NOVATURAS AB

Consolidated Annual Report
Independent Auditor's Report
Consolidated and the Company's Financial Statements
for the year ended on 31 December 2020

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Statement of the CEO of the Company

Dear All,

At the beginning of last year, coronavirus crisis led tourism sector to the suspension and forced to stand shoulder to shoulder and fight for survival. With all our efforts and close co-opretaion with the governments and responsible institutions of the Baltic States, we have overcome the challenges. Although last year has been financially unprofitable , we start 2021 on a positive note: we have agreed on the required loans, early in march we have settled with all travellers whose trips have been cancelled because of pandemic . Since February, we have resumed flights to Tenerife and Egypt - the most popular winter holidays destinations, and from the first of April, planes have taken off to Turkish resorts. If the epidemiological situation is favourable, we will offer Lithuanian travellers usual holiday packages in Mediterranean and other southern European resorts. Given that the vaccination processes have started all over the world, the tests are becoming more accessible, tourism infrastructure is adapting rapidly to new health and safety requirements, more holiday destinations become available, we are ready to meet the expectations of our travellers in 2021 and gradually return to normal operating mode.

Safeguards to protect the interests of travellers

Due to the different states regulations in terms of movement, after the first wave of coronavirus, the Group was able to resume its operations only in July 2020 and only to a few directions – Greece, Tunisia and Cyprus. When the second quarantine was declared in the Baltics in November, once again we were forced to suspend our operations. This had a strong impact on annual financial and operating results, with 84% fewer customers served at group level in 2020, compared to 2019. Over a period of twelve months, the Company's sales reached EUR 33.1 million in 2020, which was 82% lower compared to the same period in 2019. EBITDA ratio in 2020 was also negative and amounted to EUR 3 million, while in 2019 it reached EUR 4.3 million. The overall results of 2020 were worse than the ones we have reached in 2019, but successfully completed financial liquidity guaranteeing transactions and secured EUR 11 million worth guarantee insurance, which ensures the fulfillment of Company's obligations to travelers, clearly shows that we are ready to return to a sustainable recovery phase

Tourism business is a particularly regulated business sector, so based on our plans for 2021, we have agreed on EUR 11 million guarantee and insurance limit. It means that money received from the travellers for their future trips are secured. Given the current planning of next year's operations, we have decided to use EUR 9 million since the very start of 2021. If the volumes of currently planned operations increase during this year, we will use the remaining EUR 2 million from the agreed guarantee insurance limit. This mandatory insurance for tour operators is one of the most important safeguards to protect the interests of travellers.

The crisis period program brought positive results

In the last quarter of last year, we have also managed to reach an agreement with "Luminor" AB bank on a deferral of the payment of the EUR 5 million long-term loan received under the investment and business guarantee fund "Invega". Repayment term of this loan was extended for 2 years until the middle of 2025. In August, we have also agreed on a EUR 1 million long-term loan received under the Ministry of the Economy and Innovation of the Republic of Lithuania and state investment and business guarantee fund "Invega" to refund cancelled trips due to pandemic

We have been closely involved with the governments and responsible institutions not only in Lithuania, but also in Latvia and Estonia. In Latvia, a loan of EUR 1 million was received to ensure operational liquidity. "Novaturas" group has acquired a loan of EUR 1 million in Latvia. The Estonian and Latvian governments have supported us with EUR 60 thousand and EUR 81 thousand subsidies. Repatriation compensation of EUR 167 thousand has also been received in Latvia. The Company in all markets have used a salary compensation of EUR 348 thousand. These state aid measures were crucial for balancing cash flows and were used both for ensuring the Company's liquidity and refunding the travellers.

To ensure the Company's liquidity and improve future performance ratios, the Group continued to adhere to the crisis period program throughout the year. The main aspects of this program were strict cost-saving policy, absorption of states support and cash flow regulation. As a result, operating expenses reached EUR 7.3 million and was 60% lower than in 2019. Upon elimination of the effects of commission and one-off expenses, operating costs decreased by 45% compared to 2019.

Travellers showed solidarity

The confidence expressed by travellers to the tourism sector and their solidarity in accepting to postpone trips cancelled by the COVID-19 restrictions was undoubted support during difficult period. A significant number of travellers also chose travel vouchers alternative worth of EUR 1.5 million. Being one of the first companies to have started refunding money for the trips that have been cancelled due to the pandemic, the Company has already refunded EUR 9.3 million on a group wide basis, with the last travellers to have been refunded early in March. In order to settle with travellers as soon as possible, the Company in January 2021 has reached an agreement with "Invega" on an additional EUR 1 million 18 thousand loan.

To strengthen the relationship with travellers and to ensure their good experience, the Company took over the core business of the subsidiary "Sofa Travel". Centralization of customer service processes is one of the planned steps to make Company's own sales channels more effective. This will help to adapt to the newly forming travelling habits, improve the experience of the travellers, maintain high standards of services provided

Launch of a new product

In June, we have introduced new product to the market – domestic travelling. "Novaturas" group have offered accommodation services and sightseeing trips in Lithuania and since the end of July – holiday options in all the Baltics. Interest in local tourism is gradually growing and we continue to develop it.

Having been unable to travel in 2020, people are willing to plan next year's holiday trips. It influenced us to open sales of 2021 summer and 2021–2022 winter holiday seasons unusually early. In the beginning of February, hawse have resumed flights to Tenerife. From the middle of February flights have also been scheduled to Egypt and the United Arab Emirates and from March – to Maldives. Tourism infrastructure is adapting rapidly to new health and safety requirements, accelerating vaccination processes of high-risk groups and the debates on vaccination passports in all over the world provides optimistic perspective of returning to normal and usual holiday planning already in 2021. Safe travel facilities such as quick coronavirus tests are available at almost every airport and it enables people also to plan their vacations in distant exotic holiday destinations without additional difficulties. "Novaturas" group boldly welcomes 2021: as soon as more holiday destinations are available to travellers from all the Baltic countries, it will be possible to return to more usual holiday planning.

Sincerely,
CEO
Audronė Keinytė

(all amounts are in thousand EUR unless otherwise stated)

General information

Reporting period
This report covers the calendar year ended on 31 December 2020.

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 2020, there are 5 members of the Board of the Company.

Managing Director Audronė Keinytė was the head of the Company as at 31 December 2020.

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 2020	2019
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 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.

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 excellent relationships with tourism agencies and service providers, which enables the Company to offer its customers a wide range of services for an attractive price.

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

Sales channels
Our products are accessible to people through various distribution channels. We work with over 400 travel agencies, including the largest ones in the Baltic States. Our own sales offices are in the largest cities of Lithuania, Latvia and Estonia. Investments are also made in the development of our e-commerce channel. Online sales are conducted through the Company‘s customized websites and via the international platform Global Distribution Systems (GDS)

Product range
We offer wide product portfolioin terms of the types of tours, prices and destinations. Thanks to the diversification we are able to offer products that are adapted to the needs and expectations of various client groups. This enables us to maintain our positions in almost all market segments and to effectively adapt to changing needs of our clients. Our product range includes summer and winter holiday packages and sightseeing tours by coach and plain, 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.

Flight package tours. Organization of flight package tours comprise the main part of our offering. This includes leisure 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, transfer 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 plain. Sightseeing tours by plain are medium and long-distance tours including travelling to Asia and South America. Chartered and regular flights from Vilnius are organised. We offer flights, accommodation, sightseeing tours by coach and tour guides who accompany the tourists throughout the trip providing them with the information about the country, its attractions and entertainment.

Sightseeing tours by coach. Sightseeing tours by coach include sightseeing in European destination (including Poland, Germany, France, Italy, Austria, Croatia and Greece). Tours by coach are organised from Lithuania. We provide transport by coach, accommodation, sightseeing by coach and a tour guide who stays with the tourists during the entire trip.

New product – local tourism
The constraints caused by the COVID-19 virus have highlighted the attractiveness and need for local tourism around the whole world. In 2020, we have introduced a new local tourism product to the market – accommodation and sightseeing tours around Lithuania. Many years of experience in the tourism industry and strong negotiating positions have enabled the Company to offer an appealing assortment and ensure competitive prices for customers. After assessing the potential and demand of local tourism, the Company has expanded this product and offered travellers accommodation services in all major resorts and cities in the Baltic States. The capital cities of the Baltic States are only several hours away from each other to be reached by car, so holiday planning is extremely easy and quick, all three countries offer recreation and active leisure in their seaside resorts.

New service – COVID PAUSE
Due to rapidly changing requirements, restrictions and the risk of the virus, planning of the future trips can be challenging. To give travellers more certainty in planning their trips, we have introduced a new service COVID PAUSE that allows to postpone the trip in case the traveller is confirmed COVID-19 positive before the trip. In this way, we aim to protect our travellers from additional stress, while planning future holidays and holiday budgets. This service became particularly relevant following the introduction of the obligation to provide 48–72 hours valid negative COVID-19 test before leaving for holidays. Travel protection COVID PAUSE has supplemented the Company's portfolio of additional services. So far, the travellers could choose Gold Flex service that allows to change the date, direction, hotel or room, or even a travel companion of the planned trip 14 days before departure.

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.

Brands
The diversity of our products also includes brands and product lines. The most important brands are Novaturas (in Lithuania) and Novatours (in Latvia and Estonia) that generate the majority of revenue. We also have, among others, the budget brand

(all amounts are in thousand EUR unless otherwise stated)

ECO Travel and a premium product line Novaturas Gold. We also own retail agency brand Sofa travel.

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

Significant events, 2020

• 11/02/2020 The Company reported financial results for 2019 that ended with a jump in profit.

• 14/02/2020 The Company announced received letter of resignation from Sebastian Janusz Król the Chairman of the Supervisory Council.

• 05/03/2020 The Company provided information to its shareholders on the COVID-19 impact on business.

• 27/03/2020 The Company announced changes in the Management Board and the Supervisory Council. Ieva Galvydienė, a long-term employee of the Company, joining the Board and taking over a position of the Chief Commercial Officer of Novaturas Group. Vidas Paliūnas was elected Chairman of the Supervisory Council. He replaces Sebastian J. Krol, who left the Supervisory Council in February.

• 30/04/2020 Audra Keinytė, Managing Director, and Tomas Staškūnas, Finance Director, introduced first quarter operating results to investors and analysts.

• 11/05/2020 The Company announced the agreement reached with the State Tax Inspectorate on taxation of the Company's goodwill.

• 26/05/2020 Latvian entity of Novaturas Group (SIA "Novatours") in Latvia has signed an agreement with the state loan guarantee program Altum for a 3-year loan worth EUR 1 million. The loan is assigned to secure the Company's liquidity.

• 26/05/2020 The Company introduced new product to the market – domestic travelling.

• 29/05/2020 The Company agreed with Luminor bank (AB Luminor) to delay payments of a long-term loan and extend the overdraft.

• 02/06/2020 The Central European Tour Operator, the largest shareholder of the group companies, informed about its withdrawal from the Company's shareholders.

• 04/062020 The Company announced three new shareholders : Rendez Vous OU (10.25% of shares), Moonrider OU (9.99% of shares), Rondam AS (5.25% of shares).

• 12/06/2020 The Company agreed on a EUR 5 million long-term loan received under the state investment and business guarantee fund Invega measure "Guarantees for portfolio loans".

• 19/062020 The agenda of the General Meeting of Shareholders was supplemented with the proposal of the shareholder to change the management structure of the Company by relinquishing the Supervisory Board of the Company. The Company would have only one collegial body – the Board, consisting of 5 members, of which at least 1/3 would be independent. The current members of the Board would form a team of the Company's top executives. This proposal was approved on 30 June, at the General Meeting of Shareholders.

• 02/07/2020 The Company announced audited financial results for 2019.

• 29/07/2020 Audra Keinytė, Managing Director, and Tomas Staškūnas, Finance Director, introduced operating results of the first half of the year to investors and analysts.

• 07/08/2020 The Company announced about takingover the core business of its subsidiary "Sofa Travel" from 7 August, 2020.

• 21/08/2020 The Company agreed on an incentive financial instrument of the Ministry of Economy and Innovation of the Republic of Lithuania and Invega – a loan of EUR 1 million.

• 24/08/2020 Virginijus Lepeška, an independent member, was elected as the chairman of the Board of the Company during the Board meeting.

• 06/10/2020 The Company agreed with Luminor bank to delay payments of a long-term loan and extend the overdraft.

• 29/07/2020 Audra Keinytė, Managing Director, and Tomas Staškūnas, Finance Director, introduced operating results of the third quarter of the year to investors and analysts.

• 12/11/2020 The Company introduced a new local tourism product in all Baltics.

• 20/112020 The Company announced the legal proceedings against "GetJet Airlines" UAB regarding the execution of the charter flight agreement.

• 01/12/2020 The Company announced conclusion of the agreement with the State Tax Inspectorate regarding the postponement of taxes payment.

• 03/12/2020 The Company announced secured guarantee and insurance limit worth EUR 11 million.

• 29/12/2020 The Company agreed with Luminor bank (AB Luminor) to delay payments of a long-term loan.

Significant events, 2021 (01/01/2021 01 01–08/04/2020)

• 13/01/2021 The Company agreed on an incentive financial instrument of the Ministry of Economy and Innovation of the Republic of Lithuania and Invega – an additional loan of EUR 1 million 18 thousand.

• 19/01/2021 The Company announced resuming flights to Tenerife and Egypt in February 2021

• 09/02/2021 Audra Keinytė, Managing Director, and Tomas Staškūnas, Finance Director, introduced financial results for 2020 to investors and analysts.

• 17/02/2021 The Company announced 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 announced about finalising processes of refunds for the trips that have been cancelled due to the pandemic.

• 04/03/2021 The Company announced resuming flights to Turkish resorts from April.

• 15/03/2021 The Company announced resuming flights from Latvia to Egyptian resorts from March.

• 12/03/2021 During the General Meeting of shareholders was agreed on the following: **i**ssuing of convertible bonds, revocation of the pre-emptive right of the shareholders to acquire newly issued convertible bonds granting the right to subscribe and acquire all Convertible bonds exclusively to the limited partnership "Pagalbos verslui fondas".

• 02/04/2021 The Company signed EUR 10 million investment agreement with the State Investment Management Agency.

• 08/04/2021 the Company *has agreed on more favorable loan repayment terms with "Luminor" bank.*

Financial information

The Group's result for 2020:

- Sales amounted to EUR 32.9 m and were 82% lower compared with the same period of 2019.
- Gross profit was EUR 3.6 m, which is 84% less compared with the same period of 2019.
- Operating costs amounted to EUR 7.3 m, which is 60% less compared with the same period of 2019. Upon elimination of the effects of commission and one-off expenses, operating costs decreased by 45% compared with the same period of 2019.
- EBITDA was negative and amounted to EUR 3.3 m, where in the same period of 2019 the Company earned EUR 4.3 m.
- Profit tax rate was -12%, where in the same period of 2019 it was -36%.
- Net profit of the Group was negative and amounted to EUR 5,8 m, meanwhile in 2019 this indicator amounted to EUR 4.2 m.
- The Group served 48.5k clients, which is 84% less than in the same period of 2019.

2020: COVID-19 impact on performance

Q1 2020

At the beginning of last year, coronavirus crisis led tourism sector to the suspension. Starting the year with good financial and early booking sales for entire 2020, the Company together with the global travel industry faced the spread of the COVID-19 virus in February. The Company was forced to suspend flights to Italian ski resorts at the end of February, and after local governments and responsible institutions in the Baltics have decided to take containment measures, the Company suspended all its operations in March. This affected the financial results of the first half of this year that was lower than expected before. Faced with the uncertainty of the situation, "Novaturas" Group withdrew previously announced financial forecast for 2020.

As a result of the spread of pandemic, during the first quarter the Company additionally incurred EUR 1.164 million loss due to repatriation flights and suspension of the operations The Company managed to partially compensate these costs by reducing operating costs, which amounted to EUR 1.6 million in the first quarter of the year and were 22% lower compared to the corresponding period of 2019.

Q2 2020

Due to the COVID-19 pandemic and the restrictions imposed, Novaturas Group did not run its usual operations in the period from April to June.

In the second quarter of the year, managing the situation caused by COVID-19, "Novaturas" Group took strict cost-saving measures, negotiated with business partners in foreign countries, and used a state aid measure to partly compensate the employees' salaries. In April, Latvian entity of Novaturas Group (SIA "Novatours") signed an agreement with the state loan guarantee program Altum for a 3-year loan of EUR 1 million, assigned to secure the Company's liquidity. In May, Novaturas Group agreed with "Luminor" bank to delay payments of a long-term loan and extend the overdraft. In June, the Company agreed on a EUR 5 million long-term loan received under the state investment and business guarantee fund "Invega" measure "Guarantees for portfolio loans". The Company used this loan to implement various liquidity measures and to refund travellers whose trips have been cancelled due to COVID-19.

Adapting to the COVID-19 situation and changes in the tourism business, in May, the Company offered its customers accommodation services and sightseeing trips in Lithuania. Safe local tourism became a great alternative as flights to foreign holiday destinations were not possible.

Q3 2020

With the easing of travel restrictions, in the beginning of July the Company partially resumed charter flightsfrol all the markets to the Greek islands – Crete, Rhodes and Corfu –, as well as some sightseeing tours by coach from Lithuania to Poland and other European countries. In August, the Company operated flights to Greek and Tunisian resorts from all Baltic States. The majority of the flights were operated from Estonia, travellers went on holidays to the resorts in Crete, Rhodes, Tunisia and the Tunisian island of Jerba. From Lithuania, planes took off to Crete, Rhodes and Corfu. Due to the restrictions imposed in different countries, flights from Latvia to Crete were operated only until 16 August. In September, "Novaturas" Group operated flights Tunisia and Cyprus in all markets. Since the end of July, the Company expanded its local tourism product by adding holiday options in all the Baltics.

In July, the Company agreed on EUR 1 million loan received under the Ministry of Economy and Innovation of the Republic of Lithuania and Invega.This loan was used for refunding trips cancelled trips due to pandemic.

(all amounts are in thousand EUR unless otherwise stated)

Q4 2020

In October, "Novaturas" Group operated flights to Cyprus and Crete in all markets. Restrictions caused by COVID-19 forced the Company to temporarily suspend its operations in all three markets in November for the second time in a year. The Company operated mainly only return flights from Cyprus and Crete. "Novaturas" Group completed the year with several flights to Tenerife during the festive period. Flights were operated from all Baltic countries.

In December, the Company signed the agreement with the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania (STI) regarding the postponement of taxes payment of EUR 940,152.04 until 25 August 2021. In December, "Novaturas" also secured guarantee and insurance limit worth11 million that ensures the fulfilment of Company's obligations to travellers in 2021.

Group-wide subsidies received in 2020:

- EUR 346 thousand worth partial wage compensation (group-wide)
- EUR 32 thousand. worth innovation subsidy (LT);
- EUR 32 thousand. worth repatriation subsidy (LT);
- EUR 167 thousand. worth repatriation subsidy (LV);
- EUR 81 thousand. worth one-off subsidy (LV);
- EUR 60 thousand worth one-off subsidy (EE)

In 2020, due to the coronavirus pandemic, "Novaturas" lived and operated under crisis conditions. In response to the extraordinary situation, the Company initiated a consistent implementation of crisis period program: actively cooperated with the governments, state institutions, financial partners and drastically reduced costs. last year was financially unprofitable, the Company started 2021 on a positive note: concluded agreements on the required loans, settled with all travellers whose trips were cancelled due to the pandemic. Since February, the Company resumed flights to Tenerife and Egypt, the most popular winter holiday's destinations, and from April – to Turkish resorts.

Main indicators of the Group

Financial indicators	**2020**	**2019**	**Change, %**
Revenue	32,894	179,723	-81.7
Gross profit	3,595	21,884	-83.6
EBITDA	(3,123)	4,263	-
Operating profit (EBIT)	(3,564)	3,741	-
Profit before taxes	(6,550)	3,090	-
Net profit for the period	(5,750)	4,214	-

Relative indicators/ratios	**2020**	**2019**	**Change**
Number of ordinary registered shares	7,807,000	7,807,000	-
Earnings per share (EUR)	-0.74	0.54	-1.28
Gross profit margin (%)	10.9	12.2	-1.3 pp
EBITDA margin (%)	-10.1	2.4	-12.5 pp
EBIT margin (%)	-10.8	2.1	-12.9 pp
Profit before taxes margin (%)	-19.9	1.7	-21.6 pp
Net profit margin for the period (%)	-17.5	2.3	-19.8 pp
Return on assets (ROA) (%)	-12.5	8.0	-20.5 pp
Debt / equity ratio (%)	122.5	29.8	+92.7 pp
Capital / assets ratio (%)	30.3	40.8	-10.5 pp
Actual profit tax rate	12.2	-36.4	+48.6 pp
Total liquidity ratio	0.66	0.72	-0.06

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

Geographical information and other sales information

In 2020, the Company's core activity was organizing holiday packages and sales 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 Novaturas websites. There were 2.2 m unique visitors to the Company's website in 2020, which is a 42% decrease compared with the relevant period of 2019 (3.8 m of unique visitors).

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

Income structure by sales channels:

	2020, %	2019, %	Change
Travel agencies	71.9	72.7	-0,8 pp
The Company's travel agencies	11.7	11.1	+0,6 pp
Online sales	14.6	14.3	+0,3 pp
GDS	1.8	1.9	-0,1 pp
Total	**100**	**100**	

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

	2020	2019	Change, %
Lithuania	20.4	150.5	-86.5
Latvia	9.7	61.3	-84.2
Estonia	18.3	79.7	-77.1
Other	0.1	2.0	-93.8
Total	**48.5**	**293.5**	**-83.5**

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):

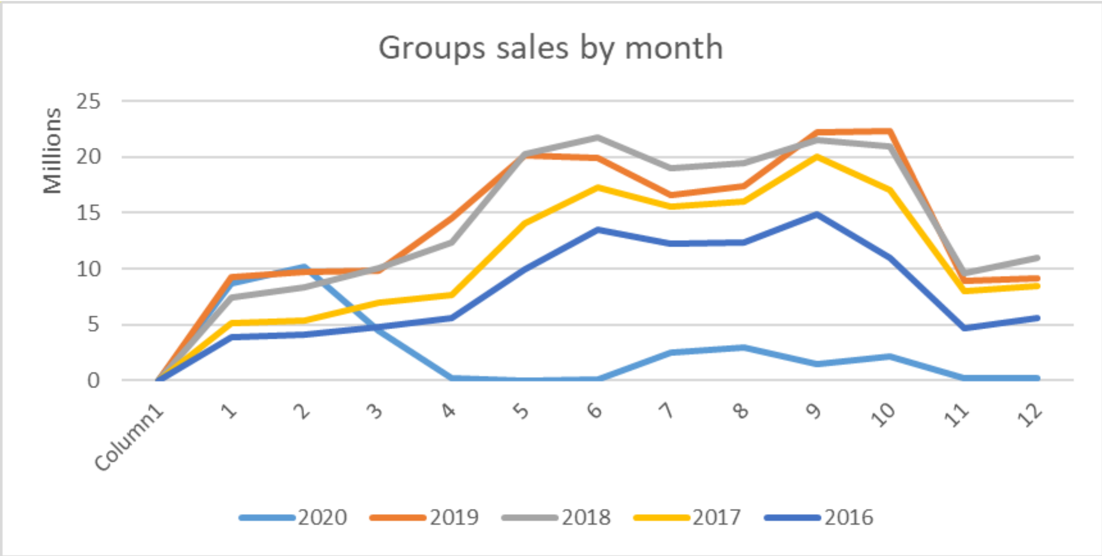
	2020	2019	Change, %
Flight packages	37.5	240.4	-84.4
Sightseeing tours by bus	0.5	9.8	-95.3
Sightseeing tours by air	0.2	2	-89.7
Other (sale of flight tickets and hotel bookings)	10.3	41.3	-75.2
Total	**48.5**	**293.5**	**-83.5**

Due to the restrictions imposed by COVID-19, flights to popular summer holiday destinations such as Turkey or Bulgaria were suspended 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 Tenerife. Demand for winter holiday destinations grew compared to 2019, as the Company's activities in the first months of 2020 were not affected by restrictions imposed by COVID-19.

Income from tour packages by destinations:

	2020, %	2019, %	Change
Turkey	-	38.0	-38,0 pp
Greece	16.7	11.6	+5,1 pp
Egypt	34.2	22.0	+12,2 pp
Bulgaria	0.2	7.5	-7,3 pp
Spain (incl. Canary islands)	11.7	5.9	+5,8 pp
Ski destinations	9.0	2.0	+7,0 pp
Remote countries	12.9	3.7	+9,2 pp
Other destinations	15.3	9.3	+6,0 pp
Total	**100**	**100**	

Seasonality of the income by months:



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

Risk management

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

Credit risk
The 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 2020.

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 2021 are 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.

Due to the uncertainty of operations (complexity of planning) caused by the pandemic, the Company did not submit its projections for 2021. The Company plans to make projections as soon as more accurate business planning is available again.

(all amounts are in thousand EUR unless otherwise stated)

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 Managing Director. 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 Managing Director.

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

According to the Articles of Association of the Company, 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 Managing Director, 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, %
Rendez Vous OU	800 000	10.25
Moonrider OU	780 000	9.99
ME Investicija	779 900	9.99
Vidas Paliūnas	535 278	6.86
Ugnius Radvila	740 702	9.49
Rytis Šūmakaris	535 278	6.86
Rondam AS	410 000	5.25
Other shareholders	3 225 842	41.31
Total	**7 807 000**	**100.00**

(all amounts are in thousand EUR unless otherwise stated)

According to the data as of the record date (22 June 2020) of the last general meeting of shareholders that was held on 30 June 2020, the Company has 1,706 shareholders.

Shareholders rights

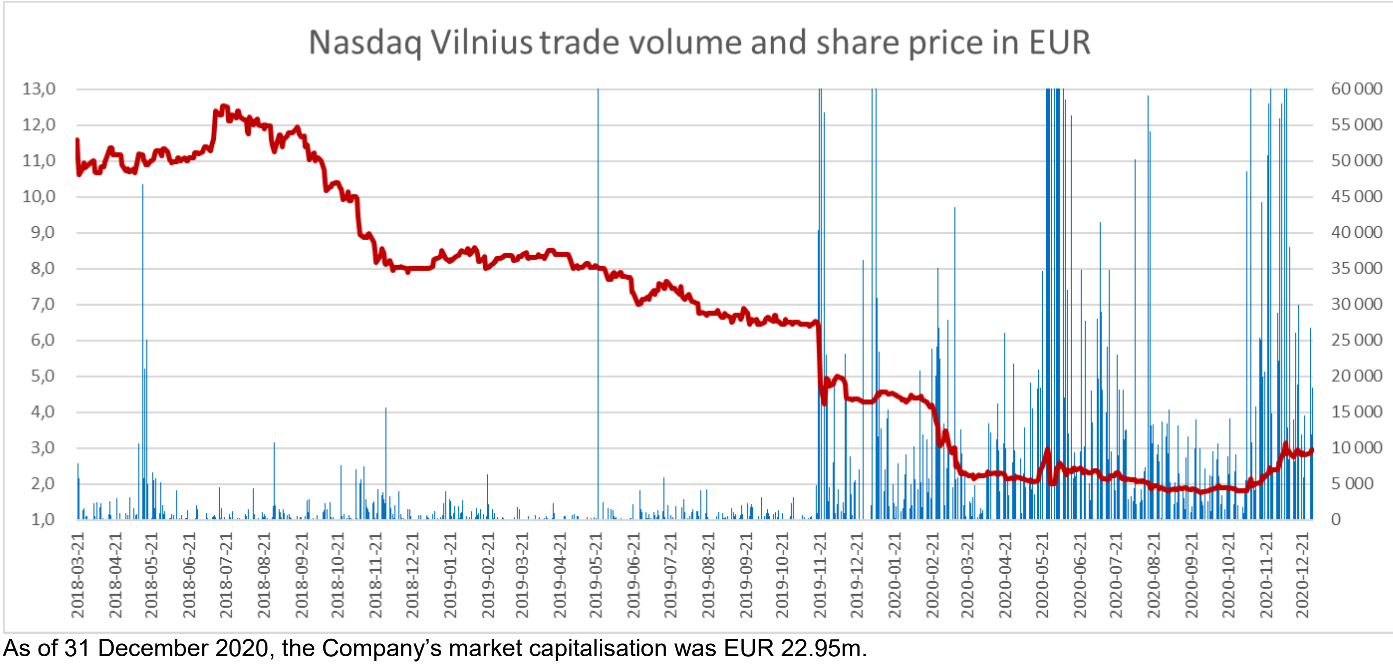
Neither shareholder of the Company has any special right of control. All the shareholders have equal rights. As at 31 December 2020, the number of the shares entitling to vote at the general meeting of shareholders is 7,807,000. An ordinary registered share grants one vote at the general meeting of shareholders 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 2020 in Nasdaq Vilnius Stock Exchange (Lithuania):

	Currency	Opening price	Maximum price	Minimum price	Closing price	Average price	Traded quantity, units	Trading volume, EUR
2019	EUR	7.90	8.60	4.20	4.30	5.07	1 771 402	8 997 145
2020	EUR	4.30	4.68	1.76	2.94	2.33	7 237 980	16 872 739

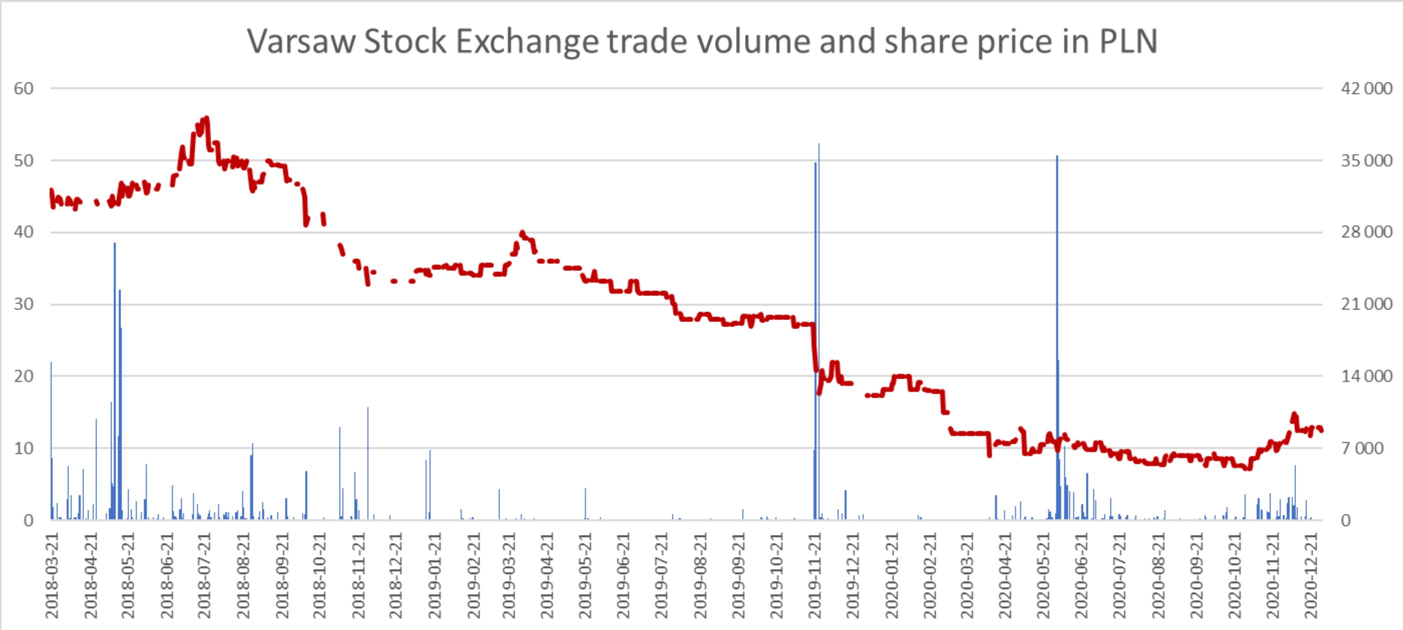


As of 31 December 2020, the Company's market capitalisation was EUR 22.95m.

(all amounts are in thousand EUR unless otherwise stated)

Information about trading in the shares of Novaturas AB from 21 March 2018 until 21 December 2020 in GPW Main Market (Poland):

	Currency	Opening price	Maximum price	Minimum price	Closing price	Average price	Traded quantity, units	Trading volume, PLN
2019	PLN	34.80	40.00	17.00	17.50	23.78	115 165	2 738 750
2020	PLN	17.20	21.00	7.00	12.40	10.42	159 663	1 664 460



As at 31 December 2020, the Company's market capitalisation was PLN 96.81m.

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.

(all amounts are in thousand EUR unless otherwise stated)

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

Activities of the Supervisory Council

Four meetings of the Supervisory Council were held in 2020. All of meetings had the quorum required under legal acts. Matters considered and approved at the meetings of the Supervisory Council: election of new member of the Board; appointment of Franz Leitner as a chairman of the Remuneration and Appointment Committee; establishment of working conditions for members of the Board during the pandemic crisis caused by COVID-19; postponement of payments under the approved Leadership Motivation Program 2019–2021; provision of feedback and proposals to the General Meeting of Shareholders on a set of annual financial statements 2019, profit and loss allocation project and the annual report of the Company.

The first meeting of the Supervisory Council was chaired by Sebastian Janusz Krol, a chairman of the Supervisory Council. As Sebastian Janush Krol resigned from the Supervisory Council on 14 February 2020, Vidas Paliūnas was appointed as the new chairman of the Supervisory Council on 27 March 2020. On 27 March 2020, Franz Josef Leitner was appointed as a chairman of the Remuneration and Appointment Committee.

Two meetings of the Audit Committee were held in 2020. Matters considered/approved at the meetings: the presentation of the draft audit report 2019 by the audit company Deloitte Lietuva; recommendations to the Supervisory Council on the approval of the Annual Report and the Financial Statements of the Company for the period ending in 31 December 2019. All the meetings of the Audit Committee were chaired by Chairperson Piotr Nowjalis.

In 2020, the Remuneration and Appointment Committee held one meeting, at which the following matters considered/approved: Appointment of the chairman of the Remuneration and Appointment Committee; establishment of working conditions for senior management during the crisis; postponement of payment of bonuses to senior management under the Leadership Motivation Program 2019–2021; reduction of remuneration for the members of the Supervisory Council during the crisis.

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

	Meetings of the Supervisory Council	**Meetings of the Audit Committee**	**Meetings of the Remuneration and Appointment Committee**
Total number of meetings	4	2	1
Sebastian Krol	1	Not a committee member	Not a committee member
Ugnius Radvila	4	Not a committee member	1
Vidas Paliūnas	4	2	1
Franz Leitner	4	2	1
Piotr Nowjalis	4	2	1

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

(all amounts are in thousand EUR unless otherwise stated)

Composition of the Supervisory Council until its revocation on 30 June 2020:

Full name	Position in the Council	Employment	Number of shares held	Start of term office	End of term of office
Sebastian Janusz Król	Chairperson of the Supervisory Council (until 14 February 2020)	Anwim S.A. – member of the Supervisory Council; Danwood S.A. – Chairperson of the Supervisory Council; Danwood Holding Sp. z.o.o. – Chairperson of the Supervisory Council; Janton S.A. – Chairperson of the Supervisory Council; Zevin Investments Sp. z.o.o. – member of the Board; Enterprise Investors Sp. z.o.o. Partner, Vice President; Stowarzyszenie Lipkow – Eko – President	-	09/02/2018	14/02/2020
Ugnius Radvila	Member of the Supervisory Council, member of the Remuneration and Appointment Committee	-	740 702	09/02/2018	06/06/2020
Vidas Paliūnas	Member of the Supervisory Council (until 27 March 2020), chairperson of the Supervisory Council (from 27 March 2020), chairperson of the Remuneration and Appointment Committee (until 27 March 2020), member of the Remuneration and Appointment Committee (from 27 March 2020), member of the Audit Committee	Association Kauno teniso klubas – member of the Council; Verslo centras 32, UAB – member of the board	535 278	09/02/2018	30/06/2020
Franz Leitner	Member of the Supervisory Council, member of the Audit Committee Member of the Remuneration and Appointment Committee (until 27 March 2020), chairperson of the Remuneration and Appointment Committee (from 27 March 2020) (independent member)	Leitner-Consulting – owner and Director General; shareholder of etrago.com; Sportscon – Director	-	07/05/2018	30/06/2020
Piotr Nowjalis	Member of the Supervisory Council, member of the Remuneration and Appointment Committee, chairperson of the Audit Committee (independent member);	CCC S.A. – member of the Supervisory Council Dino Polska S.A. – member of the Supervisory Council; Synektik S.A. – member of the Supervisory Council;	-	07/05/2018	30/06/2020

Sebastian Król

has been working with Enterprise Investors since 2001 and is a partner and vice-president at present. He is a member of supervisory councils of the companies included in the Fund's portfolio. He is also the Funds Director of Enterprise Investors. In 2009–2015, he worked as the Director of Enterprise Investors Corporation. He is a graduate of Lodz University with a Master's Degree in Economics. He does not hold shares directly but represents a shareholder holding 34.42% of the Company's shares.

Ugnius Radvila

has been with the Company since its establishment. In 1999–2011, he was the Director of the Vilnius Branch; he has been a consultant of the Company since 2011. In 1995–2004, he was Tourism director at 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 the shares in the Company.

Vidas Paliūnas

took part in in the formation of Novaturas UAB on the basis of a merger of three travel agencies - one of which was "DELTA travel agency," where Vidas Paliūnas was the managing director. In 2009–2018, he was a member of the Board of Novaturas, and became a member of the Supervisory Council in February 2018. He received a degree in Information Technologies at Chemnitz University of Technologies in Germany. He holds 6.86% of the shares in the Company.

Piotr Nowjalis

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

Franz Leitner

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

(all amounts are in thousand EUR unless otherwise stated)

Activities of the Board

As at 30 June 2020, the Board of the Company consisted of three members elected for three years. The Board started its term of office on 9 February 2018. The chairperson of the Board is elected by members from among themselves. The Board appoints the Managing Director subject to approval of the Supervisory Council. From 16 January 2019, Audronė Keinytė was the Chairperson of the Board and the Managing Director.

Members of the Board as at 30 June 2020

Full name	Position	Number of shares held	Start of term office	End of term of office
Audronė Keinytė	Chairwoman of the Board, CEO	-	16/01/2019	30/06/2020
Tomas Staškūnas	Member of the Board, Director of Finance	58 192	09/02/2018	30/06/2020
Birutė Čepanskienė	Member of the Board, Director of Commerce	-	09/02/2018	29/03/2020
Ieva Galvydienė	Member of the Board, Director of Commerce	-	01/04/2020	30/06/2020

Audronė Keinytė

has been working with Novaturas since 2006. At first, she was the Company's representative for foreign markets. In 2009–2010, she worked as the Manager of Service Organisation Abroad, and since 2010, she is responsible for development and sales, and from 16 January 2019 was appointed the Managing Director of the Company. She is a graduate of the Faculty of Philosophy at Vilnius University with Bachelor's and Master's Degrees in Sociology. In addition, she gained professional experience in the hotel sector in Lithuania and the USA in 1999-2003.

Tomas Staškūnas

joined the Company in 2009. He is responsible for reporting, budget formation, relations with financial institutions and organisation of accounting process. He holds a diploma in Business and Management in Vytautas Magnus University and a Master's Degree in Finances and Banking. He holds 0.75% of the shares in the Company.

Birutė Čepanskienė

joined the Company in 2001. From the very beginning, she was responsible for sales and bookings, later for the coordination of sales activities on the Group's level. At the end of 2011, she started working as the Product Realisation Director, and in 2019 – the Director of Commerce. She is also a graduate of Vytautas Magnus University, Faculty of Business Management, Master's Degree in Marketing and Sales. She received a Bachelor's Degree in Tourism and Hotel Management at Kaunas College and completed a course on English language and literature at Nottingham Trent University.

(all amounts are in thousand EUR unless otherwise stated)

Ieva Galvydienė

joined Novaturas in 2006. She started her career in the company as a travel sales manager. In 2009, she became responsible for the coordination of sales activities on the Group's level, and since 2011 she served as the head of sales for Lithuanian market. As from November 2019, Mrs. Galvydienė holds position as head of Novaturas group Aviation department. She has graduated from Faculty of Humanities at Vytautas Magnus University and gained English philology bachelor's degree.

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

Seven meetings of the Board were held in 2020. 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:

	Board meetings
Total number of meetings	7
Virginijus Lepeška	7
Ugnius Radvila	7
Vidas Paliūnas	7
Janek Pohla	4
Andrius Jurkonis	7

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

The Board members as at 31 December 2020:

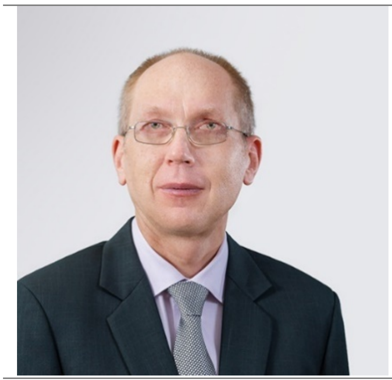
Full name	Duties in the Board	Position held	Number of shares held	Start of term office
Virginijus Lepeška	Chairman of the Boar (independent member)	consultant and chairman of the Board of Organizacijų vystymo centras UAB; consultant OVC mokymai UAB, advisor to the general manager, the Board member of AL holdingas UAB; advisor to the general manager, the Board member of Swenheim UAB; the Board member Biseris UAB; the Board member Lewben UAB	-	30/06/2020
Ugnius Radvila	Member of the Board	-	740 702	30/06/2020
Vidas Paliūnas	Member of the Board	Member of the Board of UAB Verslo centras 32	535 278	30/06/2020
Janek Pohla	Member of the Board	The Board member of the Estonian Chamber of Commerce and Industry; the	800 000	30/06/2020

(all amounts are in thousand EUR unless otherwise stated)

		Board member of Tahe Outdoors OU; the Board member and sole shareholder of Rendez Vous OU		
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	-	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 tourism director at 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 the shares in the Company.

Vidas Paliūnas

participated in the formation of Novaturas UAB on the basis of a merger of three travel agencies - one of which was "DELTA travel agency," where Vidas Paliūnas was the managing director. In 2009–2018, he was a member of the Board of Novaturas, and became a member of the Supervisory Council in February 2018. He received a degree in Information Technologies at Chemnitz University of Technologies in Germany. He holds 6.86% of the shares in the Company.

Janek Pohla

is the founder and board member of Tahe Outdoors and a member of the board of the Estonian Chamber of Commerce and Industry. Tahe 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. Since 2004 holds the position of a member of the board in various companies. Janek Pohla holds a Bachelor's and Master's degree (MBA) in Business Administration from the University of Tartu. He is the Head of Rendez Vous OU in Estonia, which has owned 10.25% of Company's shares since June. He is a member of a board of few companies in the Tahe Outdoors Group.

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 Euroapotheca, 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.

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 and 31 December 2020 and related profit and loss statements, comprehensive income statements, statements of changes in equity and cash flow statements for the years then ended, together with the explanatory notes including a summary of main accounting policies.

The extraordinary general meeting of shareholders held on 12 March 2021 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 2020. The shareholders authorised the Managing Director to conclude agreements on audit services stipulating the agreed price for the services not exceeding EUR 85,000 (eighty five thousand euros) exclusive of VAT for 2020.

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 22 (3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

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	

1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	NO	The Company does not provide the opportunity to attend and vote in the general meeting of shareholders by using electronic communication means, because in the opinion of the Company this is related to the threat to the fairness and efficiency of the general meeting of shareholders. In the opinion of the Company, there is a high risk of threat to such type of communication security and technical malfunctions. In addition, the Company does not have the appropriate technical and organizational measures to implement the above principle and the Company would incur significant additional costs as a result of implementation of this principle. However, the Company grants its shareholders the right to vote at the general meeting of shareholders either in person or through an authorized representative. In the light of the above, the Company will not follow the above recommendation.

(all amounts are in thousand EUR unless otherwise stated)

<table>
<tr><td>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.</td><td>YES</td><td></td></tr>
<tr><td>1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.</td><td>YES</td><td></td></tr>
<tr><td colspan="3">Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.
The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.</td></tr>
<tr><td>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.</td><td>YES/NOT RELEVANT</td><td rowspan="4">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; The Board shall consist of 5 members, of whom at least 1/3 shall be independent.</td></tr>
<tr><td>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.</td><td>YES/NOT RELEVANT</td></tr>
<tr><td>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.</td><td>YES/NOT RELEVANT</td></tr>
<tr><td>2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.</td><td>YES/NOT RELEVANT</td></tr>
</table>

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

2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	YES/NOT RELEVANT	
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	YES/NOT RELEVANT	
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	YES	The members of the supervisory board have been elected on the basis of their qualification, professional experience, and diversity of competencies. The Supervisory Board, which functioned until 30 June 2020, did not maintain the principle of gender balance, as the Supervisory Board was composed exclusively of men.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	YES	

2.2.3. Chair of the supervisory board should be a person, who's current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	NO/NOT RELEVANT	Until 30 June 2020, the Company has not followed the recommendation and a member of the management board was appointed to the position of a chair of the supervisory board, but two independent members of the supervisory board were elected to the supervisory board to ensure the impartiality of activities.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	YES	
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	YES	
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	YES	
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	NO	The supervisory board constantly analyses and assesses its performance, expertise, efficiency of its work both jointly and individually, but the official assessment report has not been prepared and the announcement of the same has not been published.
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	YES	

3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	YES	
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	YES	
3.1.4. Moreover, the management board should ensure that the measures included into the **OECD Good Practice Guidance on Internal Controls**[3], Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	YES/NO	The management board takes all reasonable measures to ensure that the Company complies with applicable laws, binding rules, and standards. On a short-term horizon, the Company plans to implement the tools recommended in the OECD Good Practice Guidance to ensure adherence to all recommendations of the OECD Good Practice Guidance.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	YES	
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	YES	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.

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

3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	YES	
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	YES	
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	YES	
3.2.5. Chair of the management board should be a person, who's 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.	YES	
3.2.6. Each member should give sufficient time and attention to perform the duties of a member of the management board. If a member of the management board has attended less than half of the board meetings during the financial year of the Company, the Company's supervisory board should be informed of the same, if the supervisory board is not formed in the Company - the general meeting of shareholders.	YES	
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	YES	
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.	YES	

[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.

3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	YES	
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	YES	

Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	YES	
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	YES	
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	YES	

4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	NOT APPLICABLE	
Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent 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.**		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	YES/NO	The Company, as recommended, as at 30 June 2020 has formed 1) Remuneration and Appointment Committee and 2) Audit Committee. Remuneration and Appointment Committee has been formed as a single committee due to relatively low number of supervisory board / management board / managers in the Company, but it fulfils the objectives, assignments and functions set for both nomination and remuneration committees. Following the election of a new independent five-member Board 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 form an appropriate committee.
5.1.2. Companies may decide to set up less than three committees. In such case, companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	YES	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case, the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	YES	

5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	YES/NO	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.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	YES/NO	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.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	YES/NO	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.

[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)

(all amounts are in thousand EUR unless otherwise stated)

5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: (1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; (2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; (3) devote the attention necessary to ensure succession planning.	YES/NO	The Company had one Remuneration and Appointment Committee until 30 June 2020 with all assigned functions provided in this section. Following the election of a new five-member Board on 30 June 2020, the functions previously performed by the Remuneration and Appointment Committee are vested in the Board. The Company falls outside the legal obligation to form an appropriate committee.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	YES	
5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	YES	The Company had one Remuneration and Appointment Committee until 30 June 2020 with all assigned functions provided in this section.

(all amounts are in thousand EUR unless otherwise stated)

5.4. Audit committee.		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	YES/NO	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.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	YES	
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	YES	
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	YES	
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	YES/NO	YES – the Company provides the possibility of lodging complaints directly or by email by addressing the Company's bodies, administration, or heads of units. NO – the Company has not yet formally approved the system for lodging complaints.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	NO	Until 30 June 2020, at the request of the supervisory board, the audit committee presented its activities at the meetings of the supervisory board, but its activity report was not documented.

[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.

Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.** **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 *interest holders* includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	NO	The Company acknowledges that the members of the Company's supervisory and management bodies comply with the requirements set out in this article, however, the formal policy for declaring and managing personal interests is yet not in place in the Company.
Principle 7: Remuneration Policy of the Company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition, it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	YES	
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	YES	
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	YES	
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	NO	The remuneration policy does not cover special terms and conditions (better than those provided for in the laws of the Republic of Lithuania). Termination benefits are paid in accordance with the procedure established by the laws of the Republic of Lithuania.

7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	YES	
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.	YES	The Remuneration Policy was approved in Extraordinary General Meeting of Shareholders on 27 December 20219.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	YES	
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle, the term *interest holders* includes investors, employees, creditors, suppliers, customers, the local community and others with interests in a particular company.**		
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.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	YES	

(all amounts are in thousand EUR unless otherwise stated)

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.
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	YES	
9.1.2. objectives and non-financial information of the company;	YES	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	YES	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	YES	
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	YES	
9.1.6. potential key risk factors, the company's risk management and supervision policy;	YES/NO	The Company's risk management and supervision policy has not been approved yet.
9.1.7. the company's transactions with related parties;	YES	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	YES	
9.1.9. structure and strategy of corporate governance;	YES	
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	YES/NO	The Company is a socially responsible undertaking guided by the principle of good faith, but no formal anti-corruption policy is yet in place.

(all amounts are in thousand EUR unless otherwise stated)

9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	YES	
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	YES	
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	YES	
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	YES	
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	YES	
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	YES	

(all amounts are in thousand EUR unless otherwise stated)

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:

	2020	2019	Change, %
Representatives and guides abroad	2	64	-96.9
Sales assistants in own sales channels	21	39	-46.2
Other employees	96	127	-24.4
Total	**119**	**230**	**-48.3**

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 that were employed till the end of 2020.

	Estonia	Lithuania	Latvia	Group
Women				
Number of employees	13	71	14	98
Average age	36,3	37,8	42,7	38,4
Average term of service (years)	6,0	7,6	7,8	7,4
Men				
Number of employees	1	16	4	21
Average age	50,4	37,7	45,3	39,8
Average term of service (years)	16,0	7,1	11,3	8,7
Total number of employees	**14**	**87**	**18**	**119**
Overall average age	**37,3**	**37,8**	**43,2**	**38,6**
Average term of service (years)	**6,7**	**7,5**	**8,8**	**7,6**

The largest number of employees (men and women) is employed in Lithuania (87 employees out of 119). Gender breakdown: women dominate throughout the companies of "Novaturas" group (98 employees out of 119). The Company's distinctiveness is long-term, experienced employees. At the group level, on average, the women work in the organization almost for 7.5 years, men - over 8 years. There is also a close overlap in the overall average age of employees, which is close to 39 years (38.4 for women and 39.8 for men).

Breakdown of employees (women / men) by main activities of the Company (average monthly earnings, number of employees recalculated according to full month employment). Statistics are on employees who have worked in 2020 (not necessarily full year).

(all amounts are in thousand EUR unless otherwise stated)

	Women	Men	Total
Employees working in offices			
Average monthly salary	1,534	1,908	1,617
Number of employees	90	23	113
Direct sales unit			
Average monthly salary	1,018	1,610	1,049
Number of employees	34	2	36
Representatives abroad*			
Average monthly salary	571	734	601
Number of employees	14	5	19
Total average monthly salary	**1,150**	**1,555**	**1,222**
Total number of employees	**138**	**30**	**168**

In all the segments, the average monthly salary of men exceeds the average monthly salary of women by 26%. The least difference in remuneration (~ 19%) is between men and women working in offices. The number of people employed in offices is the highest compared to other segments, with the highest average monthly salaries earned.

* Due to the restrictions caused by the pandemic, the Company was forced to suspend operations twice in 2020, which also affected the average salary of representatives abroad in 2020.

Breakdown of employees (women / men) according to the positions held (average salary, number of employees recalculated into full-month employment). Statistics are on employees who have worked in 2020 (not necessarily full year).

	Women	Men	Total
Top-level executives			
Average monthly salary	5,762	4,801	5,378
Number of employees	2	2	4
Middle-level managers			
Average monthly salary	2,507	3,142	2,707
Number of employees	12	4	16
Project managers, managers, experts			
Average monthly salary	1,001	1,164	1,027
Number of employees	124	24	148
Total average monthly salary	**1,150**	**1,555**	**1,222**
Total number of employees	**138**	**30**	**168**

The Company's top-level management consists equally of 2 women and 2 men. At this management level, women's average monthly earnings exceed men's average monthly earnings by more than 16%. The middle management team is dominated by women, with the largest gap between men's and women's average monthly earnings reaching 20%. Among the remaining employees of the organization, the average salary differs between men and women by 14%.

Attention to employees

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

Employee engagement survey

The Company's goal is engaged and motivated employees. 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 group level of all companies at the end of 2019 (20/11/2019–04/12/2019). The survey assessed 5 key factors for engagement: trust in the organisation, concentration of leadership, meaningful work, empowering working environment, recognition and growth. The level of engagement was 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. A total of 159 respondents were invited to participate in the survey, of which 150 respondents actually participated.

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 were discussed on an organisation-wide basis. The trends that emerged during the survey, the areas that need to be maintained and strengthened, were discussed in individual teams. Action plans have been drawn up 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

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

Remuneration policy

Novaturas AB Remuneration policy was approved by the extraordinary general meeting of shareholders held on 27 December 2019 and is publicly available on Novaturas website at https://www.novaturasgroup.com/.

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;
- 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:
    - 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 2020, health insurance, i.e. employer-sponsored health insurance, was offered as one of the added benefits for employees. Employees were able to choose one of the four most suitable insurance schemes for them. If an insured event occurs, the insurance company indemnifies up to 100% of the expenses incurred by the employee in relation to the acquisition of health care services and/or medical goods intended for the employee.

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

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

Social responsibility initiatives of the Company:

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 that will open its doors in 2021. 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. Currently, animals are treated in one of the offices of the administrative building of the Lithuanian Sea Museum with two equipped baths. This led to the title of this whole project "My Home Is Not a Bath!" The mission of the Company is to invite and give everyone a possibility to contribute to the construction project of a modern Baltic Sea Animal Rehabilitation Center by voluntary social responsibility contributions of 3, 5 or 10 euros. All the collected funds are transferred to the Lithuanian Sea Museum for the implementation of the rehabilitation centre construction project. The Company fosters our sense of responsibility and awareness that when fishing and engaging in other economic activities in the Baltic Sea and along its coastline we must also take responsibility for sea animals.

Support for animal shelters

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

Environmental protection

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

Partnership with "Neregėta Lietuva" (Unseen Lithuania)

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

Sport

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

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.

(all amounts are in thousand EUR unless otherwise stated)

Environmental Report

Main "Novaturas" group activity includes organizing and selling organized holiday packages and sightseeing trips by plane. Planned charter and regular flight programs inevitably contribute to increasing emissions of carbon dioxide to the atmosphere. Understanding the extent to which our activities affect these processes, we begin to calculate and analyse the CO2 emission indicators. In the future, we will look for solutions how to reduce CO2 emissions or the ways how to compensate the impact of carbon dioxide emissions.

Emission of CO2 (th)

	2019	**2020**
Lietuva	55,0	10,6
Latvija	20,6	4,9
Estija	30,4	9,8
Group-wide	**106,0**	**25,3**

In total 283.7 thousand people chose organized leisure holiday packages, sightseeing trips by plain and flight only tickets in all the Baltic States In 2019 and 48 thousand people respectively in 2020.In 2019 the amount of CO2 emitted per person reached 0.37 t CO2/pax, while in 2020 - 0.52 t CO2/pax. The increase in CO2 emission per person in 2020 was caused that last year, before the first suspension of the operations due to the outburst of Covid-19, we have operated more flights to further destinations Egypt, Tenerife, and organized trips to distant exotic destinations - Thailand, Vietnam, Seychelles, Bali, etc. Also, CO2 emissions per person last year was also insignificantly determined by a slightly lower flights load factor, which reached 93.7% in 2020, while in 2019 it was 97.4%.

We firstly start calculating the carbon dioxide emissions from our core activities, but in the future, we aim to measure the impact of the Company's operations on the climate and ecological balance of the region in which we operate even more accurately. By knowing more precisely the extent of this impact, we will be able to choose better measures to reducing and eliminating the impact.

Remuneration Report 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 oversight by the RNC and Supervisory Council of the executive remuneration program, 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 Supervisory Council or the Board, if the Supervisory Board is not formed.

The Supervisory Council or 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 benefit. 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 Board members, Supervisory Council 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

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).

The Supervisory Council or the Board, if the Supervisory Council is not formed, 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), shall have the power to decide upon granting and distribution of the granted shares following the Regulation of Granting Shares.

Remuneration policy following in 2020

Due to the pandemic caused by the COVID-19 at the beginning of the year, the results for 2020 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 2020, and no share options were granted either.

Information about payments for CEO of the Company.

	Basic remuneration EUR	Variable part of monthly remuneration EUR	Downtime payment EUR	Other benefits EUR
Audronė Keinytė	77,116	2,039	5,866	300

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 Supervisory Council				
Sebastian Janusz Król	-	-	-	-
Vidas Paliūnas	-	4	-	-
Ugnius Radvila	-	4	-	-
Piotr Nowjalis	-	10	-	-
Franz Leitner	-	10	-	-
Members of the Board (until 30 June 2020)				
Birutė Čepanskienė (until 29 March 2020)	21	-	-	-
Tomas Staškūnas (until 30 June 2020)	32	-	-	-
Ieva Galvydienė (from 1 April 2020 to 30 June 2020)	7	-	-	-
Members of the Board (from 30 June 2020)				
Virginijus Lepeška	-	13	-	-
Ugnius Radvila	-	10	-	-
Vidas Paliūnas	-	10	-	-
Janek Pohla	-	6	-	-
Andrius Jurkonis	-	10	-	-

Approval by officers of the Company

In accordance with Article 22 of the Republic of Lithuania Law on Securities and the Information Disclosure Rules of the Bank of Lithuania, the undersigned Managing Director of Novaturas AB Audronė Keinytė and Financial Director of Novaturas AB Tomas Staškūnas, confirm that, to the best of our knowledge, the consolidated annual report of Novaturas AB for 2020 presents a true overview of business development and activities and an overall position of consolidated companies, together with a description of existing main risks and uncertainties.

Audronė Keinytė	Tomas Staškūnas
Managing Director	Financial Director

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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 2020, 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 2020, 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
Goodwill impairment analysis	
Refer to pages 72, 75 of the financial statements As at 31 December 2020, the Company and the Group had goodwill amounting to EUR 30,327 thousand Eur. Goodwill with an indefinite useful life is subject to impairment assessments annually and when there is an indication of impairment. The assessment of the value in use requires numerous estimates and judgements made by the Company and the Group, as described in Note 3, and in particular the assessment of the competitive,	Our audit procedures in relation to management's impairment assessment included, among others: • 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;

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. 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.	• 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: – 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.
Implications of the COVID-19 pandemic for the going concern basis	
Refer to notes 24-25 of the financial statements The COVID-19 pandemic has had a particularly strong impact on the travel industry. Since the outbreak of the pandemic in spring 2020, national and international travel restrictions have led to a significant reduction in travel. The restrictions have had a major impact on the operations and liquidity of the Group and the Company. The Company has prepared the Group cash flow forecast for the future years, which to a large extent depends on the assumptions that the Company has made regarding future business developments and the cash inflows and outflows derived from them. The plan for 2021 and subsequent years is based on the assumption that a vaccine will be widely available or an established testing strategy will be in place. Significant cost savings, additional financing were also assumed based on initiated measures. We identified that the most significant assumption in assessing the Group's ability to continue as a going concern are the expected future cash flows of the Group, as the key determinant of the forecasted liquidity position. The calculations supporting the assessment require management to make subjective judgments.	Our audit procedures in relation to management's assessment of the going concern basis included, among others: • We discussed what influence the COVID-19 pandemic, with its national and international travel restrictions, had and could further have on the Company and the Group with management and the Board, both direct and indirect and short and medium term. We discussed what different assumptions and scenarios were used by the Company in their assessment. • We analysed the Group operational plan, including the liquidity forecast, and discussed this with the responsible management level. We assessed the plausibility (transparency, consistency, lack of contradiction) of management's disclosures on the key planning assumptions, strategic objectives, expected developments and operational measures and their inclusion/reflection in the cash flows. • We also checked the clerical accuracy, completeness and consistency of the forecast. In this connection, we also reviewed and discussed the implementation of the measures adopted in the year 2020, as well we reviewed the audit evidence supporting the significant subsequent events (which are then described in Note 24).

The review of the implications of the COVID-19 pandemic for the going concern basis of accounting was a key audit matter due to the wide range of political, medical and global economic effects and due to the measures taken by the Company and the Group in this connection to mitigate risk and their consideration in the business planning.	In order to assess the cash inflows and outflows included in the liquidity plan we, among other things, reviewed the agreements with banks, Government support, and assessed the terms and conditions. • In addition, we checked whether the financial statements and annual report contain disclosures on the implications of the COVID-19 pandemic for the going concern basis and in particular the measures taken by the Company and the Group to mitigate risk and future plans, as well that subsequent events are properly and fully disclosed.

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 12 March 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 three 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.

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
20 April 2021

(all amounts are in thousand EUR unless otherwise stated)

Statements of financial position

		Group		Company	
	Notes	**2020 as at 31 December**	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
ASSETS					
Non-current assets					
Goodwill	**3**	30,327	30,327	30,327	30,327
Intangible assets	**3**	115	248	108	186
Property, plant and equipment	**4**	122	208	99	154
Assets held	**4**	219	562	103	259
Investments in subsidiaries	**5**	-	-	2,859	3,220
Non-current receivables		23	220	23	30
Deferred income tax asset	**17**	954	30	917	-
Total non-current assets		**31,760**	**31,595**	**34,436**	**34,176**
Current assets					
Inventories		2	4	1	1
Prepayments and deferred expenses	**6**	7,837	8,973	6,741	4,965
Trade receivables	**7**	144	652	72	421
Receivables from related parties	**20**	-	-	1,042	280
Prepaid income tax		70	175	69	174
Other receivables	**7**	184	874	179	684
Other current financial assets:	**8**	-	261	-	261
Restricted cash	**9**	2,300	2,300	2,300	2,300
Cash and cash equivalents	**9**	3,065	4,554	203	1,391
Total current assets		**13,602**	**17,793**	**10,607**	**10,477**
Total assets		**45,362**	**49,388**	**45,043**	**44,653**

(Continued in the next page)

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

(all amounts are in thousand EUR unless otherwise stated)

Statements of financial position (continued)

		Group		Company	
	Notes	**2020 as at 31 December**	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
EQUITY AND LIABILITIES					
Equity					
Issued capital	**1**	234	234	234	234
Cash flow hedge reserve		(421)	222	(421)	222
Legal reserve	**10**	29	29	29	29
Foreign currency translation reserve	**10**	145	145	-	-
Retained earnings		13,774	19,524	10,372	15,457
Equity, attributable to the equity holders of the parent		**13,761**	**20,154**	**10,214**	**15,942**
Non-controlling interests		-	-	-	-
Total equity		**13,761**	**20,154**	**10,214**	**15,942**
Liabilities					
Non-current liabilities					
Grants and subsidies		-	-	-	-
Long term borrowings	**11**	9,140	4,000	8,500	4,000
Other non-current liabilities	**11**	1,915	-	8,392	7,000
Deferred tax liabilities	**17**	-	-	-	25
Lease liabilities	**4**	83	360	23	167
Total non-current liabilities		**11,138**	**4,360**	**16,915**	**11,192**
Current liabilities					
Current portion of long-term loans	**11**	3,061	2,000	2,699	2,000
Current borrowings	**11**	2,737	-	4,037	-
Trade payables		1,961	4,173	1,191	3,316
Payables to related parties	**20**	-	-	2,478	3,310
Advances received		10,876	14,997	6,241	6,239
Income tax payable		7	1,253	-	1,157
Other current liabilities and accrued expenses	**12**	1,178	2,235	680	1,397
Other current financial liabilities	**8**	495	-	495	-
Lease liabilities	**4**	148	216	93	100
Total current liabilities		**20,463**	**24,874**	**17,914**	**17,519**
Total equity and liabilities		**45,362**	**49,388**	**45,043**	**44,653**

(Concluded)

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

Managing Director	Audronė Keinytė		20 April 2021
Finance Manager	Tomas Staškūnas		20 April 2021
Chief Financier	Giedrius Ribakovas		20 April 2021

(all amounts are in thousand EUR unless otherwise stated)

Statements of comprehensive income

		Group		Company	
	Notes	**2020**	**2019**	**2020**	**2019**
Sales	**13**	32,894	179,723	14,780	100,463
Cost of sales	**14**	(29,299)	(157,839)	(13,476)	(88,680)
Gross profit		**3,595**	**21,884**	**1,304**	**11,783**
Selling (expenses)	**15**	(4,112)	(13,751)	(1,831)	(6,720)
General and administrative (expenses)	**15**	(3,234)	(4,501)	(2,424)	(3,059)
Other operating income		189	112	11	100
Other operating (expenses)		(2)	(3)	-	(1)
Operating profit		**(3,564)**	**3,741**	**(2,940)**	**2,103**
Finance income	**16**	737	481	584	2,922
Finance (expenses)	**16**	(3,723)	(1,132)	(3,558)	(945)
Profit before tax		**(6,550)**	**3,090**	**(5,914)**	**4,080**
Income tax (expenses)	**17**	800	1,124	829	1,766
Net profit		**(5,750)**	**4,214**	**(5,085)**	**5,846**
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	**8**	(756)	1 851	(756)	1,851
Impact of income tax	**17**	113	(278)	113	(278)
Total comprehensive income		**(6,393)**	**5 787**	**(5,728)**	**7,419**
Net profit attributable to:					
To the equity holders of the Company		(5,750)	4,214	(5,085)	5,846
Non-controlling interests		-	-	-	-
		(5,750)	**4,214**	**(5,085)**	**5,846**
Total comprehensive income attributable to:					
To the equity holders of the Company		(6,393)	5,787	(5,728)	7,419
Non-controlling interests		-	-	-	-
		(6,393)	**5,787**	**(5,728)**	**7,419**
Earnings per share (EPS) for continuing operations:	**21**				
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (in EUR)		(0.74)	0.54		

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

Managing Director	Audronė Keinytė		20 April 2021
Finance Manager	Tomas Staškūnas		20 April 2021
Chief Financier	Giedrius Ribakovas		20 April 2021

(all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity

		Equity, attributable to the equity holders of the parent							
Group	**Notes**	**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**	**Total**
Balance as at 31 December 2018		**234**	**29**	**(1,351)**	**15,310**	**145**	**14,367**	**-**	**14,367**
Net profit for the year		-	-	-	4,214	-	4,214	-	4,214
Other comprehensive income		-	-	1,573	-	-	1,573	-	1,573
Total comprehensive income		-	-	1,573	4,214	-	5,787	-	5,787
Increase in issued capital		-	-	-	-	-	-	-	-
Dividends declared	**20**	-	-	-	-	-	-	-	-
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**

(Continued in the next page)

(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 2018		**234**	**29**	**(1,351)**	**9,611**	**8,523**
Net profit for the year		-	-	-	5,846	5,846
Other comprehensive income		-	-	1,573	-	1,573
Total comprehensive income		-	-	1,573	5,846	7,419
Increase in issued capital		-	-	-	-	-
Dividends declared	**20**	-	-	-	-	-
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**

(Concluded)

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

Managing Director	Audronė Keinytė		20 April 2021
Finance Manager	Tomas Staškūnas		20 April 2021
Chief Financier	Giedrius Ribakovas		20 April 2021

(all amounts are in thousand EUR unless otherwise stated)

Statements of cash flows

		Group		Company	
	Notes	**2020 as at 31 December**	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
Cash flows from operating activities					
Net profit		(5,750)	4,214	(5,085)	5,846
Adjustments for non-cash items:					
Depreciation and amortisation		441	522	289	343
Change in deferred income tax	**17**	(924)	(2,805)	(942)	(2772)
Income tax expenses for the reporting period	**17**	11	1,959	-	1,284
Elimination of financial, investment and other non-cash activity results		206	2,087	724	(501)
		(6,016)	5,977	(5,014)	4,200
Changes in working capital:					
(Increase)/decrease in inventories		2	(1)	-	-
(Increase) decrease in trade receivables		508	45	(413)	1,026
(Increase)/decrease in other receivables and other financial assets		951	1,093	766	449
(Increase)/decrease in prepayments and deferred expenses		1,333	(267)	(1,769)	308
Increase (decrease) in trade payables		(2,212)	(438)	(2,957)	2,989
Increase (decrease) in prepayments		(4,121)	738	2	544
Increase /(decrease) in other accounts payable and accrued expenses		(1,485)	(1,558)	(1,142)	(1,262)
Cash flows from operating activities		**(11,040)**	**5,589**	**(10,526)**	**8,254**
Interest (paid)		(847)	(487)	(1,008)	(749)
Income tax paid		(232)	(679)	(132)	(216)
Net cash flows from operating activities		**(12,119)**	**4,423**	**(11,667)**	**7,289**
Cash flows used in investing activities					
(Acquisition) of non-current assets (excluding investments)		(55)	(71)	(53)	(45)
Dividends received		-	-	-	2,831
Proceeds from sale of non-current assets (except investments)		31	36	1	36
Net cash flows used in investing activities		**(24)**	**(35)**	**(52)**	**2,822**

(Continued in the next page)

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

(all amounts are in thousand EUR unless otherwise stated)

Statements of cash flows (continued)

		Group		Company	
	Notes	**2020 as at 31 December**	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
Cash flows from/used in financing activities					
Loans received	**11**	16,116	-	16,391	-
(Repayment) of loans	**11**	(5,263)	(2,000)	(5,763)	(9,000)
Dividends (paid)		-	-	-	-
Lease payments		(199)	(237)	(97)	(104)
Net cash (used in) financing activities		**10,654**	**(2,237)**	**10,531**	**(9,104)**
Net increase (decrease) in cash flows		**(1,489)**	**2,151**	**(1,188)**	**1,007**
Cash and cash equivalents at the beginning of the period		**6,854**	**4,703**	**3,691**	**2,684**
Cash and cash equivalents at the end of the period		**5,365**	**6,854**	**2,503**	**3,691**

(Concluded)

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

Managing Director	Audronė Keinytė		20 April 2021
Finance Manager	Tomas Staškūnas		20 April 2021
Chief Financier	Giedrius Ribakovas		20 April 2021

(all amounts are in thousand EUR unless otherwise stated)

Notes to the financial statements

1 General information

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

A. Mickevičiaus St. 27, Kaunas,
Lithuania.

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

The shareholders of the Company were:

	as at 31 December 2020		31 December 2019	
	Number of shares held	**Ownership interest, %**	**Number of shares held**	**Ownership interest, %**
Central European Tour Operator S.A.R.L.	-	-	2,687,454	34.42
Rendez Vous OU	800,000	10.25	-	-
Moonrider OU	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	3,225,842	41.32	2,528,388	32.38
Total	**7,807,000**	**100.00**	**7,807,000**	**100.00**

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

ME Investicija – Investment Company managing Girteka, 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 Tahe Outdoors. Tahe 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 2020 and 2019. In 2018, the share capital was increased by EUR 8 thousand. Eur. Subsidiaries did not hold any shares of the Company as at 31 December 2020 and 2019. 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 2020, %	Part of shares held by the Group As at 31 December 2019, %	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.
Novatours Holidays SRL	M. Caramfil st. 53, Bucharesht, Romania	100	100	Organization and distribution of tours.

In 2020 and 2019, the subsidiary of the Company SRL Novatours Holidays was not active.

As at 31 December 2020 and 2019, 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 2020, 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 20 April 2020. 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 2020:

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),

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

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

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

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

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

The 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 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

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

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 17 "Insurance Contracts"** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **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),
- **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 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 the local currency of the Republic of Lithuania, euro (EUR), which is also the functional currency of the Company and the Group companies located in Lithuania, Latvia and Estonia. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

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

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

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

2 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.

<u>Business combinations</u>
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 th e 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): 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)

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

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

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- tradi ng, 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 2019 and 2018.

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.

<u>Financial lease</u>
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.

2 Accounting principles (continued)

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

2.15. Provisions

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

2.16. Income tax

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

Standard income tax rate in Lithuania is 15%.

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

Block chair revenue recognized under gross revenue method.

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

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

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

2.18. Commission expenses

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

2.19. Impairment of assets

<u>Financial assets</u>
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.

<u>Other assets (excluding goodwill)</u>
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.

<u>Goodwill</u>
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.

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets

Group

	Goodwill	Software	Total
Acquisition cost:			
Balance as at 31 December 2018	30,327	701	31,028
Additions	-	11	11
Write-offs	-	-	-
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
Accumulated amortization/impairment:			
Balance as at 31 December 2018	-	274	274
Amortisation charge for the year	-	190	190
Write-offs	-	-	-
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
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**
Net book value as at 31 December 2018	**30,327**	**427**	**30,754**

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets (continued)

Company

	Goodwill	Software	Total
Acquisition cost:			
Balance as at 31 December 2018	30,327	593	30,920
Additions	-	-	-
Write-offs	-	-	-
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
Accumulated amortization/impairment:			
Balance as at 31 December 2018	-	244	244
Amortisation charge for the year	-	163	163
Write-offs	-	-	-
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
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**
Net book value as at 31 December 2018	**30,327**	**349**	**30,676**

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 2020 and 2019 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 2020 and 2019 are described below. When determining the recoverable amount of cash generating unit in 2020 and 2019, 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 9.7% (pre-tax) in 2020 (in 2019: 9.7%).

Based on the estimated recoverable values of cash generating unit as at 31 December 2020 and 2019, 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 2020 and 2019 as described above would result in material impairment. The Company made sensitivity analysis of impairment test using WACC increases by 2 p. points. Sensitivity analysis did not resulted impairment of goodwill value.

The Group and the Company has no internally generated intangible assets. The amortization expenses for the years 2020 and 2019 are included within selling, general and administrative expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 367 thousand as at 31 December 2020 (as at 31 December 2019: EUR 267 thousand) was fully amortized, but was still in use by the Group. Software with the acquisition cost of EUR 334 thousand as at 31 December 2020 (as at 31 December 2019: EUR 243 thousand) was fully amortized, but was still in use by the Company.

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment

Group	Machinery and equipment	Vehicles	Other non-current assets	Total
Acquisition cost:				
Balance as at 31 December 2018	175	314	209	698
Additions	37	1	22	60
Write-offs	(2)	(58)	-	(60)
Balance as at 31 December 2019	210	257	231	698
Additions	8	10	-	18
Write-offs	(39)	(31)	(16)	(86)
Balance as at 31 December 2020	179	236	215	630
Accumulated depreciation:				
Balance as at 31 December 2018	106	145	155	406
Depreciation for the year	41	46	21	108
Write-offs	(1)	(23)	-	(24)
Balance as at 31 December 2019	146	168	176	490
Depreciation for the year	37	39	18	94
Write-offs	(34)	(26)	(16)	(76)
Balance as at 31 December 2020	149	181	178	508
Net book value as at 31 December 2020	**30**	**55**	**37**	**122**
Net book value as at 31 December 2019	**64**	**89**	**55**	**208**
Net book value as at 31 December 2018	**69**	**169**	**54**	**292**

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment (continued)

Company	Machinery and equipment	Vehicles	Other non-current assets	Total
Acquisition cost:				
Balance as at 31 December 2018	112	305	89	506
Additions	37	2	7	46
Write-offs	(2)	(58)	-	(60)
Balance as at 31 December 2019	147	249	96	492
Additions	6	10	-	16
Write-offs	-	(16)	-	(16)
Balance as at 31 December 2020	153	243	96	492
Accumulated depreciation:				
Balance as at 31 December 2018	75	152	58	285
Depreciation for the year	25	40	12	77
Write-offs	(1)	(23)	-	(24)
Balance as at 31 December 2019	99	169	70	338
Depreciation for the year	26	34	10	70
Write-offs	(1)	(14)	-	(15)
Balance as at 31 December 2020	124	189	80	393
Net book value as at 31 December 2020	**29**	**54**	**16**	**99**
Net book value as at 31 December 2019	**48**	**80**	**26**	**154**
Net book value as at 31 December 2018	**37**	**153**	**31**	**221**

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 2020 and 2019 are included within operating expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 357 thousand and EUR 213 thousand, respectively, were fully depreciated as at 31 December 2020 (as at 31 December 2019: EUR 246 thousand and EUR 94 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 2020 and 2019. 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

	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**

(all amounts are in thousand EUR unless otherwise stated)

	2019	
	Group	**Company**
Acquisition cost		
Balance as at 31 December 2019	786	359
Accumulated depreciation		
Depreciation for the year	224	100
Net book value as at 31 December 2019	**562**	**259**

Amounts recognised in profit and loss

	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

	2019	
	Group	**Company**
Depreciation expense on right-of-use assets	224	100
Interest expense on lease liabilities	26	12
Expense relating to short-term leases	237	104

Lease liabilities

	2020	
	Group	**Company**
Non-current lease liabilities	83	23
Current lease liabilities	148	93

	2019	
	Group	**Company**
Non-current lease liabilities	360	167
Current lease liabilities	216	100

(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:

	2020				2019			
Subsidiary	**Acquisition cost**	**Controlled part, %**	**Net profit (loss) of subsidiary**	**Equity of subsidiary**	**Acquisition cost**	**Controlled part, %**	**Net profit (loss) of subsidiary**	**Equity of subsidiary**
Novatours SIA	1,073	100	(489)	752	1,073	100	338	1,129
Novatours OU	1,786	100	(349)	5,913	1,786	100	829	6,093
Aviaturas ir Partneriai UAB	361	100	(178)	(20)	361	100	-	158
Novatours Holidays SRL	95	100	-	-	95	100	-	-
(Impairment)	(456)	-	-	-	(95)	-	-	-
Total	**2,859**				**3,220**			

Impairment of investment into subsidiary SRL Novatours Holidays was accounted for as at 31 December 2020 and 2019. Impairment of the investment in Aviaturas ir Partneriai UAB was accounted for as at 31 December 2020.

As at 31 December 2020 and 2019, 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	
	2020 as at 31 December	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
Prepayments and deferred expenses	8.003	9,139	6,741	4,965
Less: impairment	(166)	(166)	-	-
	7.837	**8,973**	**6,741**	**4,965**

The main part of the Group's and the Company's prepayments and deferred expenses as at 31 December 2020 and 2019 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 2020 and 2019 has been included into general and administrative expenses.

(all amounts are in thousand EUR unless otherwise stated)

7 Trade, other and long term receivables

	Group		Company	
	2020 as at 31 December	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
Trade receivables, gross	275	663	192	421
VAT receivable	71	535	71	497
Accrued revenue from government subsidies	-	321	-	179
Other receivables	113	18	108	8
Less: allowance for doubtful receivables	(131)	(11)	(120)	-
	328	**1,526**	**251**	**1,105**

The Group and the Company accrued revenue is based on the inbound tourism promotion program approved by the Egyptian government. According to this program, the Group and the Company assessed the size of accrual as at 31 December 2019. Accrual was accounted for according to the approved methodology by assessing the number of flights, tourists, which arrived to resorts listed by the Egyptian government during the period of promotion program, and of a fixed incentive amount, approved by local government. The accrued revenue amount is the best estimate as at 31 December 2019 of the Group's and the Company's management of the amounts the Group and the Company is entitled to in accordance with these programs and are expected to be collected based on actual experience (including subsequent collections) and the information available.

Change in allowance for doubtful receivables for the year 2020 and 2019 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 2018	**(35)**	**-**
Reversal of impairment for the year	24	-
Written off amounts	-	-
Impairment loss for the year	-	-
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)**

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

	Receivables, neither past due nor impaired	**Receivables past due but not impaired**					
		Less than 30 days	**30–60 days**	**60–90 days**	**90–120 days**	**More than 120 days**	**Total**
2019	157	327	32	41	9	86	652
2020	11	38	4	1	6	84	144

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

	Receivables, neither past due nor impaired	**Receivables past due but not impaired**					
		Less than 30 days	**30–60 days**	**60–90 days**	**90–120 days**	**More than 120 days**	**Total**
2019	99	241	14	26	3	38	421
2020	3	3	3	-	3	60	72

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.

(all amounts are in thousand EUR unless otherwise stated)

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

	Group		Company	
	2020 as at 31 December	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
Financial asset at fair value through other comprehensive income				
Derivatives that are subject to hedge accounting (effective part)	-	261	-	261
Other financial assets	-	-	-	-
Total financial assets at fair value through other comprehensive income	**-**	**261**	**-**	**261**
Financial asset at fair value through profit or loss				
Derivatives that are subject to hedge accounting (ineffective part)	-	-	-	-
Total financial asset at fair value through profit or loss	**-**	**-**	**-**	**-**
Total other current financial assets	**-**	**261**	**-**	**261**

	Group		Company	
	2020 as at 31 December	**2019 as at 31 December**	**2020 as at 31 December**	**2019 as at 31 December**
Other current financial liabilities at other comprehensive income				
Derivatives that are subject to hedge accounting (effective part)	495	-	495	-
Total other current and non-current financial liabilities	**495**	**-**	**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 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).

As at 31 December 2019, the Group and the Company accounted for current assets of EUR 261 thousand, which was accounted for in the financial statements under the caption of other current financial assets. Related gain of EUR 1,851 thousand was accounted for in the other comprehensive income (Note 16).

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

During the year of 2019, the Group and the Company has accounted for the loss of EUR 491 thousand, by increasing the main activity cost of aviation and decreasing activity cost of hotels respectively by EUR 735 thousand and EUR 244 thousand, in profit or loss of the statement of comprehensive income.

(all amounts are in thousand EUR unless otherwise stated)

9 Cash, cash equivalents and restricted cash

	Group		Company	
	2020 as at 31 December	2019 as at 31 December	2020 as at 31 December	2019 as at 31 December
Cash at bank	3,037	4,489	187	1,375
Cash on hand	28	65	16	16
Cash in transit	-	-	-	-
Restricted cash	2,300	2,300	2,300	2,300
	5,365	**6,854**	**2,503**	**3,691**

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 2020 and 2019 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	
	2020 as at 31 December	2019 as at 31 December	2020 as at 31 December	2019 as at 31 December
Long term borrowings				
Luminor Bank AS loan, annual interest rate – 3 month EURIBOR + 3.80%	6,000	6,000	6,000	6,000
Luminor Bank AS loan, annual interest rate – 3 month EURIBOR + 4.00%	5,000	-	5,000	-
Altum loan, annual interest rate – 2.9%	1,000			
Novatours OU loan, annual interest rate – 3 month EURIBOR + 2.68%	-	-	6,500	7,000
Loan granted by Investicijų ir verslo garantijos UAB, annual interest rate – 1.69%.	1,000	-	1,000	-
Tax credits	1,116	-	1,091	
Total non-current borrowings	14,116	6,000	19,591	13,000
Less: current portion of long-term borrowings	(3,061)	(2,000)	(2,699)	(2,000)
	11,055	**4,000**	**16,892**	**11,000**
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	3,061	2,000	2,699	2,000
	5,798	**2,000**	**6,736**	**2,000**

(all amounts are in thousand EUR unless otherwise stated)

11 Borrowings (continued)

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Current borrowings	4.0%	-	4.0%	-
Long term borrowings	3.7%	3.3%	3.7%	3.3%

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

	Group		Company	
Years	**31 December 2020**	**as at 31 December 2019**	**31 December 2020**	**2019 as at 31 December**
2020	-	2,000	-	2,000
2021	5,772	2,000	6,736	2,000
2022	7,501	2,000	6,995	2,000
2023	2,994		2,821	
Later	586	-	7,076	7,000
	16,853	**6,000**	**23,628**	**13,000**

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

	Group		Company	
	31 December 2020	**as at 31 December 2019**	**31 December 2020**	**2019 as at 31 December**
Currency of the borrowing:				
EUR	16,853	6,000	23,628	13,000
	16,853	**6,000**	**23,628**	**13,000**

As at 31 December 2020 and 2019, shares of Novatours SIA, Novatours OU ir Aviaturas ir Partneriai UAB owned by the Company were pledged to Luminor Bank AS for non-current loan granted (Note 5).

As at 31 December 2020, the Group and the Company had no unused credit facility.

In November 2015, the Company signed agreement with Luminor Bank AS regarding long-term loan. The amount of the long-term credit is EUR 6 000 thousand with the maturity term effective until 31 March 2023.

In accordance with the credit and loan agreements signed with Luminor Bank AS, the Group and the Company did not have to comply with financial and non-financial ratios and covenants in 2020.

According to credit and loan agreements with Luminor Bank AS the Group and the Company must comply with financial and non-financial ratios and covenants. The Group Equity Ratio shall be no less than 30%. The Group Net Financial Debt to EBITDA Ratio shall be no more than 2.00. The Group complies with the stated covenants as of 31 December 2019.

(all amounts are in thousand EUR unless otherwise stated)

12 Other current liabilities and accrued expenses

	Group		Company	
	2020 as at 31 December	2019 as at 31 December	31 December 2020	2019 as at 31 December
Employment related liabilities	495	136	292	59
Taxes payable (except for income tax)	60	435	5	370
Other payables and accrued expenses	623	1,664	383	968
	1.178	**2,235**	**680**	**1,397**

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

13 Sales

	Group		Company	
	2020	2019	2020	2019
Flight package tours	27,125	155,738	10,823	81,867
Sightseeing tours by coach	88	3,266	88	3,266
Sightseeing tours by plane	386	1,811	310	1,726
Other sales	5,295	18,908	3,559	13,604
	32,894	**179,723**	**14,780**	**100,463**

14 Cost of sales

	Group		Company	
	2020	2019	2020	2019
Cost of flight package tours	24,653	134,932	10,216	73,628
Cost of sightseeing tours by coach	92	2,743	92	2,743
Cost of sightseeing tours by plane	353	1,548	273	1,413
Cost of other sales	4,201	18,616	2,895	10,896
	29,299	**157,839**	**13,476**	**88,680**

15 Selling, general and administrative expenses

	Group		Company	
	2020	2019	2020	2019
Selling expenses				
Agency commissions	1,749	9,791	625	4,970
Salaries and related taxes	1,568	2,499	869	1,322
Advertising and marketing expenses	472	990	286	518
Depreciation and amortisation	170	203	95	93
Rent and maintenance expenses	57	67	24	24
Business trip expenses	9	57	5	35
Communication expenses	29	42	10	20
Transportation expenses	22	34	7	16
Representation expenses	8	32	7	32
Training expenses	1	3	-	2
Other	27	33	(97)*	(312)*
	4,112	**13,751**	**1,831**	**6,720**

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

(all amounts are in thousand EUR unless otherwise stated)

15 Selling, general and administrative expenses (continued)

	Group		Company	
	2020	**2019**	**2020**	**2019**
General and administrative expenses				
Salaries and related taxes	1,022	2,214	668	1,709
Depreciation and amortisation	271	319	194	250
Representation expenses	32	276	12	232
Consulting expenses	275	267	177	104
Business trip expenses	10	77	7	60
Rent and maintenance expenses	32	57	23	29
Transportation expenses	35	43	27	26
Communication expenses	23	36	13	26
Training expenses	4	19	3	19
Other	1,530	1,193	1,300	604
	3,234	**4,501**	**2,424**	**3,059**

16 Finance income (expenses), net

	Group		Company	
	2020	**2019**	**2020**	**2019**
Interest income	12	-	12	-
Foreign exchange gain	705	481	552	91
Other financial income (including fines and penalties)	20	-	20	2,831
Finance income	737	481	584	2,922
Interest expense	(847)	(487)	(1,008)	(749)
Loss from derivatives	(2,044)	-	(1,499)	-
Foreign currency exchange loss	(820)	(629)	(683)	(186)
Other finance expenses	(12)	(16)	(368)	(10)
Finance expenses	(3,723)	(1,132)	(3,558)	(945)
	(2,986)	**(651)**	**2,974**	**1,977**

17 Income tax

	Group		Company	
	2020	**2019**	**2020**	**2019**
Components of the income tax expenses (income)				
Current income tax for the reporting year	11	1,959	-	1,284
Deferred tax expenses (income)	(811)	(3,083)	(829)	(3,050)
Income tax (income) expenses recorded in the statement of comprehensive income	**(800)**	**(1,124)**	**(829)**	**(1,766)**

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (continued)

	Group		Company	
	2020	**2019**	**2020**	**2019**
Deferred income tax asset				
Tax loss carry forward	692	-	692	-
Impairment of investments and loans granted	-	-	-	-
Impairment of receivables	164	27	137	-
Unrealised loss of derivatives	74	-	74	-
Other accruals	24	42	14	14
Deferred tax asset, net of fair value allowance	954	69	917	14
Deferred tax liability				
Amortisation of goodwill	-	-	-	-
Unrealised gain of derivatives	-	(39)	-	(39)
Deferred tax liability	-	(39)	-	(39)
Deferred tax, net	**954**	**30**	**917**	**(25)**
Deferred income tax asset	954	30	917	-
Deferred tax liabilities	-	-	-	(25)

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 2020 and 2019.

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

A tax rate of 0% was levied on the retained profits of the Estonian subsidiary. If the management decides to distribute all retained profits of OU Novatours (Estonia), which amount to EUR 5,800 thousand as at 31 December 2020, income tax liability would amount to EUR 1,160 thousand. Eur. 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 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**

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (continued)

The changes of temporary differences before and after tax effect in the 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**

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

	Balance as at 31 December 2018	Recognized in profit or loss	Recognised in other comprehensive income	Balance as at 31 December 2019
Tax loss carry forward	406	(406)	-	-
Impairment of investments and loans granted	-	-	-	-
Allowance for doubtful accounts receivable	35	142	-	177
Amortization of goodwill and other intangibles	(20,723)	20,723	-	-
Derivatives	1,590	-	(1,851)	(261)
Other accruals	189	92	-	281
Total temporary differences before valuation allowance	(18,503)	20,551	(1,851)	197
Less: allowance	-	-	-	-
Total temporary differences	(18,503)	20,551	(1,851)	197
Deferred tax, net	**(2,775)**	**3,083**	**(278)**	**30**

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

	Balance as at 31 December 2018	Recognized in profit or loss	Recognised in other comprehensive income	Balance as at 31 December 2019
Tax loss carry forward	406	(406)	-	-
Impairment of investments and loans granted	1,495	-	-	1,495
Allowance for doubtful accounts receivable	-	-	-	-
Amortization of goodwill and other intangibles	1,590	-	(1,851)	(261)
Derivatives	79	14	-	93
Other accruals	(20,723)	20,723	-	-
Total temporary differences before valuation allowance	(17,153)	20,331	(1,851)	1,327
Less: allowance	(1,495)	-	-	(1,495)
Total temporary differences	(18,648)	20,331	(1,851)	(168)
Deferred tax, net	**(2,797)**	**3,050**	**(278)**	**(25)**

(all amounts are in thousand EUR unless otherwise stated)

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	
	2020	**2019**	**2020**	**2019**
Income tax expenses (income) computed at statutory rate 15%	(941)	464	(887)	612
Effect of different tax rate applicable to foreign subsidiaries	27	(124)	-	-
Change in deferred tax asset valuation allowance	-	-	-	-
Non-deductible expenses for tax purposes (not taxable income)	114	(1,464)	58	(2,378)
Income tax expenses reported in the statement of comprehensive income	**(800)**	**(1,124)**	**(829)**	**(1,766)**

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 2019.

18 Financial assets and liabilities and risk management

<u>Credit risk</u>

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 2020 and 2019 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.

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (continued)

Interest rate risk

As at 31 December 2020, 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 2020 and 2019.

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 2019, would decrease/increase by EUR 50 thousand (2019: decrease/increase by EUR 30 thousand). Eur). 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):

	2020		2019	
Group	**Assets**	**Liabilities**	**Assets**	**Liabilities**
EUR	6,740	19,561	7,814	15,662
USD	-	933	575	869
	6,740	**20,494**	**8,389**	**16,531**

	2020		2019	
Company	**Assets**	**Liabilities**	**Assets**	**Liabilities**
EUR	4,805	27,788	4,796	23,877
USD	-	684	324	731
	4,805	**28,472**	**5,120**	**24,608**

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**
2020				
USD	(10%)	(30)	(10%)	(20)
USD	10%	30	10%	20
2019				
USD	(10%)	(40)	(10%)	28
USD	10%	40	10%	(28)

(all amounts are in thousand EUR unless otherwise stated)

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 2020 and 2019.

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

	Carrying amount		**Fair value**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial assets				
Restricted cash	2,300	2,300	2,300	2,300
Cash and cash equivalents	3,065	4,554	3,065	4,554
Trade receivables	144	652	144	652
Other current financial assets:	-	261	-	261
Other receivables	184	874	1,098	874
Financial liabilities				
Interest bearing borrowings	15,737	6,000	15,737	6,000
Trade accounts payable (including trade accounts payable to related parties)	1,961	4,173	2,112	4,173
Other current and non-current financial liabilities	495	-	495	-
Other current liabilities and accrued expenses	1,178	2,235	1,832	2,235

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**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial assets				
Restricted cash	2,300	2,300	2,300	2,300
Cash and cash equivalents	203	1,391	203	1,391
Receivables from related parties	1,042	280	1,042	280
Trade receivables	72	421	72	421
Other current financial assets:	-	261	-	261
Other receivables	179	684	179	684
Financial liabilities				
Interest bearing borrowings	22,537	13,000	22,537	13,000
Interest free short term loans	-	-	-	-
Trade accounts payable (including trade accounts payable to related parties)	3,669	6,626	3,820	6,626
Other current and non-current financial liabilities	495	-	495	-
Other current liabilities and accrued expenses	680	1,397	680	1,397

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.

(all amounts are in thousand EUR unless otherwise stated)

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 2020 were 0.66 and 0.66, respectively (0.72 and 0.72 as at 31 December 2019, respectively). The Company's liquidity and quick ratios as at 31 December 2020 were 0.60 and 0.60, respectively (0.60 and 0.60 as at 31 December 2019).

As at 31 December 2020, the Group's current liabilities exceeded current assets by EUR 6,861 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 2021 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.
- As set out in note 24, the Group has agreed with the Fund on a long-term investment of EUR 10 million and has consulted the Bank on more favourable repayment terms.

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 2020 and 2019 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	-	-	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**
Interest bearing borrowings	-	57	2,143	4,152	6,352
Trade accounts payable and accounts payable to related parties	-	4,173	-	-	4,173
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	2,235	-	-	2,235
Balance as at 31 December 2019	**-**	**6,465**	**2,143**	**4,152**	**12,760**

(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 2020 and 2019 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	-	-	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**
Interest bearing borrowings	-	103	2,280	4,880	7,263
Trade accounts payable and accounts payable to related parties	-	6,626	-	-	6,626
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	1,397	-	-	1,397
Balance as at 31 December 2019	**-**	**8,126**	**2,280**	**4,880**	**15,286**

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 2020 and 2019.

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 2020 and 2019, the Group and the Company also had external share capital requirements from the bank regarding equity and asset ratio. As at 31 December 2020 and 2019, 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	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Non-current liabilities	11,138	4,360	16,915	11,192
Current liabilities	20,463	24,874	17,914	17,519
Total liabilities	**31,601**	**29,234**	**34,829**	**28,711**
Equity, attributable to the equity holders of the parent	**13,761**	**20,154**	**10,214**	**15,942**
Liabilities to equity ratio	**2.30**	**1.45**	**3.41**	**1.80**

(all amounts are in thousand EUR unless otherwise stated)

19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as at 31 December 2020 and 2019 except for required by law Tour Operator commitments insurance or bank guarantees which are for the Group and the Company in amount of EUR 9,000 thousand and EUR 5,000 thousand as at 31 December 2019.

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 2020 and 2019 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.

2020	**Acquisitions**	**Sales**	**Receivables (including loans granted)**	**Payables (including loans received)**
The shareholders of the Company	-	-	-	-
Subsidiaries	1,195	2,401	1,042	10,278
	1,195	**2,401**	**1,042**	**10,278**

2019	**Acquisitions**	**Sales**	**Receivables (including loans granted)**	**Payables (including loans received)**
The shareholders of the Company	-	-	-	-
Subsidiaries	4,005	11,944	280	10,310
	4,005	**11,944**	**280**	**10,310**

As at 31 December 2020 and 2019, 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 2020 and 2019:

		Receivables past due but not impaired				
	Receivables neither past due nor impaired	**Less than 30 days**	**31–60 days**	**61–90 days**	**More than 91 days**	**Total**
2020	1,042	-	-	-	-	**1,042**
2019	280	-	-	-	-	**280**

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

(all amounts are in thousand EUR unless otherwise stated)

21 Earnings per share (EPS)

	Group	
	2020	**2019**
Net profit attributable to ordinary equity holders of the parent company	(5,750)	4,214
Weighted average number of ordinary shares	7,807,000	7,807,000
Basic earnings per share (EUR)	**(0.74)**	**0.54**

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

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)**

(all amounts are in thousand EUR unless otherwise stated)

22 Segment information (continued)

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

31 December 2019	Flight packages	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	155,738	3,266	1,811	18,908	179,723
Cost of sales	(134,932)	(2,743)	(1,548)	(18,616)	(157,839)
Gross profit	20,806	523	263	292	21,884
Sales commission expenses	(9,542)	(149)	(100)	-	(9,791)
Sales profit by segment	**11,264**	**374**	**163**	**292**	**12,093**
Unallocated income (expenses)					
Other operating income					112
Operating expenses (other than sales commission)					(8,461)
Other operating (expenses)					(3)
Profit from operations					3,741
Finance income (expenses), net					(651)
Profit before tax					3,090
Income tax (expenses)					1,124
Net profit					**4,214**

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:

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.

31 December 2019	Lithuania	Latvia	Estonia	Other	Group
Sales	93,446	35,019	50,213	1,045	179,723
Non-current assets	398	24	34	-	456

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.

(all amounts are in thousand EUR unless otherwise stated)

23 Notes to the cash flow statement

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

	Non-cash changes					
	Group			Group		
	As at 1 January 2020	Cash flows from/used in financing activities	As at 31 December 2020	As at 1 January 2019	Cash flows from/used in financing activities	As at 31 December 2019
Bank loans	6,000	10,853	16,853	8,000	(2,000)	6,000
Loans from related parties	-	-	-	-	-	-
Total liabilities from financing activities	**6,000**	**10,853**	**16,853**	**8,000**	**(2,000)**	**6,000**

	Non-cash changes					
	Company			Company		
	As at 1 January 2020	Cash flows from/used in financing activities	As at 31 December 2020	As at 1 January 2019	Cash flows from/used in financing activities	As at 31 December 2019
Bank loans	6,000	9,828	15,828	8,000	(2,000)	6,000
Loans from related parties	7,000	800	7,800	14,000	(7,000)	7,000
Total liabilities from financing activities	**13,000**	**10,628**	**23,628**	**22,000**	**(9,000)**	**13,000**

24 Events after the reporting period

At the beginning of 2021, we doubled the loan we received from Invega to settle with our customers for cancelled trips. We received the loan of EUR 1,404 thousand, and then – of EUR 2,404 thousand.

The additional loan received from Invega helped speed up payments with customers who cancelled their trips. By the beginning of March 2021, we had settled with all the customers who had applied for repayments.

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.

On 17 February 2021, we made agreement with Business Aid Fund KŪB (hereinafter "the Fund") on the redemption of bonds issued by the Company amounting to EUR 10 million (convertible bonds worth EUR 5 million and ordinary bonds worth EUR 5 million). The issue of convertible bonds worth EUR 5 million was approved by the General Meeting of Shareholders of 12 March. Investment and bond redemption agreements with the Fund were signed on 2 April. The Company made a long-term investment agreement of 6 years. If there will be the possibility to redeem the bonds before maturity, the Company will be able to exercise this option without additional fees.

After signing an investment agreement with the Fund, we signed amendments to the agreements with the Luminor Bank April 8 on lower interest rates on part of the loans, on a new, more Company favourable schedule for repayment of long-term loans, and on waiving the requirement for restricted cash to use it to repay the loans to the Bank.

25 Going concern

The Group and the Company for the year ended 2020 has incurred loss of EUR 5,750 thousand and EUR 5,085 thousand, respectively (in 2019, the Group and the Company earned profit of EUR 4,214 thousand and EUR 5,846 thousand, respectively). At the end of the period, the Group's and the Company's current liabilities exceeded its current assets by EUR 6,861 thousand and EUR 7,307 thousand.

The management of the Group and the Company has prepared forecasted financial results and cash flows for the year 2021 and already stated to take specific action steps to ensure Group's ability to continue as going concern.

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.

As set out in note 24, the Group has agreed with the Fund on a long-term investment of EUR 10 million and has consulted the Bank on more favourable repayment terms.

The Group is dealing with foreign suppliers regarding refunds of prepayments or settlements with future trips including part for trips, which were cancelled due to COVID-19. As of the date of financial statements, the Group has already recovered EUR 8,000 thousand advances paid. The remainder of the prepayments relates to customers whose trips are transferred to the future periods.

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

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.

Based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 virus, management has determined that the use of the going concern assumption is warranted, but that there is a material uncertainty resulting from COVID-19 that may cast significant doubt upon the Group's and Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern.