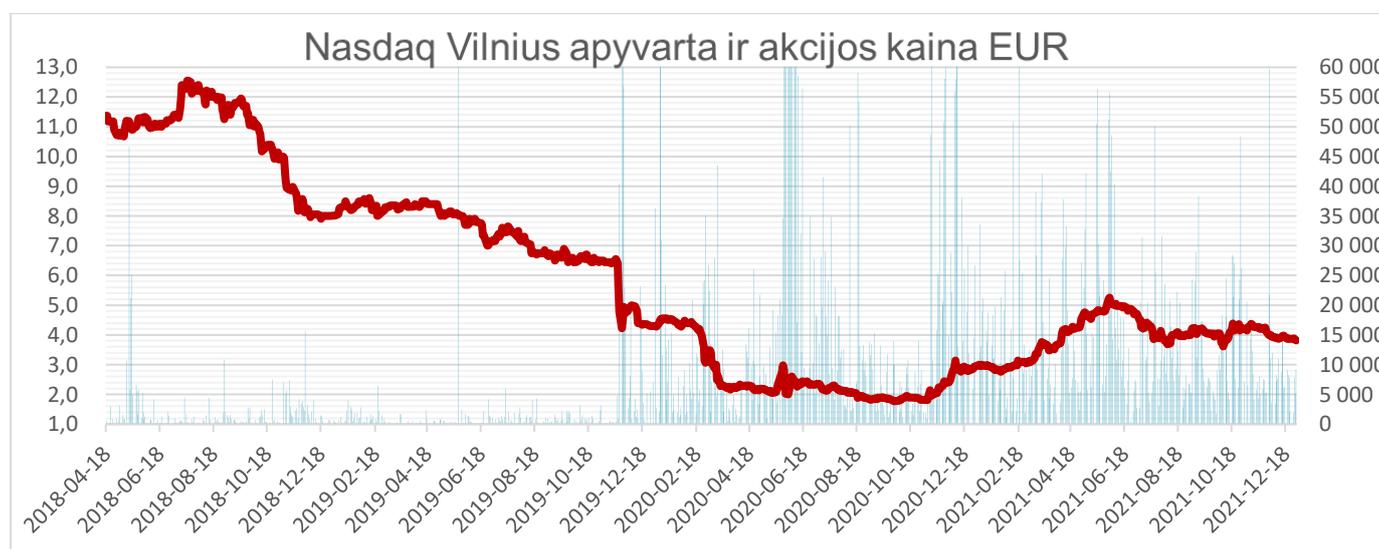
The Company has no information about any agreements between the shareholders that would restrict the voting rights attached to the shares. All IPO lockup periods expired.

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 2021 in Nasdaq Vilnius Stock Exchange (Lithuania):

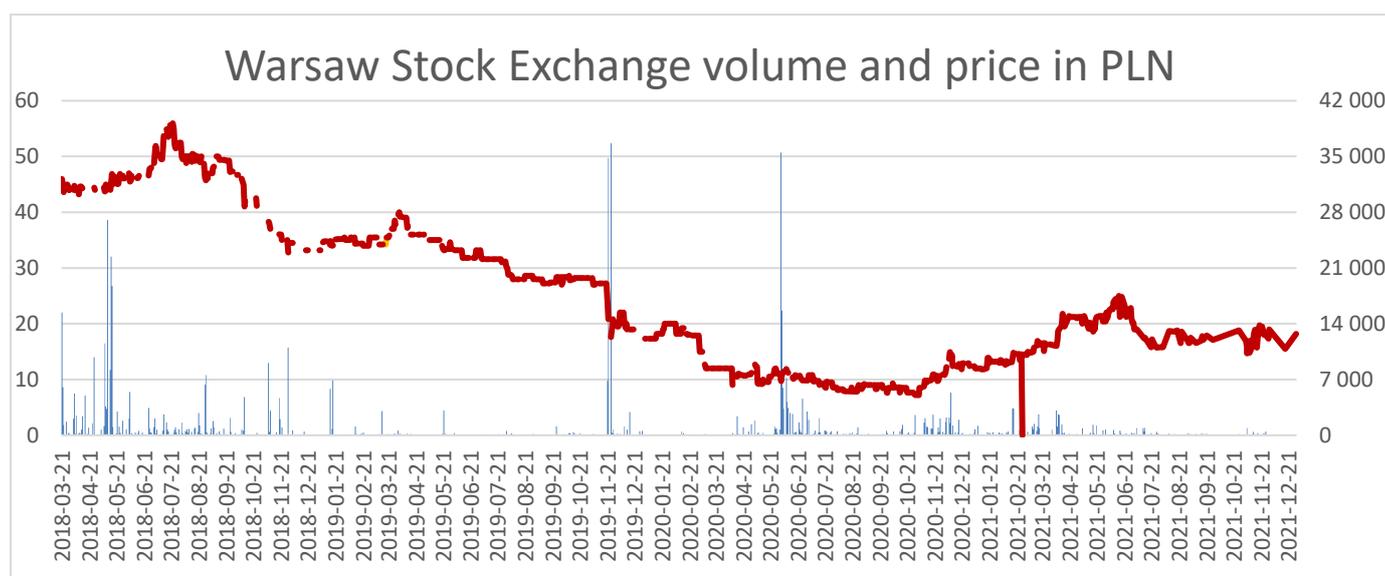
| | Currency | Opening price | Maximum price | Minimum price | Closing price | Average price | Traded quantity, units | Trading volume, EUR |
|------|----------|---------------|---------------|---------------|---------------|---------------|------------------------|---------------------|
| 2020 | EUR | 4.30 | 4.68 | 1.76 | 2.94 | 2.33 | 7,237,980 | 16,872,739 |
| 2021 | EUR | 2.94 | 4.90 | 2.70 | 3.84 | 3.17 | 3,103,457 | 12,045,114 |



As at 31 December 2021, the Company's market capitalisation was EUR 31.2M.

Information about trading in the shares of Novaturas AB from 21 March 2018 until 31 December 2021 in GPW Main Market (Poland):

| | Currency | Opening price | Maximum price | Minimum price | Closing price | Average price | Traded quantity, units | Trading volume, PLN |
|------|----------|---------------|---------------|---------------|---------------|---------------|------------------------|---------------------|
| 2020 | PLN | 17.20 | 21.00 | 7.00 | 12.40 | 10.42 | 159,663 | 1,664,460 |
| 2021 | PLN | 12.40 | 25.00 | 11.80 | 18.20 | 17.43 | 53,898 | 937,609 |



As at 31 December 2021, the Company's market capitalisation was PLN 142m.

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. In 2020, due to the onset of the COVID-19 pandemic, the Company's General Meeting of Shareholders adopted a decision not to pay dividends.

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 General Meeting of Shareholders.

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.

All members of the Board were revoked on 30 June 2020, following the approval of the restructuring of the Company's management structure by the General Meeting.

Activities of the Company's management bodies after 30 June 2020

Activities of the Board

Fourteen meetings of the Board were held in 2021. All of them had the quorum required under legal acts. Matters considered/approved at the meetings of the Board: the organisation of the Board's activities, the Board's performance, crisis management, the Company's strategy, organizational structure, budget, investment projects, and the reduction of the remuneration of members of the Board during the crisis.

The Board's meetings were chaired by Virginijus Lepeška, chairperson of the Board.

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

| | <u>Board meetings</u> |
|---------------------------------|-----------------------|
| Total number of meetings | 14 |
| Virginijus Lepeška | 14 |
| Ugnius Radvila | 14 |
| Vidas Paliūnas | 14 |
| Janek Pohla | 14 |
| Andrius Jurkonis | 14 |

Janek Pohla resigned from the position of a Member of the Board of the Company as of 17 December 2021.

Two of the Board's members represent the shareholders and the other too, namely, Virginijus Lepeška and Andrius Jurkonis, are independent members.

The Board members as at 31 December 2021:

| Full name | Duties in the Board | Position held | Number of shares held | Start of term office |
|--------------------|--|---|-----------------------|----------------------|
| Virginijus Lepeška | Chairman of the Board (independent member) | consultant and chairman of the Board of Organizacijų vystymo centras UAB; consultant OVC mokymai UAB, advisor to the general manager, the Board member of AL holdingas UAB; advisor to the general manager, the Board member of Swenheim UAB; the Board member Biseris UAB; the Board member Lewben UAB | - | As at 30/06/2020 |
| Ugnius Radvila | Member of the Board | | 740,702 | As at 30/06/2020 |
| Vidas Paliūnas | Member of the Board | Member of the Board of UAB Verslo centras 32 Managing Director of UAB Optimistai | 535,278 | As at 30/06/2020 |
| Andrius Jurkonis | Chairman of the Board (independent member) | Manager of the investment fund Axia Capital Fund; manager of Farmacijos kapitalas UAB, manager of New Pharma CEE, manager of Privataus kapitalo investicijos UAB, and manager and sole shareholder of New retail LV UAB | - | As at 30/06/2020 |



Virginijus Lepeška

Acts as chairman of the Board and consultant of the management consulting and training company OVC Consulting. Has accumulated extensive experience in organizational consulting, corporate governance, strategic management. Since 2003, he has been a member of the Board and the Supervisory Board in various companies. Virginijus Lepeška has a doctorate in social sciences (psychology) from Vilnius University. He is currently a member of the Board of Svenheim UAB, a member of the Board of Alma littera UAB and a member of the Advisory Board of Ruptela UAB. He is also a member of the board of the Child Support Center. Has no shares in the Company.



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. In February 2018, he became the member of the Supervisory Council. 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 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 Chief Executive Officer. 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 shares in the Company.



Andrius Jurkonis

Is a manager of the investment fund Axia Capital Fund and certified financial analyst. He has accumulated many years of experience in management positions at Euroapothecca, VST, Swedbank. Mr Jurkonis has a bachelor's degree and a master's degree in economics from Vilnius University. He is currently the director of New Pharma CEE, a partner of Blue flight UAB, Gusania UAB. Has no shares in the Company.

Remuneration Policy of the Company

Company's remuneration principles

- Linking remuneration to performance and aligning with shareholders' interests. In making remuneration-related decisions, the Company focuses on long-term, risk-adjusted performance and rewards performance that generate sustained value for the Company.
- "Shared success" culture encouragement Teamwork should be encouraged and rewarded to foster a "shared success" culture. Contributions should be considered across the Company, within business units, and at an individual level when evaluating an employee's performance.
- Attracting and retaining top talents The Company's long-term success depends on the competence of its employees. The Company's remuneration system plays a significant role in its ability to attract, properly motivate and retain top talent. Competitive and reasonable remuneration should help attract and retain the best talent to grow and sustain the Company's business.
- Integrating risk management and remuneration Risk management, remuneration recovery, and repayment policies should be robust and disciplined enough to deter excessive risk-taking. Management bodies of the Company should generate honest, fair and objective evaluations and identify individuals responsible for meaningful risk-related events and their accountability. Remuneration practices must comply with applicable rules and regulations.
- Strong governance Strong corporate governance is fostered by supervision of the executive remuneration program carried out by the Board, including defining the Company's remuneration principles, reviewing and approving the Company's overall incentive remuneration pools.
- Transparency with shareholders Transparency to shareholders regarding the Company's remuneration policy is essential. In order to provide shareholders with enough information and context to assess its programs and practices, and their effectiveness, the Company discloses the material terms of its remuneration program, and any actions on the part of the Company in response to significant events, as appropriate.

Remuneration Structure

The Company and its subsidiaries ensure for its employees a competitive and fair remuneration for results achieved by the Company and/or Company's Group 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 remuneration

- Basic pay – monthly salary determined for the groups of employees in accordance with the relevant laws, required competencies, duties, level of responsibility and other components on which the salary depends;
- Variable pay – the portion depending on the Company's financial, long-term and / or short-term goals and an employee's individual and / or departmental results, and its amount and payment periods are determined in the Company's or the Group's Remuneration policy. Goals for employees should be objective and clearly measurable. The variable part can range from 5% to 30% from the basic pay of the employee's salary payable in accordance with the Company's or the Group's Remuneration rules;
- Annual addition is a motivational part of the pay, payment of which depends on whether:
 - Exceptional personal objectives set for the employee have been achieved;
 - High-performance of the individual employees;
 - objectives of the Company of the particular year have been achieved ("shared success remuneration"). Pay is reviewed for all the employees once in a year, during the annual interview with the Managing Director.

The top management motivation system is based on the Group EBITDA target, strategic goals achievement and individual targets. Individual targets together with their weight in valuation are defined every year by the Board.

The Board of the Company makes decision on the amounts to be paid after annual meeting and evaluation of each manager to whom the individual targets were set. The bonus is paid in cash or as a contribution to the pension fund selected by the respective employee, if and when applicable.

Indirect financial benefits

It is a benefit given to an employee that has financial value, but is not a direct monetary payment. It is referred to as a non-cash benefits. The package of indirect financial benefits shall correspond to Company's financial situation and strategy as well as to the principles of fairness, equality and transparency.

Severance payments

In accordance with the national legal acts of the respective Company, employees might be entitled to severance payments upon termination of their employment (except for certain termination grounds, such as on one's own will, due to the reasons attributable to the employees fault, etc.). The remuneration paid to the Board and Committees members shall not be considered as wages, bonuses or other similar payments that could be linked to the official subordination of respective management body or would depend on the profit (loss) of the Company or Company's Group. The remuneration shall be paid only for the activity within the respective management body and no termination benefits are paid upon resignation or removal of the respective member of management body.

Long-term financial incentives – Share options

Granting of shares to the management and employees of the Company is intended to advance the interests of the Company by providing certain employees of the Company with additional incentive to promote the success of the Company, to increase their

(all amounts are in thousand EUR unless otherwise stated)

proprietary interest in the Company, and to encourage them to remain in the Company's employ. The number of share options to be granted will be based on a fair value approach. The management and employees shall be entitled to granted shares provided the EBITDA targets are met. All options granted shall be non-transferable and may be exercised only by the person to whom the option is granted. No option granted or any of the rights and privileges conferred shall be transferred, assigned, pledged, or hypothecated in any way (whether by operation of law or otherwise).

Taking into account the prevailing economic conditions, competitive situation, input of each employee into Company's financial results, their period of employment in the Company and other circumstances (as the case may be), the Board shall have the power to decide upon granting and distribution of the granted shares following the Regulation of Granting Shares.

Due to the pandemic caused by the COVID-19 at the beginning of 2020, the results for 2021 were not in line with the long-term goals set for the Company's managers in 2019, covering the period 2019–2021. As a result, no annual bonuses were awarded to the Company's management for 2021, and no share options were granted either.

Information about payments to members of management bodies

| | Remuneration paid, EUR'000 EUR | Remuneration for work in a management and/or supervisory body, EUR | Dividends, EUR'000 EUR | Other payments, EUR'000 EUR |
|-----------------------------|-----------------------------------|--|---------------------------|--------------------------------|
| Members of the Board | | | | |
| Virginijus Lepeška | - | 33 | - | - |
| Ugnius Radvila | - | 25 | - | - |
| Vidas Paliūnas | - | 25 | - | - |
| Janek Pohla | - | 16 | - | - |
| Andrius Jurkonis | - | 25 | - | - |
| Managing Director | | | | |
| Audronė Keinytė | 135 | - | - | - |

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 2019, 31 December 2020 and 31 December 2021, 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 ordinary general meeting of shareholders held on 30 April 2020 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 2021 and 2022. The shareholders authorised the Managing Director of the Company to conclude agreements on audit services stipulating the auditor's fee for one year not exceeding EUR 86,000 (eighty six thousand euros) exclusive of VAT.

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.

Disclosure of Compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius

The Company, acting in compliance with Article 12 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.4 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.

| PRINCIPLES/RECOMMENDATIONS | YES/NO/NOT RELEVANT | COMMENT |
|---|---------------------|---------|
| 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 that 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 | |

(all amounts are in thousand EUR unless otherwise stated)

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| <p>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.</p> | <p>NO</p> | <p>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.</p> |
| <p>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.</p> | <p>YES</p> | |
| <p>1.10. Members of the company's collegial management body, heads of the administration¹ 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.</p> | <p>YES</p> | |

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

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| <p>Principle 2: Supervisory board</p> | | |
| <p>2.1. Functions and liability of the supervisory board</p> <p>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.</p> | | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | <p>On 30 June 2020, the Ordinary General Meeting of Shareholders of Novaturas AB adopted a decision to revoke the Supervisory Council and elect a new Board by vesting in: (i) supervisory functions provided in Article 34 part 11 of the Law on Companies; (ii) functions of approval annual budget and business plan, risk management policies, settlement of the goals of the general director as well as other functions related to the management and supervision of the activities of the company; In accordance with the Articles of Association of the Company, the Board shall consist of 5 members, of whom at least 1/3 shall be independent.</p> |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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. Independent² 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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>2.2. Formation of the supervisory board</p> <p>The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.</p> | | |

² For the purposes of this Code, the criteria of independence of members of the supervisory council 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.

(all amounts are in thousand EUR unless otherwise stated)

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| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | |

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| <p>Principle 3: Management Board</p> | | |
| <p>3.1. Functions and liability of the management board</p> <p>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.</p> | | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance on Internal Controls³, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.</p> | <p>YES/NO</p> | <p>The management board takes all reasonable measures to ensure that the Company complies with applicable laws, binding rules, and standards. The Company is planning to implement the tools recommended in the OECD Good Practice Guidance in the future to ensure adherence to all recommendations of the OECD Good Practice Guidance.</p> |
| <p>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.</p> | <p>YES</p> | |
| <p>3.2. Formation of the management board</p> | | |

³ Reference to OECD Good Practice Guidance on Internal Control, Ethics and Compliance: <https://www.oecd.org/daf/anti-bribery/44884389.pdf>

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(all amounts are in thousand EUR unless otherwise stated)

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| <p>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.</p> | <p>YES</p> | <p>The members of the management board have been elected on the basis of their qualification, professional experience, and diversity of competencies. The principle of gender balance has not been maintained on the board from 30 June 2020 onwards, as the Board is composed exclusively of men.</p> |
| <p>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.</p> | <p>YES</p> | |
| <p>3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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 independent⁴, 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.</p> | <p>YES</p> | |

(all amounts are in thousand EUR unless otherwise stated)

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|--|------------|--|
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |

⁴ For the purposes of this Code, the criteria of independence of members of the board are interpreted as the criteria of unrelated parties defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

| | | |
|---|-----------------------|---|
| <p>Principle 4: Rules of procedure of the supervisory board and the management board of the company</p> <p>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.</p> | | |
| <p>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 the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.</p> | <p>NOT APPLICABLE</p> | <p>As from 30 June 2020, the Supervisory Council is not formed.</p> |
| <p>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 uninterrupted resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | <p>As from 30 June 2020, the Supervisory Council is not formed.</p> |

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| <p>Principle 5: Nomination, remuneration and audit committees</p> <p>5.1. Purpose and formation of committees</p> <p>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 judgement 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.</p> | | |
| <p>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 committees⁵.</p> | <p>NO</p> | <p>Following the election of a new five-member Board (of which two members are independent) on 30 June 2020, the functions previously performed by the Remuneration and Appointment Committee and the Audit Committee are vested in the Board. The Company falls outside the legal obligation to set up an appropriate committee, however, in the near future, the Company intends to review and assess the need to set up the specified committees in order to improve the performance of the Board.</p> |
| <p>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.</p> | <p>YES</p> | <p>The Company falls outside the legal obligation to set up an appropriate committee, however, in the near future, the Company intends to review and assess the need to set up the specified committees in order to improve the performance of the Board.</p> |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>NOT APPLICABLE</p> | <p>Since 30 June 2020, no individual committees have been set up on the Board, therefore the Board as a whole deals with all matters falling within the competence of individual committees.</p> |
| <p>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.</p> | <p>NOT APPLICABLE</p> | <p>Since 30 June 2020, no individual committees have been set up on the Board, therefore the Board as a whole deals with all matters falling within the competence of individual committees.</p> |

(all amounts are in thousand EUR unless otherwise stated)

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| <p>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.</p> | <p>NOT APPLICABLE</p> | <p>Since 30 June 2020, no individual committees have been set up on the Board, therefore the Board as a whole deals with all matters falling within the competence of individual committees.</p> |
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| <p>5.2. Nomination committee</p> | | |
| <p>5.2.1. The key functions of the nomination committee should be the following:</p> <p>(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;</p> <p>(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;</p> <p>(3) devote the attention necessary to ensure succession planning.</p> | <p>YES</p> | <p>Since 30 June 2020, no individual committees have been set up on the Board, these functions are assigned to the Board of the Company.</p> |
| <p>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.</p> | <p>YES</p> | <p>Since 30 June 2020, no individual committees have been set up on the Board, these functions are assigned to the Board of the Company.</p> |

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)

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| <p>5.3. Remuneration committee</p> | | |
| <p>The main functions of the remuneration committee should be as follows:</p> <ol style="list-style-type: none"> 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. | <p>YES</p> | <p>Since 30 June 2020, no individual committees have been set up on the Board, these functions are assigned to the Board of the Company.</p> |
| <p>5.4. Audit committee.</p> | | |
| <p>5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee⁶.</p> | <p>YES/NO</p> | <p>Following the election of a new five-member Board on 30 June 2020, the functions previously performed by the Audit Committee are vested in the Board. The Company falls outside the legal obligation to form an appropriate committee.</p> |
| <p>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.</p> | <p>YES</p> | <p>Since 30 June 2020, no individual committees have been set up, the function of the Audit Committee are vested in the Board.</p> |
| <p>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.</p> | <p>YES</p> | <p>Since 30 June 2020, no individual committees have been set up, the function of the Audit Committee are vested in the Board.</p> |
| <p>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.</p> | <p>YES</p> | <p>Since 30 June 2020, no individual committees have been set up, the function of the Audit Committee are vested in the Board.</p> |

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.

(all amounts are in thousand EUR unless otherwise stated)

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| <p>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.</p> | <p>YES/NO</p> | <p>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.</p> |
| <p>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.</p> | <p>NOT APPLICABLE</p> | <p>Since 30 June 2020, no individual committees have been set up, the functions, rights and obligations of the Audit Committee are vested in the Board, however, the Management Board shall not, in its capacity as Audit Committee, draw up reports for its own account.</p> |
| <p>Principle 6: Prevention and disclosure of conflicts of interest</p> <p>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.</p> <p>The corporate governance framework should recognize the rights of stakeholders as established by law and to promote active cooperation between the company and its stakeholders in creating the company's well-being, jobs and financial stability. In the context of this principle, the term <i>interest holders</i> includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.</p> | | |
| <p>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.</p> | <p>YES</p> | <p>The Company acknowledges that the members of the Company's 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.</p> |
| <p>Principle 7: Remuneration Policy of the Company</p> <p>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.</p> | | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |

(all amounts are in thousand EUR unless otherwise stated)

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| 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 | |
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(all amounts are in thousand EUR unless otherwise stated)

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| <p>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.</p> | <p>YES/NO</p> | <p>YES – the Remuneration Policy regulates the procedure for the payment of termination benefits in the Company, and defines the cases in which termination benefits are not paid.</p> <p>NO – the Remuneration Policy does not contain specific amounts of benefits, however, the Company in all cases complies with the applicable legislation and the amounts of termination benefits set out therein.</p> |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | <p>The Remuneration Policy was approved in Extraordinary General Meeting of Shareholders on 27 December 2021. The information on the implementation of the Remuneration Policy is provided together with the Annual Report on an annual basis. A new version of the Remuneration Policy is planned for approval in the near future.</p> |
| <p>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.</p> | <p>YES</p> | |
| <p>Principle 8: Role of stakeholders in corporate governance</p> <p>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 term <i>interest holders</i> includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.</p> | | |

(all amounts are in thousand EUR unless otherwise stated)

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| 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. To a certain extent permitted by law, employees may through the Works Council participate in the corporate governance. It is common practice (when making decisions that are important for employees) to arrange informal consultations and employee surveys. |
| 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. Currently, the Company has not provided conditions for confidential reporting. |
| <p>Principle 9: Disclosure of information</p> <p>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.</p> | | |
| 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 | |

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

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| <p>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;</p> | <p>NOT APPLICABLE</p> | <p>Since 30 June 2020, no individual committees have been set up and their respective functions are vested in the Board.</p> |
| <p>9.1.6. potential key risk factors, the company's risk management and supervision policy;</p> | <p>YES/NO</p> | <p>The Company's risk management and supervision policy has not been approved yet.</p> |
| <p>9.1.7. the company's transactions with related parties;</p> | <p>YES</p> | |
| <p>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.);</p> | <p>YES</p> | |
| <p>9.1.9. structure and strategy of corporate governance;</p> | <p>YES</p> | |
| <p>9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects.</p> <p>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.</p> | <p>YES/NO</p> | <p>The Company is a socially responsible undertaking guided by the principle of good faith, but no formal anti-corruption policy is yet in place.</p> |

(all amounts are in thousand EUR unless otherwise stated)

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| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |
| <p>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.</p> | <p>YES</p> | |

Social Responsibility Report

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.

Employees

Average number of employees by main types of operations:

| | 2021 | 2020 | Change, % |
|--|------------|------------|--------------|
| Representatives and guides abroad | 25 | 2 | + 1150.0 |
| Sales assistants in own sales channels | 22 | 21 | +4.76 |
| Other employees | 75 | 96 | -21.88 |
| Total | 121 | 119 | +1.68 |

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

Breakdown of employees (women/men) by country (number of employees, average age, number of years worked in the organisation) Statistics on employees at the end of 2021

| | Estonia | Lithuania | Latvia | Group |
|--|-------------|-------------|-------------|-------------|
| Women | | | | |
| Number of employees | 37 | 78 | 24 | 139 |
| Average age | 41.6 | 37.8 | 40.5 | 39.3 |
| Average term of service (years) | 6.1 | 5.8 | 5.5 | 5.8 |
| Men | | | | |
| Number of employees | 1 | 18 | 2 | 21 |
| Average age | 44.4 | 36.5 | 41.6 | 37.4 |
| Average term of service (years) | 17.0 | 5.4 | 6.5 | 6.1 |
| Total number of employees | 38 | 96 | 26 | 160 |
| Overall average age | 41.6 | 37.5 | 40.6 | 39.0 |
| Average term of service (years) | 6.4 | 5.7 | 5.5 | 5.8 |

The largest number of employees (men and women) is employed in Lithuania (78 employees out of 139). Gender breakdown: women dominate the group as a whole (139 workers out of 160). The Company's distinctiveness is long-standing, experienced employees. On average, the length of service of women is 5.8 years, men – more than 6 years. The overall average age of employees is of similar magnitude, which is around 39 years (39.3 for women and 37.4 for men).

Breakdown of employees (women/men) by main activity (average monthly salary, number of employees recalculated to full-moth equivalent). Statistics on employees in 2021 (not limited to those who worked full year):

| | Women | Men | Total |
|-------------------------------------|--------------|--------------|--------------|
| Employees waking in offices | | | |
| Average monthly salary | 1,771 | 2,495 | 1,884 |
| Number of employees | 81 | 15 | 96 |
| Direct sales unit | | | |
| Average monthly salary | 1,358 | 2,041 | 1,404 |
| Number of employees | 28 | 2 | 30 |
| Representatives abroad* | | | |
| Average monthly salary | 717 | 1,504 | 809 |
| Number of employees | 30 | 4 | 34 |
| Total average monthly salary | 1,460 | 2,263 | 1,566 |
| Total number of employees | 139 | 21 | 160 |

In all segments, men's average monthly salary exceeds that of women by 35.5%. The lowest difference in the remuneration received (~ 33%) is between men and women working in direct sales. The number of people employed in offices is highest compared to other segments.

Breakdown of employees by position (average salary, number of employees recalculated to full-moth equivalent) Statistics on employees in 2021 (not limited to those who worked full year)

| | Women | Men | Total |
|--|--------------|--------------|--------------|
| Top-level executives | | | |
| Average monthly salary | 7,214 | 4,711 | 6,588 |
| Number of employees | 3 | 1 | 4 |
| Middle-level managers | | | |
| Average monthly salary | 2,558 | 3,949 | 3,022 |
| Number of employees | 8 | 4 | 12 |
| Project managers, managers, experts | | | |
| Average monthly salary | 1,257 | 1,688 | 1,305 |
| Number of employees | 128 | 16 | 144 |
| Total average monthly salary | 1,460 | 2,263 | 1,566 |
| Total number of employees | 139 | 21 | 160 |

The Company's top-level management team is made up 3 women and 1 man. At this level, women's average monthly salary exceed men's by more than 34%. The middle-level management is dominated by women with the average monthly salary gap of 35% between men and women. Among the remaining employees of the organization, the average salary differs between men and women by 25%.

Attention to employees

The Company promotes development of competency and professional knowledge of employees, carries out vocational and team-building training, focuses on increasing motivation of employees and nurtures organisational culture. Division managers ensure smooth introduction of new employees into the organisation.

Employee engagement survey

The Company aims to ensure that the core of employees is made up not only of long-standing and experienced colleagues, but also of new employees who are involved in and motivated by the organisation's activities. In order to maximise the number of employees engaged in creating added value for the organisation, an employee engagement survey was carried out at the end of 2019, and action plans have been drawn up to address the problems raised in 2020. The engagement survey was scheduled on annual basis, unfortunately the survey did not happen in 2021 due to the pandemic and is planned to be continued in 2022. The survey will be carried out at the pan-group level and will assess five key factors for organisational engagement: trust in the organisation, concentration of leadership, meaningful work, empowering working environment, recognition and growth. The level of engagement will be measured by the main aspects of the organization: both by the structure of the company and by comparing the results among the individual companies in the Group.

Objectives of the survey:

- To identify the current level of employee engagement.
- To assess the extent to which employees consider that the organisation is making good use of employee engagement opportunities.
- To highlight the strengths and aspects of staff experience for improvement, which must be given priority in order to maintain and strengthen employee engagement.

The overall findings of the survey will be discussed on an organisation-wide basis. The trends that emerged during the survey, the areas that need to be maintained and strengthened, will be discussed in individual teams. Action plans will be drafted to address the problems raised, and responsible persons have been appointed.

Labour Council

In order to ensure the most transparent representation of employees' interests, the elections to Novaturas Labour Council were held at the end of 2019, and the members of the Labour Council, the chairman, the secretary were elected and approved, and the Rules of Procedure of the Labour Council approved. The Labour Council consists of **5** (five) employees of the Company. Meetings of the Labour Council are held periodically to discuss the matters of concern to employees and submit them to the Company's Board. The employer must also consult the Labour Council, for example by approving the Company's new Rules of Procedure, introducing a new remuneration system, adopting an equal opportunities policy and other cases provided for in the Labour Code.

All employees who have reached the age of 18 years and have worked in the Company for a period of at least six months may be elected members of the Labour Council of Novaturas.

Chairperson of the Labour Council:

- calls and chairs meetings of the Labour Council;
- represents the Labour Council in its relations with the employees, employer and third persons;
- draws up a draft annual report of the Labour Council for the employees and presents the approved report of the Labour Council to the employees;
- has other rights established in the Labour Code and other laws of the Republic of Lithuania.

When the chairperson of the Labour Council is temporarily unable to carry out his/her duties, a member of the Labour Council appointed by the chairperson of the Labour Council substitutes for him/her.

Secretary of the Labour Council:

- manages and keeps documents of the Labour Council;
- informs the members of the Labour Council about the time, venue and agenda of a forthcoming meeting of the Labour Council;
- notifies the employer of the venue and time of a meeting of the Labour Council;
- takes the minutes of meetings of the Labour Council;
- collect the data necessary for the work of the Labour Council;
- carries out other assignments of the chairperson of the Labour Council.

Functions of the Labour Council:

- participate in information, consultation and other participatory procedures involving employees and their representatives in the employer's decision-making process;
- obtain, in the cases and within the time limits set by this Regulation and other laws, from the employer and from state and municipal institutions the information required for performing their functions;
- put forward proposals to the employer relating to economic, social and work issues, decisions of the employer relevant to employees, as well as the implementation of labour-law standards;
- initiate a collective labour dispute regarding rights if the employer fails to comply with the labour-law standards or agreements between the Labour Council and the employer;
- when it is necessary to discuss important economic, social and work issues of employees of the Company, convene a general staff meeting (conference), upon agreement with the employer on the venue and time of the meeting (conference);
- carry out other actions which are in compliance with the Labour Code of the Republic of Lithuania, other labour-law standards, as well as actions set out in the law or agreements between the Labour Council and the employer;

when performing its functions, Labour Council must take account of the rights and interests of all the employees of the Company, avoid discriminating against individual employees, their groups or employees of individual structural divisions; inform the employees of the Company about its activities on a yearly basis by publicly presenting an annual report on the activities of the Labour Council to them.

Evaluation of performance

Every quarter, line managers conduct performance appraisal of each employee in their team. In individual performance appraisal interviews, the manager discusses and evaluates the performance with the employee, taking into account the employee's goals. The objectives set for the employee must comply with five criteria, i.e. the objectives must be precise, measurable, feasible, meaningful and time-bound. During the annual interview, the manager discusses the past and future performance with each employee in his team, and covers issues such as employee motivation, development of competences, and remuneration.

Remuneration policy

The Remuneration Policy of Novaturas AB was approved in Extraordinary General Meeting of Shareholders on 27 December 2019. 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 – monthly salary determined for the groups of employees in accordance with the relevant laws, required competencies, duties, level of responsibility and other components on which the salary depends;
- Annual addition is a motivational part of the pay, payment of which depends on whether:
 - personal objectives set for the employee have been achieved;
 - high performance of individual employees;
 - the achievement of the objectives set by the Company for a particular year (“reward for overall success”).
- Pay is reviewed for all the employees once in a year, during the annual interview with the Managing Director.

Health insurance

In 2021, health insurance, i.e. employer-sponsored health insurance, was further offered as one of the added benefits for employees, i.e. health care insurance or compensation of health promotion, sports services. Employees are able to choose one of the five most suitable insurance schemes for them. If an insured event occurs, the insurance company indemnifies up to 90% of the employee's expenses incurred in relation to health care services provided to the employee, purchase of medical goods reimbursed under the insurance program, and partially or fully cover the health promotion services.

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.

Social responsibility initiatives of the Company:

Social responsibility project “My Home Is Not a Bath!” and the Baltic Sea Animal Rehabilitation Center

In 2019, the Company joined the Lithuanian Sea Museum project “My Home Is Not a Bath!” The aim of this project is to launch a modern Baltic Sea Animal Rehabilitation Center. For thirty years already, the Lithuanian Sea Museum has, on its own initiative, without having any special premises and facilities, been providing treatment and care for seals wounded and lost in the Baltic Sea. Animals are nursed in one of the offices of the administrative building of the Lithuanian Sea Museum with two equipped baths, which afterwards are released back to the Baltic Sea. The Company financially supported the museum's initiative to release seal pups on the high seas, thus avoiding sea lanes, fishing nets and other hazards.

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.

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.

Environmental Report

The Company's core activity is organisation of recreational and sightseeing tours by air. Planned programmes of charter and scheduled flights inevitably contribute to increasing emissions of carbon dioxide in the atmosphere. Understanding the impact of our activities on these processes, we have started to calculate and analyse CO₂ emissions caused by our activities. Further on we will look for solutions to reduce emissions of carbon dioxide or otherwise compensate for the effects of it.

CO₂ emissions ('000 t)

| | 2021 | 2020 |
|------------------|-------------|-------------|
| Lithuania | 33.6 | 10.6 |
| Latvia | 10.9 | 4.9 |
| Estonia | 20.8 | 9.8 |
| Group | 65.3 | 25.3 |

In 2021, 167.5 thousand travellers in all Baltic States chose recreational and sightseeing tours by plane or flight tickets, in 2020 – 48 thousand travellers, respectively. CO₂ emissions per capita amount to 0.39 tonnes CO₂/pax in 2021 and 0.52 tonnes CO₂/pax in 2020.

The calculation of carbon dioxide emissions from our main activities was our starting point, however, in the future are going to improve calculation accuracy of impact that the Company's activities make on the climate and ecological balance of the region in which we operate, as well as on global level. By knowing more precisely the extent of that impact, we will be able to choose better measures to reduce and eliminate the impact.

NOVATURAS AB, Company code 135567698, A. Mickevičiaus st. 27, Kaunas, Lithuania

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 Vitalij Rakovski, Chief Executive Officer of Novaturas AB, and Giedrius Ribakovas, Financial Director of Novaturas AB, confirm that, to the best of our knowledge, the consolidated annual report of Novaturas AB for 2021 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.

Vitalij Rakovski

Giedrius Ribakovas

Chief Executive Officer

Finance Manager

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 2021, 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 2021, 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 these requirements 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 judgement, 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. Below is the description of each key audit matter and our response to it.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|---|
| <p>Goodwill impairment analysis</p> <p><i>Refer to pages 56, 65 – 66 of the financial statements</i></p> <p>As at 31 December 2021, the Company and the Group had goodwill amounting to EUR 30,327 thousand Eur.</p> <p>Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment.</p> <p>The assessment of the value in use requires numerous estimates and judgements made by the Company and the Group, as described in Note 3, 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.</p> | <p>Our audit procedures in relation to management's impairment assessment included, among others:</p> <ul style="list-style-type: none"> assessing design and implementation of key controls related management 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 testing source data from the business plan used to calculate the recoverable amount to supporting evidence: |

| | |
|---|---|
| <p>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.</p> | <ul style="list-style-type: none"> - 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 the Corporate Governance report, the Corporate Social Responsibility Report and the Remuneration 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 the Corporate Governance report and the Remuneration report, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report, including the Corporate Governance report and the Remuneration 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 the Corporate Governance report and the Remuneration report, 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, but excluding the Remuneration report, 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 judgement 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 30 April 2021 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 five 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 non-audit services except for the tax consulting services and translation of the financial statements services.

Report on the compliance of format of the consolidated financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of consolidated financial statements, including consolidated annual report, for the year ended 31 December 2021 (the "Single Electronic Reporting Format of the consolidated financial statements").

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the „ISAE 3000 (R)“). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group's' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, the Single Electronic Reporting Format of the consolidated financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

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

Deloitte Lietuva UAB
Audit Company License No 001275

Simonas Rimašauskas
Lithuanian Certified Auditor
License No 000466

Vilnius, Republic of Lithuania
28 April 2022

The auditor's electronic signature applies only to the Independent Auditor's Report.

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021
(all amounts are in thousand EUR unless otherwise stated)

Statements of financial position

| | Notes | Group | | Company | |
|-----------------------------------|-------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Goodwill | 3 | 30,327 | 30,327 | 30,327 | 30,327 |
| Intangible assets | 3 | 127 | 115 | 127 | 108 |
| Property, plant and equipment | 4 | 72 | 122 | 52 | 99 |
| Assets held | 4 | 346 | 219 | 221 | 103 |
| Investments in subsidiaries | 5 | - | - | 2,859 | 2,859 |
| Non-current receivables | | 47 | 23 | 15 | 23 |
| Deferred income tax asset | 17 | 851 | 954 | 817 | 917 |
| Total non-current assets | | 31,770 | 31,760 | 34,418 | 34,436 |
| Current assets | | | | | |
| Inventories | | - | 2 | - | 1 |
| Prepayments and deferred expenses | 6 | 6,244 | 7,837 | 4,107 | 6,741 |
| Trade receivables | 7 | 167 | 144 | 149 | 72 |
| Receivables from related parties | 20 | - | - | 177 | 389 |
| Prepaid income tax | | 70 | 70 | 69 | 69 |
| Other receivables | 7 | 471 | 184 | 361 | 832 |
| Other current financial assets: | 8 | - | - | - | - |
| Restricted cash | 9 | 200 | 2,300 | 200 | 2,300 |
| Cash and cash equivalents | 9 | 5,719 | 3,065 | 432 | 203 |
| Total current assets | | 12,871 | 13,602 | 5,495 | 10,607 |
| Total assets | | 44,641 | 45,362 | 39,913 | 45,043 |

(Continued in the next page)

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

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021
(all amounts are in thousand EUR unless otherwise stated)**Statements of financial position (continued)**

| | Notes | Group | | Company | |
|---|-------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Issued capital | 1 | 234 | 234 | 234 | 234 |
| Cash flow hedge reserve | | (3) | (421) | (3) | (421) |
| Legal reserve | 10 | 29 | 29 | 29 | 29 |
| Foreign currency translation reserve | 10 | 145 | 145 | - | - |
| Retained earnings | | 14,683 | 13,774 | 10,454 | 10,372 |
| Equity, attributable to the equity holders of the parent | | 15,088 | 13,761 | 10,714 | 10,214 |
| Non-controlling interests | | - | - | - | - |
| Total equity | | 15,088 | 13,761 | 10,714 | 10,214 |
| Payables and liabilities | | | | | |
| Non-current payables and liabilities | | | | | |
| Grants and subsidies | | - | - | - | - |
| Long term borrowings | 11 | 5,120 | 9,140 | 5,000 | 8,500 |
| Other non-current liabilities | 11 | 7,112 | 1,915 | 13,603 | 8,392 |
| Deferred tax liabilities | 17 | - | - | - | - |
| Lease liabilities | 4 | 207 | 83 | 134 | 23 |
| Total non-current payables and liabilities | | 12,439 | 11,138 | 18,737 | 16,915 |
| Current payables and liabilities | | | | | |
| Current portion of long-term loans | 11 | 2,094 | 3,061 | 1,578 | 2,699 |
| Current borrowings | 11 | - | 2,737 | - | 4,037 |
| Trade payables | | 4,896 | 1,961 | 1,062 | 1,191 |
| Payables to related parties | 20 | - | - | 2,559 | 2,478 |
| Advances received | | 8,615 | 10,876 | 4,522 | 6,241 |
| Income tax payable | | 6 | 7 | - | - |
| Other current liabilities and accrued expenses | 12 | 1,328 | 1,178 | 628 | 680 |
| Other current financial liabilities | 8 | 4 | 495 | 4 | 495 |
| Lease liabilities | 4 | 171 | 148 | 109 | 93 |
| Total current payables and liabilities | | 17,114 | 20,463 | 10,462 | 17,914 |
| Total equity and liabilities | | 44,641 | 45,362 | 39,913 | 45,043 |

(Concluded)

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

| | | |
|-------------------------|--------------------|---------------|
| Chief Executive Officer | Vitalij Rakovski | 28 April 2022 |
| Financial Director | Giedrius Ribakovas | 28 April 2022 |
| Chief Financier | Jolanta Žemaitytė | 28 April 2022 |

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021
(all amounts are in thousand EUR unless otherwise stated)**Statements of comprehensive income**

| | Notes | Group | | Company | |
|---|-------|---------------|----------------|--------------|----------------|
| | | 2021 | 2020 | 2021 | 2020 |
| Sales | 13 | 108,995 | 32,894 | 59,466 | 14,780 |
| Cost of sales | 14 | (95,506) | (29,299) | (52,004) | (13,476) |
| Gross profit | | 13,489 | 3,595 | 7,462 | 1,304 |
| Selling (expenses) | 15 | (8,967) | (4,112) | (4,179) | (1,831) |
| General and administrative (expenses) | 15 | (2,228) | (3,234) | (1,701) | (2,424) |
| Other operating income | | 111 | 189 | 4 | 11 |
| Other operating (expenses) | | (2) | (2) | - | - |
| Operating profit | | 2,403 | (3,564) | 1,586 | (2,940) |
| Finance income | 16 | 70 | 737 | 69 | 584 |
| Finance (expenses) | 16 | (1,535) | (3,723) | (1,547) | (3,558) |
| Profit before tax | | 938 | (6,550) | 108 | (5,914) |
| Income tax (expenses) | 17 | (29) | 800 | (26) | 829 |
| Net profit | | 909 | (5,750) | 82 | (5,085) |
| Other comprehensive income, to be reclassified to profit or loss in subsequent periods | | | | | |
| Result of changes in cash flow hedge reserve | 8 | 492 | (756) | 492 | (756) |
| Impact of income tax | 17 | (74) | 113 | (74) | 113 |
| Total other comprehensive income | | 418 | (643) | 418 | (643) |
| Total comprehensive income | | 1,327 | (6,393) | 500 | (5,728) |
| Net profit attributable to: | | | | | |
| To the equity holders of the Company | | 909 | (5,750) | 82 | (5,085) |
| Non-controlling interests | | - | - | - | - |
| | | 909 | (5,750) | 82 | (5,085) |
| Total comprehensive income attributable to: | | | | | |
| To the equity holders of the Company | | 1,327 | (6,393) | 500 | (5,728) |
| Non-controlling interests | | - | - | - | - |
| | | 1,327 | (6,393) | 500 | (5,728) |
| Earnings per share (EPS) for continuing operations: | | | | | |
| Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (in EUR) | 21 | 0.12 | (0.74) | | |

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

| | | |
|-------------------------|--------------------|---------------|
| Chief Executive Officer | Vitalij Rakovski | 28 April 2022 |
| Financial Director | Giedrius Ribakovas | 28 April 2022 |
| Chief Financier | Jolanta Žemaitytė | 28 April 2022 |

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity

| Group | Notes | Equity, attributable to the equity holders of the parent | | | | | | | Total |
|---------------------------------------|-------|--|---------------|-------------------------|-------------------|--------------------------------------|---|--------------------------|---------------|
| | | Issued capital | Legal reserve | Cash flow hedge reserve | Retained earnings | Foreign currency translation reserve | Equity attributable to the equity holders of the parent company | Non-controlling interest | |
| Balance as at 31 December 2019 | | 234 | 29 | 222 | 19,524 | 145 | 20,154 | - | 20,154 |
| Net profit for the year | | - | - | - | (5,750) | - | (5,750) | - | (5,750) |
| Other comprehensive income | | - | - | (643) | - | - | (643) | - | (643) |
| Total comprehensive income | | - | - | (643) | (5,750) | - | (6,393) | - | (6,393) |
| Increase in issued capital | | - | - | - | - | - | - | - | - |
| Dividends declared | 20 | - | - | - | - | - | - | - | - |
| Balance as at 31 December 2020 | | 234 | 29 | (421) | 13,774 | 145 | 13,761 | - | 13,761 |
| Net profit for the year | | - | - | - | 909 | - | 909 | - | 909 |
| Other comprehensive income | | - | - | 418 | - | - | 418 | - | 418 |
| Total comprehensive income | | - | - | 418 | 909 | - | 1,327 | - | 1,327 |
| Increase in issued capital | | - | - | - | - | - | - | - | - |
| Dividends declared | 20 | - | - | - | - | - | - | - | - |
| Balance as at 31 December 2021 | | 234 | 29 | (3) | 14,683 | 145 | 15,088 | - | 15,088 |

(Continued in the next page)

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity (continued)

| Company | Notes | Issued capital | Legal reserve | Cash flow hedge reserve | Retained earnings | Total |
|---------------------------------------|-------|----------------|---------------|-------------------------|-------------------|---------------|
| Balance as at 31 December 2019 | | 234 | 29 | 222 | 15,457 | 15,942 |
| Net profit for the year | | - | - | - | (5,085) | (5,085) |
| Other comprehensive income | | - | - | (643) | - | (643) |
| Total comprehensive income | | - | - | (643) | (5,085) | (5,728) |
| Increase in issued capital | | - | - | - | - | - |
| Dividends declared | 20 | - | - | - | - | - |
| Balance as at 31 December 2020 | | 234 | 29 | (421) | 10,372 | 10,214 |
| Net profit for the year | | - | - | - | 82 | 82 |
| Other comprehensive income | | - | - | 418 | - | 418 |
| Total comprehensive income | | - | - | 418 | 82 | 500 |
| Increase in issued capital | | - | - | - | - | - |
| Dividends declared | 20 | - | - | - | - | - |
| Balance as at 31 December 2021 | | 234 | 29 | (3) | 10,454 | 10,714 |

(Concluded)

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

| | | | |
|-------------------------|--------------------|--|---------------|
| Chief Executive Officer | Vitalij Rakovski | | 28 April 2022 |
| Financial Director | Giedrius Ribakovas | | 28 April 2022 |
| Chief Financier | Jolanta Žemaitytė | | 28 April 2022 |

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021
(all amounts are in thousand EUR unless otherwise stated)**Statements of cash flows**

| Notes | Group | | Company | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Cash flows from operating activities | | | | |
| | 909 | (5,750) | 82 | (5,085) |
| Adjustments for non-cash items: | | | | |
| | 321 | 441 | 243 | 289 |
| 17 | 103 | (924) | 100 | (942) |
| 17 | - | 11 | - | - |
| | 1,518 | 206 | 1,482 | 724 |
| | 2,851 | (6,016) | 1,907 | (5,014) |
| Changes in working capital: | | | | |
| | 2 | 2 | 1 | - |
| | (23) | 508 | 788 | (413) |
| | (287) | 951 | (182) | 766 |
| | 1,569 | 1,333 | 2,642 | (1,769) |
| | 2,935 | (2,212) | (48) | (2,957) |
| | (2,261) | (4,121) | (1,719) | 2 |
| | (342) | (1,485) | (541) | (1,142) |
| | 4,444 | (11,040) | 2,848 | (10,527) |
| | (1,093) | (847) | (1,067) | (1,008) |
| | (1) | (232) | - | (132) |
| | 3,350 | (12,119) | 1,781 | (11,667) |
| Cash flows used in investing activities | | | | |
| | (112) | (55) | (102) | (53) |
| | - | - | - | - |
| | - | 31 | - | 1 |
| | (112) | (24) | (102) | (52) |

(Continued in the next page)

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

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021
(all amounts are in thousand EUR unless otherwise stated)**Statements of cash flows (continued)**

| | Notes | Group | | Company | |
|---|-------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Cash flows from/used in financing activities | | | | | |
| Loans received | 11 | 11,988 | 16,116 | 11,958 | 16,391 |
| (Repayment) of loans | 11 | (14,515) | (5,263) | (15,405) | (5,763) |
| Dividends (paid) | | - | - | - | - |
| Lease payments | | (157) | (199) | (103) | (97) |
| Net cash (used in) financing activities | | (2,684) | 10,654 | (3,550) | 10,531 |
| Net increase (decrease) in cash flows | | 554 | (1,489) | (1,871) | (1,188) |
| Cash and cash equivalents at the beginning of the period | | 5,365 | 6,854 | 2,503 | 3,691 |
| Cash and cash equivalents at the end of the period | | 5,919 | 5,365 | 632 | 2,503 |

(Concluded)

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

| | | |
|-------------------------|--------------------|---------------|
| Chief Executive Officer | Vitalij Rakovski | 28 April 2022 |
| Finance Manager | Giedrius Ribakovas | 28 April 2022 |
| Chief Financier | Jolanta Žemaitytė | 28 April 2022 |

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, LT-44245, Lithuania.

Principal place of business – The Baltic States.

Name of the Company and other methods of identification have not changed from the end of the previous reporting period.

Novaturas AB has no parent company.

Novaturas AB has no major parent company.

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 2021 | | As at 31 December 2020 | |
|--------------------|------------------------|-----------------------|------------------------|-----------------------|
| | Number of shares held | Ownership interest, % | Number of shares held | Ownership interest, % |
| Rendez Vous OU | 650,983 | 8.34 | 800,000 | 10.25 |
| Moonrider OU | 543,346 | 6.96 | 780,000 | 9.99 |
| ME Investicija UAB | 779,900 | 9.99 | 779,900 | 9.99 |
| Ugnius Radvila | 740,702 | 9.49 | 740,702 | 9.49 |
| Rytis Šūmakaris | 535,278 | 6.86 | 535,278 | 6.86 |
| Vidas Paliūnas | 535,278 | 6.86 | 535,278 | 6.86 |
| Rondam AS | - | - | 410,000 | 5.25 |
| Other | 4,021,513 | 51.50 | 3,225,842 | 41.32 |
| Total | 7,807,000 | 100.00 | 7,807,000 | 100.00 |

ME Investicija – investment company managing Girtėka, one of the leading transport and logistics companies in Europe.

Janek Pohla, Manager of Rendez Vous OU, is also the founder and board member of Take Outdoors. Take Outdoors has been a successful manufacturer and distributor of water sports equipment for more than 25 years, and is one of the leaders in the field in Europe.

Moonrider OU is under control of Estonian investment company Go Group, which operates in the fields of tourism, transport, real estate and engineering.

Companies, belonging to the Rondam AS group, operate the largest hotel in Tartu Dorpat with the SPA centre, as well as one of the best-rated hotels in Tallinn, Lydia.

All shares with a nominal value of EUR 0.03 each are ordinary and were fully paid as at 31 December 2021 and 2020. Subsidiaries did not hold any shares of the Company as at 31 December 2021 and 2020. The Company also did not hold its own shares.

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

| Company | Registered office | Part of shares held by the Group as at 31 December 2021, % | Part of shares held by the Group Balance as at 31 December 2020, % | Core activities |
|-----------------------------|---|--|--|---|
| Novatours SIA | Kr. Valdemara St. 100, Riga, Latvia | 100 | 100 | Organization and distribution of tours. |
| Novatours OU | Ravala g. 6, Tallinn, Estonia | 100 | 100 | Organization and distribution of tours. |
| Aviaturas ir Partneriai UAB | Konstitucijos ave. 15/5, Vilnius, Lithuania | 100 | 100 | Organization and distribution of tours. |

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

| | | | | |
|---------------------------|---|-----|-----|--|
| Novatours Holidays SRL | M. Caramfil st. 53, Bucuresht, Romania | 100 | 100 | Organization and distribution of tours. |
|---------------------------|---|-----|-----|--|

In 2021 and 2020 the subsidiary of the Company SRL Novatours Holidays was not active.

As at 31 December 2021 and 2020, 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.

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 2021, 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 28 April 2022. 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 derivatives that are carried at fair value.

Application of new and/or changed IFRS and interpretations issued by International Accounting Standards Board (IASB)

The Group and the Company first adopted these IFRSs and amendments thereto for the financial year ended 31 December 2021:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases - Interest Rate Benchmark Reform – Phase 2 – adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 16 Leases – COVID-19-Related Rent Concessions beyond 30 June 2021 – adopted by the EU on 30 August 2021 (effective at the latest, as from 1 January 2021 for financial years starting on or after 1 January 2021),
- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 – adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),

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.

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:

- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework with amendments to IFRS 3 – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- IFRS 17 Insurance Contracts including amendments to IFRS 17 – adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

Amendments to various standards due to Improvements to IFRSs (cycle 2018–2020) resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (the amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.).

2 Accounting principles (continued)

2.1. Basis of preparation (continued)

Standards, interpretations and amendments that are not yet adopted by the European Union and which the Company has not started applying ahead of time

At the date of approval of these financial statements, the following standards, amendments and interpretations to existing standards, approved by the International Accounting Standards Board (IASB) and adopted by the EU, have been issued but are not yet effective:

- 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,
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 Income taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- 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).

There are no other new or updated standards that are not yet effective but are expected to have a material impact on the Group's and the Company's financial statements.

2.2. Functional and presentation currency

The amounts shown in these financial statements are presented in 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 Accounting principles (continued)

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.

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 that 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 Accounting principles (continued)

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.

2.7. 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.

2 Accounting principles (continued)

2.8. Financial assets (continued)

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 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.

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

Amortised cost and effective interest method

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.

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 and fair value through profit or loss. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. 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.

2 Accounting principles (continued)

2.8. Financial assets (continued)

(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.

2.9. 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, this change is recognized as initial derecognition and establishment of a new liability. Similarly, the Group and the Company accounts for substantial modification of terms of an existing liability or part of it as initial derecognition 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% 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 Accounting principles (continued)

2.10. Hedge accounting

The Group and the Company 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.

Cash flow hedges

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, in the line item "Gain or loss from derivatives".

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.

Fair value hedges

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.

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/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.

2 Accounting principles (continued)

2.11. Fair value (continued)

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/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/the Company's management at each reporting date. For the purpose of fair value disclosures, the Group/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 that are readily convertible to known amounts of cash with original maturities of 3 months or less 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 2021 and 2020.

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

Determining whether an agreement is a lease is based on information at the date of signature of the agreement. The evaluation shall address whether the arrangement is dependent on the use of a specific asset 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, and financial lease also gives rise to financial expenses in the Group's and the Company's statement of comprehensive income for each reporting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned, however, these assets cannot be depreciated over the period longer than lease term, unless the ownership is transferred to the Group or the Company under the lease contract at the end of the lease.

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 Accounting principles (continued)

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 five 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%.

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 Accounting principles (continued)

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 for goods and services, net of VAT, 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.

In preparing the financial statements for 2021, the Group and the Company evaluated IFRS 15, which changed the date of recognition of income and expenses to a later date.

Block chair revenue recognized under gross revenue method.

Advance payments are received from clients, paying according to the standard schedule. Based on this, the client pays 20% at the moment of booking with remaining 80% 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.

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 to capitalize agency commission expenses as required IFRS 15, because the amount is significant.

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.

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 Accounting principles (continued)

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 2.4 and 3), impairment evaluation of other assets (Notes 2.19, 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. Events after the reporting period

Events after the reporting period 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. Events after the reporting period 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.

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets

Group

| | Goodwill | Software | Total |
|--|-----------------|-----------------|---------------|
| Acquisition cost: | | | |
| Balance as at 31 December 2019 | 30,327 | 712 | 31,039 |
| Additions | - | 37 | 37 |
| Write-offs | - | (28) | (28) |
| Balance as at 31 December 2020 | 30,327 | 721 | 31,048 |
| Additions | - | 95 | 95 |
| Write-offs | - | - | - |
| Balance as at 31 December 2021 | 30,327 | 816 | 31,143 |
| Accumulated amortization/impairment: | | | |
| Balance as at 31 December 2019 | - | 464 | 464 |
| Amortisation charge for the year | - | 149 | 149 |
| Write-offs | - | (7) | (7) |
| Balance as at 31 December 2020 | - | 606 | 606 |
| Amortisation charge for the year | - | 83 | 83 |
| Write-offs | - | - | - |
| Balance as at 31 December 2021 | - | 689 | 689 |
| Net book value as at 31 December 2021 | 30,327 | 127 | 30,454 |
| Net book value as at 31 December 2020 | 30,327 | 115 | 30,442 |
| Net book value as at 31 December 2019 | 30,327 | 248 | 30,575 |

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets (continued)

Company

| | Goodwill | Software | Total |
|--|-----------------|-----------------|---------------|
| Acquisition cost: | | | |
| Balance as at 31 December 2019 | 30,327 | 593 | 30,920 |
| Additions | - | 37 | 37 |
| Write-offs | - | - | - |
| Balance as at 31 December 2020 | 30,327 | 630 | 30,957 |
| Additions | - | 93 | 93 |
| Write-offs | - | - | - |
| Balance as at 31 December 2021 | 30,327 | 723 | 31,050 |
| Accumulated amortization/impairment: | | | |
| Balance as at 31 December 2019 | - | 407 | 407 |
| Amortisation charge for the year | - | 115 | 115 |
| Write-offs | - | - | - |
| Balance as at 31 December 2020 | - | 522 | 522 |
| Amortisation charge for the year | - | 74 | 74 |
| Write-offs | - | - | - |
| Balance as at 31 December 2021 | - | 596 | 596 |
| Net book value as at 31 December 2021 | 30,327 | 127 | 30,454 |
| Net book value as at 31 December 2020 | 30,327 | 108 | 30,435 |
| Net book value as at 31 December 2019 | 30,327 | 186 | 30,513 |

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 consolidated financial statements of the Group and separate financial statements of the Company. The goodwill is not amortized, but it is tested for impairment.

The recoverable amount of every cash-generating unit as at 31 December 2021 and 2020 was determined based on the expected future cash flows in accordance with five-year forecasts approved by the management. The main assumptions on which cash flow projections are based in 2021 and 2020 are described below. When determining the recoverable amount of cash generating unit in 2021 and 2020, 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. Revenue will grow significantly from 2021 for several years until approx. 2023–2024 before reaching pre COVID-19 pandemic levels, and then will continue to grow moderately due to increasing prices and recovering market. Cash flows after five 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 before tax was evaluated based on cash generating unit average weighted cost of capital and amounted to 10.25% (pre-tax) in 2021 (in 2020: 10.46%).

Based on the estimated recoverable values of cash generating unit as at 31 December 2021 and 2020, 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 2021 and 2020 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 2021 and 2020 are included within selling, general and administrative expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 685 thousand as at 31 December 2021 (as at 31 December 2020: EUR 367 thousand) was fully amortized, but was still in use by the Group. Software with the acquisition cost of EUR 594 thousand as at 31 December 2021 (as at 31 December 2020: EUR 334 thousand) was fully amortized, but was still in use by the Company.

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment

| Group | Machinery and equipment | Vehicles | Other non- current assets | Total |
|--|----------------------------|-----------|------------------------------|------------|
| Acquisition cost: | | | | |
| Balance as at 31 December 2019 | 210 | 257 | 231 | 698 |
| Additions | 8 | 10 | - | 18 |
| Write-offs | (39) | (31) | (18) | (88) |
| Balance as at 31 December 2020 | 179 | 236 | 213 | 628 |
| Additions | 9 | - | 9 | 18 |
| Write-offs | - | - | - | - |
| Balance as at 31 December 2021 | 188 | 236 | 2232 | 646 |
| Accumulated depreciation: | | | | |
| Balance as at 31 December 2019 | 146 | 168 | 176 | 490 |
| Depreciation for the year | 37 | 39 | 17 | 93 |
| Write-offs | (34) | (26) | (17) | (77) |
| Balance as at 31 December 2020 | 149 | 181 | 176 | 506 |
| Depreciation for the year | 26 | 29 | 13 | 68 |
| Write-offs | - | - | - | - |
| Balance as at 31 December 2021 | 175 | 210 | 189 | 574 |
| Net book value as at 31 December 2021 | 13 | 26 | 33 | 72 |
| Net book value as at 31 December 2020 | 30 | 55 | 37 | 122 |
| Net book value as at 31 December 2019 | 64 | 89 | 55 | 208 |

4 Property, plant and equipment (continued)

| Company | Machinery and equipment | Vehicles | Other non- current assets | Total |
|--|----------------------------|-----------|------------------------------|------------|
| Acquisition cost: | | | | |
| Balance as at 31 December 2019 | 145 | 249 | 97 | 491 |
| Additions | 6 | 10 | - | 16 |
| Write-offs | - | (16) | - | (16) |
| Balance as at 31 December 2020 | 151 | 243 | 97 | 491 |
| Additions | 9 | - | - | 9 |
| Write-offs | - | - | - | - |
| Balance as at 31 December 2021 | 160 | 243 | 97 | 500 |
| Accumulated depreciation: | | | | |
| Balance as at 31 December 2019 | 99 | 169 | 70 | 338 |
| Depreciation for the year | 26 | 34 | 10 | 70 |
| Write-offs | (2) | (14) | - | (16) |
| Balance as at 31 December 2020 | 123 | 189 | 80 | 392 |
| Depreciation for the year | 21 | 29 | 6 | 56 |
| Write-offs | - | - | - | - |
| Balance as at 31 December 2021 | 144 | 218 | 86 | 448 |
| Net book value as at 31 December 2021 | 16 | 25 | 11 | 52 |
| Net book value as at 31 December 2020 | 28 | 54 | 17 | 99 |
| Net book value as at 31 December 2019 | 46 | 80 | 27 | 153 |

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 2021 and 2020 are included within operating expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 470 thousand and EUR 331 thousand, respectively, were fully depreciated as at 31 December 2021 (as at 31 December 2020: EUR 357 thousand and EUR 213 thousand, respectively), but were still in use. Depreciated property, plant and equipment still in use consist of computer hardware and other equipment.

The Group and the Company had several contracts of finance lease of offices and cars concluded as at 31 December 2021 and 2020. 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 long-term leases.

Right-of-use assets

| | 2021 | |
|--|------------|------------|
| | Group | Company |
| Acquisition cost | | |
| Balance as at 31 December 2021 | 517 | 333 |
| Accumulated depreciation | | |
| Depreciation for the year | 171 | 112 |
| Net book value as at 31 December 2021 | 346 | 221 |

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

| | 2020 | |
|--|--------------|----------------|
| | Group | Company |
| Acquisition cost | | |
| Balance as at 31 December 2020 | 418 | 206 |
| Accumulated depreciation | | |
| Depreciation for the year | 199 | 103 |
| Net book value as at 31 December 2020 | 219 | 103 |
| Amounts recognised in profit and loss | | |
| | 2021 | |
| | Group | Company |
| Depreciation expense on right-of-use assets | 171 | 112 |
| Interest expense on lease liabilities | 17 | 11 |
| Expense relating to short-term leases | 157 | 103 |
| | 2020 | |
| | Group | Company |
| Depreciation expense on right-of-use assets | 199 | 103 |
| Interest expense on lease liabilities | 13 | 12 |
| Expense relating to short-term leases | 199 | 97 |
| Lease liabilities | | |
| | 2021 | |
| | Group | Company |
| Non-current lease liabilities | 207 | 134 |
| Current lease liabilities | 171 | 108 |
| | 2020 | |
| | Group | Company |
| Non-current lease liabilities | 83 | 23 |
| Current lease liabilities | 148 | 93 |

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

5 Investments in subsidiaries

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

| Subsidiary | 2021 | | | | 2020 | | | |
|-----------------------------|------------------|--------------------|---------------------------------|----------------------|------------------|--------------------|---------------------------------|----------------------|
| | 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 | (175) | 468 | 1,073 | 100 | (489) | 752 |
| Novatours OU | 1,786 | 100 | 931 | 6,697 | 1,786 | 100 | (349) | 5,913 |
| Aviaturas ir Partneriai UAB | 361 | 100 | 76 | 56 | 361 | 100 | (178) | (20) |
| Novatours Holidays SRL | 95 | 100 | - | - | 95 | 100 | - | - |
| (Impairment) | (456) | - | - | - | (456) | - | - | - |
| Total | 2,859 | | | | 2,859 | | | |

Impairment of investment into subsidiary SRL Novatours Holidays was accounted for as at 31 December 2021 and 2020. Impairment of the investment in Aviaturas ir Partneriai UAB was accounted for as at 31 December 2021 and 2020.

As at 31 December 2021 and 2020, 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 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Prepayments and deferred expenses | 6,244 | 8,003 | 4,107 | 6,741 |
| Less: impairment | - | (166) | - | - |
| | 6,244 | 7,837 | 4,107 | 6,741 |

The main part of the Group's and the Company's prepayments and deferred expenses as at 31 December 2021 and 2020 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 2021 and 2020 has been included into general and administrative expenses.

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

(all amounts are in thousand EUR unless otherwise stated)

7 Trade, other and long term receivables

| | Group | | Company | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Trade receivables, gross | 298 | 275 | 269 | 192 |
| VAT receivable | 159 | 71 | 132 | 71 |
| Accrued revenue from government subsidies | 142 | - | 56 | - |
| Other receivables | 170 | 113 | 173 | 761 |
| Less: allowance for doubtful receivables | (131) | (131) | (120) | (120) |
| | 638 | 328 | 510 | 904 |

Change in allowance for doubtful receivables for the year 2021 and 2020 has been included into general and administrative expenses.

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

| | Group Individually assessed impairment | Company Individually assessed impairment |
|---------------------------------------|---|---|
| Balance as at 31 December 2019 | (11) | - |
| Reversal of impairment for the year | - | - |
| Written off amounts | - | - |
| Impairment loss for the year | (120) | (120) |
| Balance as at 31 December 2020 | (131) | (120) |
| Reversal of impairment for the year | - | - |
| Written off amounts | - | - |
| Impairment loss for the year | - | - |
| Balance as at 31 December 2021 | (131) | (120) |

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 | | | | | Total |
|-------------|---|--|-------------------|-----------------------|------------------------|-------------------------------|--------------|
| | | Less than 30 days | 30-60 days | 60-90 days | 90-120 days | More than 120 days | |
| 2020 | 11 | 38 | 4 | 1 | 6 | 84 | 144 |
| 2021 | 2 | 50 | 10 | 30 | 9 | 66 | 167 |

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 | | | | | Total |
|-------------|---|--|-------------------|-----------------------|------------------------|-------------------------------|--------------|
| | | Less than 30 days | 30-60 days | 60-90 days | 90-120 days | More than 120 days | |
| 2020 | 3 | 3 | 3 | - | 3 | 60 | 72 |
| 2021 | 20 | 15 | 6 | 12 | 26 | 70 | 149 |

No interests are applied for trade receivables from clients. Generally, the Group and the Company require 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.

8 Other current financial assets and other current and non-current financial liabilities

| | Group | | Company | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Other current financial liabilities at other comprehensive income | | | | |
| Derivatives that are subject to hedge accounting (effective part) | 4 | 495 | 4 | 495 |
| Total other current and non-current financial liabilities | 4 | 495 | 4 | 495 |

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 IAS 39.

As at 31 December 2021, the Group and the Company accounted for current liability of EUR 4 thousand, which was accounted for in the financial statements under the caption of other current financial liabilities. Related loss of EUR 212 thousand was accounted for in the other comprehensive income (Note 16).

As at 31 December 2020, the Group and the Company accounted for current liability of EUR 495 thousand, which was accounted for in the financial statements under the caption of other current financial liabilities. Related loss of EUR 2,242 thousand was accounted for in the other comprehensive income (Note 16).

During the year of 2021, the Group and the Company has accounted for the loss of EUR 212 thousand in profit or loss of the statement of comprehensive income.

During the year of 2020, the Group and the Company has accounted for the loss of EUR 2,242 thousand in profit or loss of the statement of comprehensive income.

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(all amounts are in thousand EUR unless otherwise stated)

9 Cash, cash equivalents and restricted cash

| | Group | | Company | |
|-----------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Cash at bank | 5,653 | 3,037 | 407 | 187 |
| Cash on hand | 66 | 28 | 25 | 16 |
| Cash in transit | - | - | - | - |
| Restricted cash | 200 | 2,300 | 200 | 2,300 |
| | 5,919 | 5,365 | 632 | 2,503 |

EUR 2,100 thousand from cash at bank was restricted till 31 December 2020 for the issued bank guarantees according to law requirements and EUR 200 thousand for credit card payments.

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 2021 and 2020 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 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Long term borrowings | | | | |
| Luminor Bank AS loan, annual interest rate – 3 month EURIBOR + 3.80% | - | 6,000 | - | 6,000 |
| Luminor Bank AS loan, annual interest rate – 3 month EURIBOR + 3.00% | 5,000 | 5,000 | 5,000 | 5,000 |
| Limited partnership "Pagalbos verslui fondas" ordinary bonds of 5.50% | 5,000 | - | 5,000 | - |
| Altum loan, annual interest rate – 2.9% | 600 | 1,000 | - | - |
| Novatours OU loan, annual interest rate – 3 month EURIBOR + 2.68% | - | - | 6,500 | 6,500 |
| Loan granted by Investicijų ir verslo garantijos UAB, annual interest rate – 1.69% | 2,208 | 1,000 | 2,208 | 1,000 |
| Tax credits | 1,518 | 1,116 | 1,473 | 1,091 |
| Total non-current borrowings | 14,326 | 14,116 | 20,181 | 19,591 |
| Less: current portion of long-term borrowings | (2,094) | (3,061) | (1,578) | (2,699) |
| | 12,232 | 11,055 | 18,603 | 16,892 |
| Current borrowings | | | | |
| Loan granted by Novatours SIA (EUR), annual interest rate – 3.08% | - | - | - | 1,300 |
| Credit line facility, annual interest rate – 3-month EURIBOR + 4.00% | - | 2,737 | - | 2,737 |
| Current portion of long-term loans | 2,094 | 3,061 | 1,578 | 2,699 |
| | 2,094 | 5,798 | 1,578 | 6,736 |

11 Borrowings (continued)

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

| | <u>Group</u> | | <u>Company</u> | |
|----------------------|--------------|-------------|----------------|-------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Current borrowings | - | 4.0% | - | 4.0% |
| Long term borrowings | 3.8% | 3.7% | 3.4% | 3.7% |

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

| Years | <u>Group</u> | | <u>Company</u> | |
|-------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | <u>As at 31 December 2021</u> | <u>As at 31 December 2020</u> | <u>As at 31 December 2021</u> | <u>As at 31 December 2020</u> |
| 2021 | - | 5,772 | - | 6,736 |
| 2022 | 2,094 | 7,501 | 1,578 | 6,995 |
| 2023 | 707 | 2,994 | 578 | 2,821 |
| 2024 | 2,245 | - | 2,245 | - |
| Later | 9,280 | 586 | 15,780 | 7,076 |
| | 14,326 | 16,853 | 20,181 | 23,628 |

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

| Currency of the borrowing: | <u>Group</u> | | <u>Company</u> | |
|----------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | <u>As at 31 December 2021</u> | <u>As at 31 December 2020</u> | <u>As at 31 December 2021</u> | <u>As at 31 December 2020</u> |
| EUR | 14,326 | 16,853 | 20,181 | 23,628 |
| | 14,326 | 16,853 | 20,181 | 23,628 |

As at 31 December 2021 and 2020, shares of Novatours SIA, Novatours OU ir Aviaturas ir Partneriai UAB owned by the Company were pledged to Luminor Bank AS for long-term loan granted (Note 5).

As at 31 December 2021, the Group's and the Company's unused credit facility amounted to EUR 3,043 thousand.

In accordance with the credit and loan agreements, the Group and the Company had to comply with financial and non-financial ratios and covenants in 2021.

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12 Other current liabilities and accrued expenses

| | Group | | Company | |
|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| | As at 31 December 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Employment related liabilities | 403 | 495 | 143 | 292 |
| Taxes payable (except for income tax) | 55 | 60 | 20 | 5 |
| Other payables and accrued expenses | 870 | 623 | 465 | 383 |
| | 1,328 | 1,178 | 628 | 680 |

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

13 Sales

| | Group | | Company | |
|----------------------------|----------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Flight package tours | 96,650 | 27,125 | 49,819 | 10,823 |
| Sightseeing tours by coach | 103 | 88 | 103 | 88 |
| Sightseeing tours by plane | 301 | 386 | 295 | 310 |
| Other sales | 11,941 | 5,295 | 9,249 | 3,559 |
| | 108,995 | 32,894 | 59,466 | 14,780 |

14 Cost of sales

| | Group | | Company | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of flight package tours | 83,738 | 24,653 | 44,465 | 10,216 |
| Cost of sightseeing tours by coach | 109 | 92 | 109 | 92 |
| Cost of sightseeing tours by plane | 262 | 353 | 256 | 273 |
| Cost of other sales | 11,397 | 4,201 | 7,174 | 2,895 |
| | 95,506 | 29,299 | 52,004 | 13,476 |

15 Selling, general and administrative expenses

| | Group | | Company | |
|------------------------------------|--------------|--------------|----------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Selling expenses | | | | |
| Agency commissions | 6,288 | 1,749 | 2,663 | 625 |
| Salaries and related taxes | 1,779 | 1,568 | 1,108 | 869 |
| Advertising and marketing expenses | 595 | 472 | 369 | 286 |
| Depreciation and amortisation | 152 | 170 | 101 | 95 |
| Rent and maintenance expenses | 51 | 57 | 23 | 24 |
| Business trip expenses | 17 | 9 | 13 | 5 |
| Communication expenses | 35 | 29 | 13 | 10 |
| Transportation expenses | 29 | 22 | 16 | 7 |
| Representation expenses | 2 | 8 | 2 | 7 |
| Training expenses | - | 1 | - | - |
| Other | 19 | 27 | (129)* | (97)* |
| | 8,967 | 4,112 | 4,179 | 1,831 |

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

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15 Selling, general and administrative expenses (continued)

| | Group | | Company | |
|--|--------------|--------------|----------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| General and administrative expenses | | | | |
| Salaries and related taxes | 1,014 | 1,022 | 815 | 668 |
| Depreciation and amortisation | 169 | 271 | 142 | 194 |
| Representation expenses | 35 | 32 | 20 | 12 |
| Consulting expenses | 218 | 275 | 100 | 177 |
| Business trip expenses | 8 | 10 | 7 | 7 |
| Rent and maintenance expenses | 30 | 32 | 23 | 23 |
| Transportation expenses | 35 | 35 | 30 | 27 |
| Communication expenses | 22 | 23 | 14 | 13 |
| Training expenses | 12 | 4 | 10 | 3 |
| Other | 685 | 1,530 | 540 | 1,300 |
| | 2,228 | 3,234 | 1,701 | 2,424 |

16 Finance income (expenses), net

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income | - | 12 | - | 12 |
| Foreign exchange gain | 1 | 705 | - | 552 |
| Other financial income (including fines and penalties) | 69 | 20 | 69 | 20 |
| Finance income | 70 | 737 | 69 | 584 |
| Interest expense | (1,098) | (847) | (1,239) | (1,008) |
| Loss from derivatives | - | (2,044) | - | (1,499) |
| Foreign currency exchange loss | (437) | (820) | (306) | (683) |
| Other finance expenses | | (12) | (2) | (368) |
| Finance expenses | (1,535) | (3,723) | (1,547) | (3,558) |
| | (1,465) | (2,986) | (1,478) | 2,974 |

17 Income tax

| | Group | | Company | |
|---|--------------|--------------|----------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Components of the income tax expenses (income) | | | | |
| Current income tax for the reporting year | - | 11 | - | - |
| Deferred tax expenses (income) | 29 | (811) | 26 | (829) |
| Income tax (income) expenses recorded in the statement of comprehensive income | 29 | (800) | 26 | (829) |

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(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (continued)

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Deferred income tax asset | | | | |
| Tax loss carry forward | 658 | 692 | 658 | 692 |
| Impairment of investments and loans granted | - | - | - | - |
| Impairment of receivables | 166 | 164 | 140 | 137 |
| Unrealised loss of derivatives | 1 | 74 | 1 | 74 |
| Other accruals | 26 | 24 | 18 | 14 |
| Deferred tax asset, net of fair value allowance | 851 | 954 | 817 | 917 |
| Deferred tax liability | | | | |
| Amortisation of goodwill | - | - | - | - |
| Unrealised gain of derivatives | - | - | - | - |
| Deferred tax liability | - | - | - | - |
| Deferred tax, net | 851 | 954 | 817 | 917 |
| Deferred income tax asset | 851 | 954 | 817 | 917 |
| Deferred tax liabilities | - | - | - | - |

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.

While assessing deferred tax assets and liabilities for the Lithuanian entities, 15% tax rate was applied in 2021 and 2020.

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. Should the management make a decision to distribute all retained profits of OU Novatours (Estonia), which amounted to EUR 6,502 thousand as at 31 December 2021, and to pay dividends, income tax liability would amount to EUR 1,300 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:

| | Balance as at 31 December 2020 | Recognized in profit or loss | Recognised in other comprehensive income | Balance as at 31 December 2021 |
|--|--------------------------------------|---------------------------------|---|--------------------------------------|
| Tax loss carry forward | 4,610 | (222) | - | 4,388 |
| Impairment of investments and loans granted | - | - | - | - |
| Allowance for doubtful accounts receivable | 1,092 | 18 | - | 1,110 |
| Amortization of goodwill and other intangibles | - | - | - | - |
| Derivatives | 495 | - | (492) | 3 |
| Other accruals | 160 | 10 | - | 170 |
| Total temporary differences before valuation allowance | 6,357 | (194) | (492) | 5,671 |
| Less: allowance | - | - | - | - |
| Total temporary differences | 6,357 | (194) | (492) | 5,671 |
| Deferred tax, net | 954 | (29) | (74) | 851 |

CONSOLIDATED AND THE COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2021

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17 Income tax (continued)

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

| | Balance as at 31 December 2020 | Recognized in profit or loss | Recognised in other comprehensive income | Balance as at 31 December 2021 |
|--|--------------------------------------|---------------------------------|---|--------------------------------------|
| Tax loss carry forward | 4,610 | (222) | - | 4,388 |
| Impairment of investments and loans granted | 1,495 | - | - | 1,495 |
| Allowance for doubtful accounts receivable | 915 | 19 | - | 934 |
| Derivatives | 495 | - | (492) | 3 |
| Other accruals | 96 | 27 | - | 123 |
| Amortisation of goodwill | - | - | - | - |
| Total temporary differences before valuation allowance | 7,611 | (176) | (492) | 6,943 |
| Less: allowance | (1,495) | - | - | (1,495) |
| Total temporary differences | 6,116 | (176) | (492) | 5,448 |
| Deferred tax, net | 917 | (26) | (74) | 817 |

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

| | Balance as at 31 December 2019 | Recognized in profit or loss | Recognised in other comprehensive income | Balance as at 31 December 2020 |
|--|--------------------------------------|---------------------------------|---|--------------------------------------|
| Tax loss carry forward | - | 4,610 | - | 4,610 |
| Impairment of investments and loans granted | - | - | - | - |
| Allowance for doubtful accounts receivable | 177 | 915 | - | 1,092 |
| Amortization of goodwill and other intangibles | - | - | - | - |
| Derivatives | (261) | - | 756 | 495 |
| Other accruals | 281 | (121) | - | 160 |
| Total temporary differences before valuation allowance | 197 | 5,404 | 756 | 6,357 |
| Less: allowance | - | - | - | - |
| Total temporary differences | 197 | 5,404 | 756 | 6,357 |
| Deferred tax, net | 30 | 811 | 113 | 954 |

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

| | Balance as at 31 December 2019 | Recognized in profit or loss | Recognised in other comprehensive income | Balance as at 31 December 2020 |
|--|--------------------------------------|---------------------------------|---|--------------------------------------|
| Tax loss carry forward | - | 4,610 | - | 4,610 |
| Impairment of investments and loans granted | 1,495 | - | - | 1,495 |
| Allowance for doubtful accounts receivable | - | 915 | - | 915 |
| Derivatives | (261) | - | 756 | 495 |
| Other accruals | 93 | 3 | - | 96 |
| Amortisation of goodwill | - | - | - | - |
| Total temporary differences before valuation allowance | 1,327 | 5,528 | 756 | 7,611 |
| Less: allowance | (1,495) | - | - | (1,495) |
| Total temporary differences | (168) | 5,528 | 756 | 6,116 |
| Deferred tax, net | (25) | 829 | 113 | 917 |

17 Income tax (continued)

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 the Group's and the Company's pre-tax income as follows:

| | Group | | Company | |
|--|-----------|--------------|-----------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Income tax expenses (income) computed at statutory rate 15% | 140 | (941) | 19 | (887) |
| Effect of different tax rate applicable to foreign subsidiaries | (139) | 27 | - | - |
| Change in deferred tax asset valuation allowance | - | - | - | - |
| Non-deductible expenses for tax purposes (not taxable income) | 28 | 114 | 7 | 58 |
| Income tax expenses reported in the statement of comprehensive income | 29 | (800) | 26 | (829) |

The State Tax Inspectorate (STI) has completed the tax audit of Novaturas AB for the period of 2014–2018 period. According to STI, amortization of goodwill generated from business combinations, Novaturas shares in 2007 and Central European Tour Operator in 2008, could not be applied as income tax deductible expenses during the tax period of 2014-2018. In addition, STI concluded that tax losses related to amortization of goodwill and occurred during fiscal years 2008-2011 could not be carried forward while calculating profit taxes for the years 2014–2018.

The Company did not agree on the assessments made by STI in regards with the tax inquiry results conducted by the STI in the 2013, when no observations were made regarding the amortization of the goodwill, as well as other important legal arguments (legal provisions regulating the amortization of goodwill for the income tax purposes, which have not changed). However, in order to minimize the costs and obviate processes that requires a lot of bilateral efforts, material and time resources and thus to avoid a long-running potential tax dispute, after lengthy negotiations and discussions on the STI's changed approach to the application of goodwill taxation rules, the Company and the STI made a decision to agree on the amount of the tax.

Both parties have agreed that the Company will pay the amount of EUR 894,119 of profit tax to the state budget for the period under review (2014–2018) due to the attribution of goodwill amortization expenses to allowable deductions and declared operating tax losses deducted from operating profit. It was also agreed that no interest of late payment or a fine on the specified amount (EUR 894,119) will be calculated for the Company. It was also agreed that the Company during the period of 2019–2023 will pay income tax on the taxable income without deducting amortization of their goodwill from it. This decision allowed the Company to fix its costs avoiding a tax dispute over the application of legal requirements, which are not subject to established clear case law. This agreement is accounted in Group's and Company's financial statements for the year ended 2020.

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, credit limits have been granted to travel agencies through which the majority of sales takes place. 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 2021 and 2020 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.

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18 Financial assets and liabilities and risk management (continued)

Interest rate risk

As at 31 December 2021, 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 2021 and 2020.

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 2021, would decrease/increase by EUR 50 thousand (in 2020: decrease/increase by EUR 50 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 derivatives to reduce EUR/USD foreign exchange risk and fuel price variance risk that help manage such foreign currency and commodity risk. For this purpose, the Company entered into forward, futures and options contracts. 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):

| Group | 2021 | | 2020 | |
|-------|--------------|---------------|--------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| EUR | 7,248 | 19,861 | 6,740 | 19,561 |
| USD | - | 1,233 | - | 933 |
| | 7,248 | 21,094 | 6,740 | 20,494 |

| Company | 2021 | | 2020 | |
|---------|--------------|---------------|--------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| EUR | 1,961 | 24,527 | 4,805 | 27,788 |
| USD | - | 284 | - | 684 |
| | 1,961 | 24,811 | 4,805 | 28,472 |

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 | |
|-------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
| | Fluctuations in exchange rate | Effect on the profit before tax | Fluctuations in exchange rate | Effect on the profit before tax |
| 2021 | | | | |
| USD | (10%) | (40) | (10%) | (30) |
| USD | 10% | 40 | 10% | 30 |
| 2020 | | | | |
| USD | (10%) | (30) | (10%) | (20) |
| USD | 10% | 30 | 10% | 20 |

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18 Financial assets and liabilities and risk management (continued)

Fair value of financial assets and liabilities

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 debts 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. 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 derivatives are defined as level 2 based on market observable inputs.

There were no movements of financial instruments between the levels during 2021 and 2020.

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 | As at 31 | As at 31 | As at 31 |
| | December 2021 | December 2020 | December 2021 | December 2020 |
| Financial assets | | | | |
| Restricted cash | 200 | 2,300 | 200 | 2,300 |
| Cash and cash equivalents | 5,719 | 3,065 | 5,719 | 3,065 |
| Trade receivables | 167 | 144 | 167 | 144 |
| Other current financial assets: | - | - | - | - |
| Other receivables | 471 | 184 | 471 | 1,098 |
| Financial liabilities | | | | |
| Interest bearing borrowings | 12,808 | 15,737 | 12,808 | 15,737 |
| Trade accounts payable (including trade accounts payable to related parties) | 4,896 | 1,961 | 4,896 | 2,112 |
| Other current and non-current financial liabilities | 4 | 495 | 4 | 495 |
| Other current liabilities and accrued expenses | 1,328 | 1,178 | 1,328 | 1,832 |

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 | As at 31 | As at 31 | As at 31 |
| | December 2021 | December 2020 | December 2021 | December 2020 |
| Financial assets | | | | |
| Restricted cash | 200 | 2 300 | 200 | 2 300 |
| Cash and cash equivalents | 432 | 203 | 432 | 203 |
| Receivables from related parties | 177 | 1 042 | 177 | 1 042 |
| Trade receivables | 149 | 72 | 149 | 72 |
| Other current financial assets: | - | - | - | - |
| Other receivables | 361 | 179 | 361 | 179 |
| Financial liabilities | | | | |
| Interest bearing borrowings | 18,708 | 22,537 | 18,708 | 22,537 |
| Interest free short term loans | - | - | - | - |
| Trade accounts payable (including trade accounts payable to related parties) | 3,621 | 3,669 | 3,621 | 3,820 |
| Other current and non-current financial liabilities | 4 | 495 | 4 | 495 |
| Other current liabilities and accrued expenses | 628 | 680 | 628 | 680 |

The carrying amounts of financial assets and liabilities of the Company 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 carrying amount.

18 Financial assets and liabilities and risk management (continued)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 2021 were 0.73 and 0.73, respectively (0.66 and 0.66 as at 31 December 2020, respectively). The Company's liquidity and quick ratios as at 31 December 2021 were 0.52 and 0.52, respectively (0.59 and 0.59 as at 31 December 2020).

As at 31 December 2021, the Group's current liabilities exceeded current assets by EUR 4,243 thousand. Eur. 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 management of the Group and the Company has prepared forecasted financial results and cash flows for the year 2022 and already stated to take specific action steps to ensure Group's ability to continue as going concern.
- The Group has settled with all customers who wanted to get money back for cancelled trips on the reporting date.

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.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2021 and 2020 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 | From 3 to 12 months | From 1 to 5 years | Total |
|--|-----------|--------------------|---------------------|-------------------|---------------|
| Interest bearing borrowings | - | 591 | 1,782 | 13,495 | 15,868 |
| Trade accounts payable and accounts payable to related parties | - | 4,896 | - | - | 4,896 |
| Other current financial liabilities | - | 4 | - | - | 4 |
| Other current liabilities | - | 1,328 | - | - | 1,328 |
| Balance as at 31 December 2021 | - | 6,819 | 1,782 | 13,495 | 22,096 |
| Interest bearing borrowings | - | - | 5,953, | 11,530 | 17,483 |
| Trade accounts payable and accounts payable to related parties | - | 1,961 | - | - | 1,961 |
| Other current financial liabilities | - | 495 | - | - | 495 |
| Other current liabilities | - | 1,178 | - | - | 1,178 |
| Balance as at 31 December 2020 | - | 3,634 | 5,953 | 11,530 | 21,117 |

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(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 Company's financial liabilities as at 31 December 2021 and 2020 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 | Up to 3 months | From 3 to 12 months | From 1 to 5 years | Total |
|--|-----------|----------------|---------------------|-------------------|---------------|
| Interest bearing borrowings | - | 462 | 1,394 | 19,866 | 21,722 |
| Trade accounts payable and accounts payable to related parties | - | 3,621 | - | - | 3,772 |
| Other current financial liabilities | - | 4 | - | - | 4 |
| Other current liabilities | - | 628 | - | - | 611 |
| Balance as at 31 December 2021 | - | 4,715 | 1,394 | 19,866 | 25,975 |
| Interest bearing borrowings | - | - | 6,935 | 17,810 | 24,745 |
| Trade accounts payable and accounts payable to related parties | - | 3,669 | - | - | 3,669 |
| Other current financial liabilities | - | 495 | - | - | 495 |
| Other current liabilities | - | 680 | - | - | 680 |
| Balance as at 31 December 2020 | - | 4,844 | 6,935 | 17,810 | 29,589 |

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 Company may adjust the dividend payment to shareholders, return capital to shareholders and issue new shares. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2021 and 2020.

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 2021 and 2020, the Group and the Company also had external share capital requirements from the bank regarding equity and asset ratio. As at 31 December 2021 and 2020, the Group and the Company were in compliance with the above mentioned requirements.

The Group and the Company assess capital using a ratio of total liabilities and equity. The 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 2021 | As at 31 December 2020 | As at 31 December 2021 | As at 31 December 2020 |
| Non-current liabilities | 12,439 | 11,138 | 18,737 | 16,915 |
| Current liabilities | 17,114 | 20,463 | 10,462 | 17,914 |
| Total liabilities | 29,553 | 31,601 | 29,199 | 34,829 |
| Equity, attributable to the equity holders of the parent | 15,088 | 13,761 | 10,713 | 10,214 |
| Liabilities to equity ratio | 1.96 | 2.30 | 2.73 | 3.41 |

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19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as at 31 December 2021 and 2020 except for required by law Tour Operator commitments insurance or bank guarantees which are for the Group and the Company in amount of EUR 9,500 thousand and EUR 5,000 thousand as at 31 December 2021.

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 2021 and 2020 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.

2021

| | Acquisitions | Sales | Receivables (including loans granted) | Payables (including loans received) |
|---------------------------------|---------------------|--------------|--|--|
| The shareholders of the Company | - | - | - | - |
| Subsidiaries | 1,282 | 4,664 | 177 | 9,059 |
| | 1,282 | 4,664 | 177 | 9,059 |

2020

| | Acquisitions | Sales | Receivables (including loans granted) | Payables (including loans received) |
|---------------------------------|---------------------|--------------|--|--|
| The shareholders of the Company | - | - | - | - |
| Subsidiaries | 1,195 | 1,748 | 389 | 10,278 |
| | 1,195 | 1,748 | 389 | 10,278 |

As at 31 December 2021 and 2020, 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 payables/receivables from these parties.

Transactions with related parties of the Company include purchases and sales of travel packages. The conditions of loans received from the Group companies are disclosed in Note 11.

The ageing analysis of the Company's receivables from related parties as at 31 December 2021 and 2020:

| | Receivables neither past due nor impaired | Receivables past due but not impaired | | | | Total |
|-------------|--|--|-------------------|-----------------------|------------------------------|--------------|
| | | Less than 30 days | 31–60 days | 61–90 days | More than 91 days | |
| 2021 | 177 | - | - | - | - | 177 |
| 2020 | 389 | - | - | - | - | 389 |

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

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21 Earnings per share (EPS)

| | Group | |
|--|--------------|---------------|
| | 2021 | 2020 |
| Net profit attributable to ordinary equity holders of the parent company | 909 | (5,750) |
| Weighted average number of ordinary shares | 7,807,000 | 7,807,000 |
| Basic earnings per share (EUR) | 0.12 | (0.74) |

The Company and the Group had no dilutive potential ordinary shares issued.

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 packages
- Sightseeing tours by plane
- Sightseeing tours by coach
- Other

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

The information reported to the Group's Chief Executive Officer 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.

| As at 31 December 2021 | Flight packages | Sightseeing tours by coach | Sightseeing tours by plane | Other sales | Group |
|--------------------------------|------------------------|-----------------------------------|-----------------------------------|--------------------|--------------|
| Sales | 96,650 | 103 | 301 | 11,941 | 108,995 |
| Cost of sales | (83,738) | (109) | (262) | (11,397) | (95,506) |
| Gross profit | 12,912 | (6) | 39 | 544 | 13,489 |
| Sales commission expenses | (6,263) | (2) | (23) | - | (6,288) |
| Sales profit by segment | 6,649 | (8) | 16 | 544 | 7,201 |

Unallocated income (expenses)

| | |
|--|--------------|
| Other operating income | 111 |
| Operating expenses (other than sales commission) | (4,907) |
| Other operating (expenses) | (2) |
| Profit from operations | 2,403 |
| Finance income (expenses), net | (1,465) |
| Profit before tax | 938 |
| Income tax (expenses) | (29) |
| Net profit | 909 |

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22 Segment information (continued)

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

| As at 31 December 2020 | Flight packages | Sightseeing tours by coach | Sightseeing tours by plane | Other sales | Group |
|--------------------------------|-----------------|----------------------------------|-------------------------------|--------------|--------------|
| Sales | 27,125 | 88 | 386 | 5,295 | 32,894 |
| Cost of sales | (24,653) | (92) | (353) | (4,201) | (29,299) |
| Gross profit | 2,472 | (4) | 33 | 1,094 | 3,595 |
| Sales commission expenses | (1,722) | (5) | (23) | - | (1,750) |
| Sales profit by segment | 750 | (9) | 10 | 1,094 | 1,845 |

**Unallocated income
(expenses)**

| | |
|--|----------------|
| Other operating income | 189 |
| Operating expenses (other than sales commission) | (5,596) |
| Other operating (expenses) | (2) |
| Profit from operations | (3,564) |
| Finance income (expenses), net | (2,986) |
| Profit before tax | (6,550) |
| Income tax (expenses) | 800 |
| Net profit | (5,750) |

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

Geographic information

Geographic information is presented by source market is as follows:

| As at 31 December 2021 | Lithuania | Latvia | Estonia | Other | Group |
|------------------------|-----------|--------|---------|-------|---------|
| Sales | 57,145 | 17,655 | 34,195 | - | 108,995 |
| Non-current assets | 179 | 12 | 8 | - | 199 |

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

| As at 31 December 2020 | Lithuania | Latvia | Estonia | Other | Group |
|------------------------|-----------|--------|---------|-------|--------|
| Sales | 14,091 | 6,364 | 12,349 | 90 | 32,894 |
| Non-current assets | 210 | 9 | 18 | - | 237 |

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.

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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 December 2021 | Cash flows from/used in financing activities | As at 31 December 2021 | As at 1 December 2020 | Cash flows from/used in financing activities | As at 31 December 2020 |
| Bank loans | 16,853 | (2,527) | 14,326 | 6,000 | 10,853 | 16,853 |
| Loans from related parties | - | - | - | - | - | - |
| Total liabilities from financing activities | 16,853 | (2,527) | 14,326 | 6,000 | 10,853 | 16,853 |

| | Non-cash changes | | | | | |
|--|-----------------------|--|------------------------|-----------------------|--|------------------------|
| | Company | | | Company | | |
| | As at 1 December 2021 | Cash flows from/used in financing activities | As at 31 December 2021 | As at 1 December 2020 | Cash flows from/used in financing activities | As at 31 December 2020 |
| Bank loans | 15,828 | (2,147) | 13,681 | 6,000 | 9,828 | 15,828 |
| Loans from related parties | 7,800 | (1,300) | 6,500 | 7,000 | 800 | 7,800 |
| Total liabilities from financing activities | 23,628 | (3,447) | 20,181 | 13,000 | 10,628 | 23,628 |

24 Events after the reporting period

The counterclaim is filed in a civil case against GetJet in which the Company has brought an action against GetJet. This case concerns the Company's requests to declare that, due to the global COVID-19 (SARS-COV-2) pandemic in 2020, the performance of the charter contract was affected by force majeure circumstances or fundamentally changed circumstances, and therefore the partial performance of the Charter Agreement was legitimate.

25 Going concern

The Group and the Company for the year ended 2021 has earned profit of EUR 909 thousand and EUR 82 thousand, respectively (in 2020, the Group and the Company incurred loss of EUR 5,750 thousand and EUR 5,085 thousand, respectively). At the end of the period, the Group's and the Company's current liabilities exceeded its current assets by EUR 4,243 thousand and EUR 4,967 thousand, respectively.

COVID-19 is the greatest crisis the tourism industry has faced. In order to manage the situation caused by COVID-19, Novaturas Group took strict cost-saving measures, negotiated flexible pricing with business partners and suppliers, reviewed existing commitments, and used a state aid measures.

The Group has settled with all customers who wanted to get money back for cancelled trips.

The Group has resumed flights from February 2021. Accelerating vaccination will allow states to ease restrictions throughout the year, allowing for a steady increase in activity by the end of the year.

The management of the Group and the Company has prepared forecasted financial results and cash flows for the year 2022 and already stated to take specific action steps to ensure Group's ability to continue as going concern.

In March 2021 The Group exceeded the results for the month of 2019 in both fields: the number of travelers served and the revenue generated for the first time since the start of pandemic. Compared to March 2019, the Group serviced 5% more customers and generated 11% more income.

NOVATURAS AB, Company code 135567698, A. Mickevičiaus st. 27, Kaunas, Lithuania

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The ongoing military operation in Ukraine and the related sanctions against the Russian Federation may have an impact on the European economy and the world in 2022. The situation in Ukraine, Russia and Belarus does not have any significant direct effect on the Company's operations. However, the impact on the overall economic situation may require adjustments to certain assumptions and assessments, and it may significantly affect performance in the next reporting period. At this stage, the management is not able to reliably estimate the impact as events are unfolding day-by-day. Nevertheless, at the date of these financial statements, the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.