



AB NOVATURAS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND

CONSOLIDATED INTERIM REPORT

for the six-month period ended 30 June 2019

(unaudited)

Beginning of reporting period	1 January 2019
End of reporting period	30 June 2019
Business name	Novaturas, AB (further – “Novaturas” or “the Company”) (The Company’s financial statements and activity ratios are presented consolidated with the results of subsidiaries; separate reports of the parent company are not presented.)
Legal form	Public limited company
Registration date	16 December 1999
Registration number	135567698
LEI code	097900BGCW0000042109
Manager of register	State Enterprise Centre of Registers
Company address	A. Mickevičiaus str. 27, LT-44245 Kaunas
Telephone	+370 37 321 264
Fax	+370 37 321 130
Website	www.novaturasgroup.com

Table of Contents

Management report.....	4
Main ratios.....	6
Segment information.....	7
Geographic and other sales split information.....	8
Information about the Supervisory Council and the Board.....	10
Share capital and shareholders.....	12
Consolidated statements of comprehensive income.....	13
Consolidated statements of financial position.....	14
Consolidated statements of changes in equity.....	15
Consolidated statements of cash flow.....	16
Notes to the financial statements.....	17
Information about subsidiaries.....	17
Sales and marketing expenses.....	17
General and administrative expenses.....	17
Hedging.....	18
Borrowings.....	18
Related party transactions.....	18
Management confirmation of the Consolidated Financial Statements.....	19
Interim Consolidated Report.....	20

Management report

2019 first-half highlights:

- Novaturas's turnover in the first half of 2019 was EUR 83.3 mln, or 3.8% more than in the same period of 2018.
- Gross profit amounted to EUR 10.1 mln and was 26% lower than in the same period of 2018.
- Operating expenses amounted to EUR 8.5 mln, or 1% more than in the same period of 2018. Excluding the impact of commissions and one-time expenses, operating costs increased by 3% from the same period a year earlier.
- EBITDA amounted to EUR 1.7 mln and was 71% smaller than in the same period of 2018.
- The actual profit tax rate in the first half of 2019 was 65.8%, compared to 18.7% in the same period of 2018. The main reason was dividends the Estonian subsidiary paid to the parent company which resulted in a tax payment of roughly EUR 544,000 in Estonia.
- Novaturas had a net profit of EUR 0.4 mln, which is 90% less than in the same period of 2018.
- In the first half of 2019, the Company served 137,036 clients, 2% more than in the same period of 2018.

2019 second-quarter highlights:

- Novaturas's turnover in the second quarter of the year was EUR 54.5 mln, or 0.1% more than in the same period of 2018.
- Gross profit amounted to EUR 6.5 mln and was 30% lower than in the same period of 2018.
- Operating expenses totaled EUR 5 mln, 2% more than in the same period of 2018. Excluding the impact of commissions and one-time expenses, operating costs increased by 4% from the same period a year earlier.
- EBITDA amounted to EUR 1.6 mln and was 64% smaller than in the same period of 2018.
- The actual profit tax rate in the period was 59.4%, compared to 20.5% in the same period of 2018. The main reason was dividends the Estonian subsidiary paid to the parent company, which resulted in a tax payment of roughly EUR 544,000 in Estonia.
- Novaturas had a net profit of EUR 0.6 mln, which is 83% less than in the same period of 2018.
- In the second quarter of 2019, the Company served 95,939 clients, 1% less than in the same period of 2018.

Management Comment:

After too strong growth in capacity for 2018 year we still facing weak demand at current level of market supply. Both second quarter and first half results were significantly weaker compared to year 2018. During the second quarter we had very strong April month results, but May and June results were much weaker than expected. June once again surprised with extremely hot weather.

Our main product remains flight package tours. The most popular destinations remain Turkey and Greece for the summer season and Egypt for the winter season. This year Turkey and Egypt demand increased much faster leading to higher share by these destinations. For each season we introduce new destinations on the market or reintroduce some old ones. For the summer of 2019 we added Albania, and for the upcoming winter season we have added Bali, Mexico and Seychelles. The wide variety of destinations in our portfolio lets us satisfy our clients' diverse needs. Strong growth in demand for Turkey as a destination increased Turkey's share in our portfolio to 37% in the first half of the year.

The number of clients served grew by 2% in the first half of the year. The Lithuanian source market decreased 3% while the Latvian market grew by 9% and the Estonian market was up 8% compared to last year. Still Lithuanian market is the biggest with 52% share in total volumes.

The strongest growth was for sightseeing tours - by planes increased by 24% and by coach increased 12%. Sightseeing by plane product growth was achieved by introducing this product also to Latvian and Estonian markets. Passenger growth was 2% for flight package tours, while other products decreased by 5%. The other products passengers bought were mainly flight tickets for charter flights we operate. Our flight tickets are sold through travel agencies and also via the GDS channel, reaching very diverse types of travelers.

Travel agencies' share in our sales increased by 0.7 percentage points to 72.7%. this remains our most important distribution channel. Our own retail and web sales share slightly decreased for the period.

We kept our operating expenses under control during the first half of the year. Direct marketing expenditures were 0.6% of sales, lower than last year's 0.8%. Salaries and related items increased by 9% over the same period last year. We have decreased head-count so salary expense increase was led by increased salary level. Excluding the impact of commissions and one-off spending, operating expenses increased by 3% compared with the first half of last year. One-time expenses amounted to EUR 144,000. Including one-time costs, operating costs less commissions paid decreased 3%. Total costs, including commissions, grew by 1%. Commission expenses remained stable at 5.3% of sales.

Profit tax expenses include EUR 544,000 paid in Estonia on dividends paid by the subsidiary there to the parent company. Legislation in Estonia allows companies that regularly pay dividends to their parents to gradually reduce their dividend tax rate from 20% to 14%. As this was the second year, we paid a dividend, the tax rate was already reduced 18%.

Restricted cash is required by banks to issue guarantees covering prepayments received from customers as required by the law in each country of operations.

Other financial assets are the market value of open hedge contracts.

Company by 30 June 2019 had paid back in full the overdraft which it partly used during the first half of the year. Long-term loan amortization is in accord with the agreement and EUR 0.5 mln of loans have already been repaid. The high level of advances received from customers was due to a strong increase in passenger volumes and very good advanced sales at the end of the period.

Main ratios

Financial indicators*	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Sales	54,454	54,394	+0.1	83,260	80,239	+3.8
Gross profit	6,501	9,312	-30.2	10,060	14,113	-28.7
EBITDA	1,645	4,588	-64.1	1,728	5,875	-70.6
Operating profit (EBIT)	1,593	4,524	-64.8	1,598	5,741	-72.7
Profit before taxes	1,441	4,347	-66.9	1,279	5,417	-76.4
Net profit for the period	585	3,457	-83.1	437	4,402	-90.1

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

Relative indicators/ratios	Q2 2019	Q2 2018	Change	6M 2019	6M 2018	Change
Number of ordinary registered share	7,807,000	7,807,000	-	7,807,000	7,807,000	-
Profit per share (EUR)	0.07	0.44	-0.37	0.06	0.56	-0.51
Gross profit margin (%)	11.9	17.1	-5.2pp	12.1	17.6	-5.5pp
EBITDA margin (%)	3.0	8.4	-5.4pp	2.1	7.3	-5.2pp
EBIT margin (%)	2.9	8.3	-5.4pp	1.9	7.2	-5.3pp
Profit before taxes margin (%)	2.6	8.0	-5.4pp	1.5	6.8	-5.3pp
Net profit margin for the period (%)	1.1	6.4	-5.3pp	0.5	5.5	-5.0pp
Return on assets (ROA) (%)	1.1	5.9	-4.8pp	0.8	7.7	-7.0pp
Debt / equity ratio (%)	47.4	48.4	-1.0pp	47.4	48.4	-1.0pp
Equity ratio (%)	30.8	33.6	-2.8pp	30.8	33.6	-2.8pp
Actual profit tax rate (%)	59.4	20.5	+38.9pp	65.8	18.7	+47.1pp
Total liquidity ratio	0.77	0.98	-0.22	0.77	0.98	-0.22

Segment information

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

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

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

	Q2 2019	Q2 2018	Change	6M 2019	6M 2018	Change
Flight package tours						
Sales	48,438	48,113	0.7%	72,839	69,638	4.6%
Cost of sales	(42,377)	(39,194)	8.1%	(63,175)	(56,128)	12.6%
Gross profit	6,061	8,919	-32.0%	9,664	13,510	-28.5%
Gross profit margin (%)	12.5%	18.5%	-6.0 pp	13.3%	19.4%	-6.1 pp
Sales commission expenses	(2,843)	(2,832)	0.4%	(4,293)	(4,107)	4.5%
Sales profit by segment	3,218	6,087	-47.1%	5,371	9,403	-42.9%
Sales profit margin (%)	6.6%	12.7%	-6.0 pp	7.4%	13.5%	-6.1 pp
Sightseeing tours by coach						
Sales	1,166	1,089	7.1%	1,308	1,291	1.3%
Cost of sales	(945)	(984)	-4.0%	(1,090)	(1,170)	-6.8%
Gross profit	221	105	110.5%	218	121	80.2%
Gross profit margin (%)	19.0%	9.6%	9.3 pp	16.7%	9.4%	7.3 pp
Sales commission expenses	(53)	(39)	35.9%	(58)	(51)	13.7%
Sales profit by segment	168	66	154.5%	160	70	128.6%
Sales profit margin (%)	14.4%	6.1%	8.3 pp	12.2%	5.4%	6.8 pp
Sightseeing tours by plane						
Sales	438	500	-12.4%	814	751	8.4%
Cost of sales	(366)	(405)	-9.6%	(655)	(600)	9.2%
Gross profit	72	95	-24.2%	159	151	5.3%
Gross profit margin (%)	16.4%	19.0%	-2.6 pp	19.5%	20.1%	-0.6 pp
Sales commission expenses	(20)	(24)	-16.7%	(43)	(41)	4.9%
Sales profit by segment	52	71	-26.8%	116	110	5.5%
Sales profit margin (%)	11.9%	14.2%	-2.3 pp	14.3%	14.6%	-0.4 pp
Other products						
Sales	4,412	4,692	-6.0%	8,299	8,559	-3.0%
Cost of sales	(4,265)	(4,499)	-5.2%	(8,280)	(8,228)	0.6%
Gross profit	147	193	-23.8%	19	331	-94.3%
Gross profit margin (%)	3.3%	4.1%	-0.8 pp	0.2%	3.9%	-3.6 pp
Sales commission expenses	-	-	-	-	-	-
Sales profit by segment	147	193	-23.8%	19	331	-94.3%
Sales profit margin (%)	3.3%	4.1%	-0.8 pp	0.2%	3.9%	-3.6 pp

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

Geographic and other sales split information

The company's activities included tour organization and the distribution of tours through diversified and complementary distribution channels: a retail network of travel agencies and own retail channels (own travel agencies, e-commerce sales, tickets only sales through the Global Distribution System (GDS)). The Company worksworking with over 400 travel agencies, including all of the major agencies in the Baltics and more than 60 in Belarus. E-commerce sales are via Company websites. During first half of 2019, the Company's websites were visited by 2.03 million unique visitors, which is 1% less than the 2.06 million unique visitors in the first half of 2018.

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

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

	Q2 2019, %	Q2 2018, %	Change	6M 2019, %	6M 2018, %	Change
Travel agencies	73.2	72.5	+0.7 pp	72.7	72.1	+0.6 pp
Own retail	11.0	11.5	-0.5 pp	11.6	11.8	-0.2 pp
Web sales	14.4	14.5	-0.1 pp	14.3	14.5	-0.2 pp
GDS	1.4	1.5	-0.1 pp	1.4	1.6	-0.2 pp
Total	100	100		100	100	

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

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

	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Lithuania	54.1	56.7	-4.6	71.6	74.2	-3.3
Latvia	16.8	16.3	+2.9	26.9	24.7	+8.8
Estonia	24.3	23.1	+5.6	37.7	34.8	+8.3
Other	0.7	0.7	-5.0	0.8	0.8	-0.7
Total	95.9	96.8	-0.9	137.0	134.5	+1.9

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

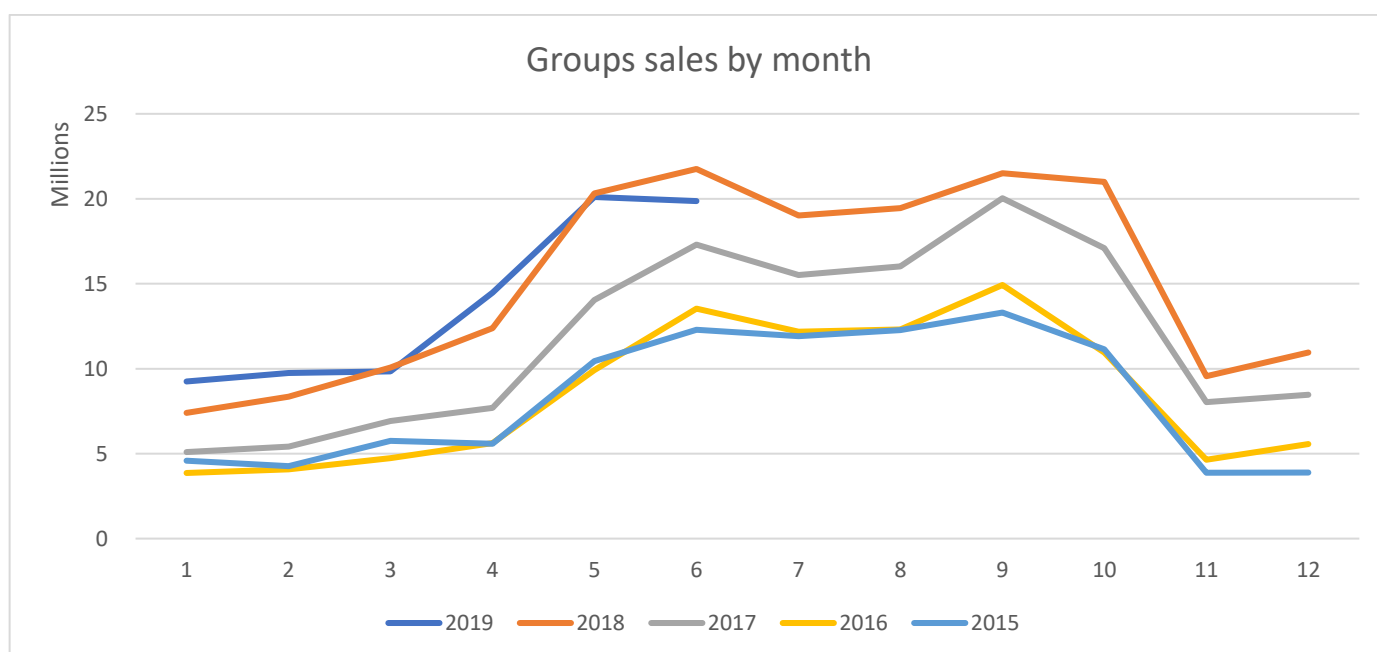
	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Flight package tours	82.6	83.0	-0.6	116.3	113.6	+2.4
Sightseeing tours by coach	3.8	3.2	+19.9	4.3	3.9	+12.1
Sightseeing tours by plane	0.5	0.4	+36.2	0.9	0.7	+23.5
Other sales (separate flight and hotel services)	9.0	10.2	-11.3	15.5	16.3	-5.0
Total	95.9	96.8	-0.9	137.0	134.5	+1.9

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

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

	Q2 2019, %	Q2 2018, %	Change	6M 2019, %	6M 2018, %	Change
Turkey	54.8	49.4	+5.4 pp	36.5	34.0	+2.5 pp
Greece	14.4	18.0	-3.6 pp	9.6	12.4	-2.8 pp
Egypt	11.5	8.0	+3.5 pp	25.8	20.7	+5.1 pp
Bulgaria	6.2	7.2	-1.0 pp	4.1	4.9	-0.8 pp
Spain (including Canary Islands)	2.8	6.4	-3.6 pp	5.4	9.7	-4.3 pp
Skiing	-	-	-	3.9	4.1	-0.2 pp
Long haul	-	-	-	5.2	4.7	+0.5 pp
Other destinations	10.3	11.0	-0.7 pp	9.5	9.5	+0.0 pp
Total	100.0	100.0		100.0	100.0	

Group monthly sales seasonality was as follows:



Information about the Supervisory Council and the Board

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

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

Information about the Supervisory Council as of 30 June 2019:

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

Information about the Board as of 30 June 2019:

Information about the Board as of 30 June 2019:

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

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

Share capital and shareholders

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

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

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

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

As of 30 June 2019, the company's market capitalization was EUR 55.04 million and decreased by 15.16% in the second quarter.

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

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

As of 30 June 2019, the company's market capitalization was PLN 259.19 million and, calculated in PLN, decreased by 12.17% during second quarter.

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

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

Consolidated statements of comprehensive income

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

	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Sales	54,454	54,394	+0.1	83,260	80,239	+3.8
Cost of sales	(47,953)	(45,082)	+6.4	(73,200)	(66,126)	+10.7
Gross profit	6,501	9,312	-30.2	10,060	14,113	-28.7
Sales and marketing expenses	(3,888)	(3,667)	+6.0	(6,366)	(5,941)	+6.0
General and administrative expenses	(1,020)	(1,133)	-10.1	(2,095)	(2,443)	-10.1
Other operating income	-	14	-100.0	1	14	-92.9
Other operating (expenses)	-	-	-	(2)	(2)	+0.0
Profit from operations	1,593	4,526	-64.8	1,598	5,741	-72.2
Finance income	160	72	+122.2	270	316	-14.6
Finance (expenses)	(312)	(251)	+24.3	(589)	(640)	-8.0
Profit before tax	1,441	4,347	-66.9	1,279	5,417	-76.4
Income tax (expense)	(856)	(890)	-3.8	(842)	(1,015)	-17.0
Net profit	585	3,457	-83.1	437	4,402	-90.1
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
Result of changes in cash flow hedge reserve	99	548	-81.9	1,225	674	81.8
Impact of income tax	(15)	(82)	-81.7	(184)	(101)	82.2
Total comprehensive income for the year	669	3,923	-82.9	1,478	4,975	-70.3
Earnings per share (EPS) for continuing operations:						
Basic and diluted, profit for the year attributable to ordinary equity holders of the parent (in EUR)	0.07	0.44	-	0.06	0.56	-

Consolidated statements of financial position

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

	30 June 2019	31 December 2018	30 June 2018
ASSETS			
Non-current assets			
Goodwill	30,327	30,327	30,327
Other intangible assets	347	427	483
Property, plant and equipment	260	292	300
Long term receivables	62	65	62
Deferred income tax asset	7	6	6
Total non-current assets	31,003	31,117	31,178
Current assets			
Inventories	4	3	1
Prepayments and deferred expenses	11,178	8,861	9,831
Trade accounts receivable	549	697	757
Prepaid income tax	233	231	1
Other receivables	2,632	2,028	3,362
Other current financial assets	-	-	1,244
Restricted cash	3,200	1,700	4,600
Cash and cash equivalents	2,585	3,203	7,451
Total current assets	20,381	16,723	27,247
Total assets	51,384	47,840	58,425
EQUITY AND LIABILITIES			
Equity			
Share capital	234	234	234
Cash flow hedge reserve	(310)	(1,351)	1,057
Legal reserve	29	29	29
Foreign currency translation reserve	145	145	145
Retained earnings	15,747	15,310	18,179
Total equity	15,845	14,367	19,644
Liabilities			
Non-current borrowings	6,000	6,000	8,000
Deferred income tax liabilities	3,114	2,781	3,040
Total non-current liabilities	9,114	8,781	11,040
Current liabilities			
Current portion of non-current borrowings	1,500	2,000	1,500
Trade payables	4,998	4,611	3,387
Advances received	18,928	14,259	20,400
Income tax payable	98	29	200
Other current liabilities and accrued expenses	901	3,793	2,254
Total current liabilities	26,425	24,692	27,741
Total equity and liabilities	51,384	47,840	58,425

Consolidated statements of changes in equity

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

	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders
Balance as of 31 December 2017	226	29	484	13,963	145	14,847
Net profit for the year	-	-	-	5,415	-	5,415
Other comprehensive income	-	-	(1,835)	-	-	(1,835)
Increase in share capital	8			(8)		
Dividends paid	-	-	-	(4,060)	-	(4,060)
Balance as of 31 December 2018	234	29	(1,351)	15,310	145	14,367
Net profit for the year	-	-	-	437	-	437
Other comprehensive income	-	-	1,041	-	-	1,041
Dividends paid	-	-	-	-	-	-
Balance as of 30 June 2019	234	29	(310)	15,747	145	15,845

Consolidated statements of cash flow

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

	6M 2019	6M 2018
Cash flows from (to) operating activities		
Net profit	437	4,402
Adjustments for non-cash items:		
Depreciation and amortization	130	134
Change in deferred income tax	337	420
Current income tax expenses	146	696
Elimination of financial, investment and other non-cash activity results	1,333	1,040
Changes in working capital:	2,383	6,692
Decrease in inventories	(1)	-
(Increase) decrease in trade receivables	148	(235)
(Increase) decrease in other receivables	(3,604)	(6,435)
(Increase) decrease in prepayments and deferred expenses	(2,314)	(3,897)
Increase (decrease) in trade payables	387	(495)
Increase in advances received	4,669	8,298
Income tax paid	(74)	(878)
Increase (decrease) in other accounts payable and accrued expenses	(2,892)	(644)
Net cash flows from operating activities	(1,298)	2,406
Cash flows from (to) investing activities		
(Acquisition) of non-current assets (except investments)	(56)	(171)
Proceeds from sale of non-current assets (except investments)		
Net cash flows (to) investing activities	(56)	(171)
Cash flows from financing activities		
Loans received	8,000	
(Repayment) of loans	(8,500)	(4,500)
Interest (paid)	(264)	(268)
Net cash flows (to) financing activities	(764)	(4,768)
Net increase (decrease) in cash flows	(2,118)	(2,533)
Cash and cash equivalents at the beginning of the year	4,703	9,984
Cash and cash equivalents at the end of period	2,585	7,451

Notes to the financial statements

Information about subsidiaries

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

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

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

Sales and marketing expenses

	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Commissions	2,916	2,895	+0.7	4,394	4,199	+4.6
Salaries and related taxes	615	378	+62.8	1,205	902	+33.6
Advertising and marketing expenses	249	298	-16.3	513	641	-19.9
Rent and maintenance expenses	50	37	+36.4	110	93	+18.8
Depreciation and amortization	4	-	+4,413	9	6	+51.0
Business trips expenses	12	10	+12.2	21	16	+26.0
Communication expenses	10	10	+7.0	23	22	+7.7
Transportation expenses	8	10	-22.0	17	17	-1.4
Representation expenses	10	2	+501.9	37	12	+218.7
Training expenses	1	3	-71.3	2	6	-69.0
Other	12	24	-50.4	34	28	+21.1
Total:	3,888	3,667	+6.0	6,366	5,942	+7.1

General and administrative expenses

	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Salaries and related taxes	555	664	-16.4	1,084	1,195	-9.3
Rent and maintenance expenses	35	39	-11.0	67	69	-3.4
Depreciation and amortization	52	61	-15.7	123	126	-2.9
Business trips expenses	25	27	-5.6	42	57	-25.5
Communication expenses	10	15	-34.9	19	25	-25.1
Consulting expenses	52	93	-44.2	125	334	-62.6
Transportation expenses	14	19	-24.0	23	36	-34.9
Representation expenses	21	23	-9.8	45	43	+4.1
Bad debt expenses	26	8	+225.0	26	8	+225.0
Training expenses	7	3	+139.9	10	5	+104.2
Other	222	180	+23.2	530	543	-2.4
Total:	1,020	1,134	-10.1	2,095	2,443	-14.3

In the first half of 2019, the Company incurred one-off expenses related to legal cases (EUR 48,000) and headcount decrease (EUR 96,000). In the first half of 2018, the Company incurred one-off expenses related to the IPO (EUR 286,000) and legal costs (EUR 105,000). Total one-off expenses amounted to EUR 144,000 in the first half of 2019 and EUR 391,000 in the first half of 2018. These costs are reflected in the consulting and other expenses lines.

Hedging

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

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

	Q2 2019	Q2 2018	Change	6M 2019	6M 2018	Change
Result of closed hedging contracts already reflected in the period statement of comprehensive income	(300)	708	(1,008)	(223)	713	(936)
Market value of existing hedges at the end of the period	-	-	-	(365)	(935)	570

Borrowings

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

Long term borrowings	30 June 2019	31 December 2018	30 June 2018
AB Luminor Bank loan, annual interest rate of 3-month EURIBOR + 3.5%	7,500	8,000	9,500
Current portion of non-current borrowings	(1,500)	(2,000)	(1,500)
Total non-current borrowings	6,000	6,000	8,000

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

Off-balance sheet commitments:

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

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

Related party transactions

During the six-month period ended 30 June 2019, total payments of EUR 45,000 (of which EUR 24,000 during the second quarter) were made to Supervisory Council members.

Management confirmation of the Consolidated Financial Statements

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

Audronė Keinytė
CEO

Tomas Staškūnas
CFO

Interim Consolidated Report

Reporting period

January-June 2019.

Issuer and its contact details

Name of the Issuer	AB Novaturas (hereinafter – ‘the Company’)
Legal form	Public company
Date of registration	16 December 1999
Name of the Register of Legal Entities	State Enterprise Centre of Registers
Company code	135567698
LEI code	097900BGCW0000042109
Registered office	A. Mickevičiaus str. 27, LT-44245 Kaunas
Telephone number	+370 37 321 264
Fax number	+370 37 321 130
E-mail address	info@novaturas.lt
Internet address	www.novaturasgroup.com

Main activities of the Company

We are the largest tour operator in the Baltic region, with a strong market position that we have built up over time since 1999. Our advantages include a strong position in a developing market, a well-recognized brand, high customer loyalty and very good relations with tourism agencies and service providers, thanks to which Novaturas can provide its customers with a diverse and attractively priced offering.

Our product portfolio includes fully organized summer and winter package holidays as well as sightseeing tours by coach and plane to more than 30 destinations worldwide, including the most popular holiday resorts in Southern Europe as well as selected locations in North Africa, the Middle East, Asia and Latin America. We also sell flight tickets and hotel accommodations, thanks to which we are able to reach an extensive group of customers with diverse preferences.

We operate in Lithuania, Latvia and Estonia, where we are the undisputed leader in the organized chartered flights market. We also sell our products via external partners on the promising Belarussian market, which offers opportunities for future expansion. Overall, we have a reach of more than 15 million potential customers (some 6.2 million people in Baltic countries and about 9.5 million in Belarus).

Our products are available through diversified and complementary distribution channels. We work with over 400 travel agencies, including all of the major agencies in the Baltics and more than 60 in Belarus. We have our own sales offices in the main cities of Lithuania, Latvia and Estonia. We are also investing in developing our e-commerce channel. Online sales go through our customized websites and via the international platform GDS (Global Distribution Systems).

Our product portfolio is diversified in terms of types of tours, prices and destinations. This diversification allows us to offer products that are adapted to the needs and expectations of diverse customer groups. This lets us maintain a presence in nearly all market segments and effectively respond to changing customer preferences.

Flight package tours. Flight package tours are the main part of our offering. They include holiday trips to popular summer resorts in Europe (in the Mediterranean Sea region), North Africa and Asia, as well as to the most popular European winter destinations in Italy, France and Andorra. Customers receive a full range of services, including flights, transfer from airport to hotel, accommodation, a round-the-clock resident tour guide, and attractions during the stay, including full-day excursions during the summer.

Sightseeing trips by plane. These are long-distance round trips by plane, including to Asia and South America, using both chartered and regular flights from Vilnius. We provide the flights, accommodations, sightseeing tours by coach and a full-time tour guide who stays with the tourists during the entire trip, providing them with information on the country and the available attractions.

Sightseeing trips by coach. These are sightseeing trips to European destinations, including Poland, Germany, France, Italy, Austria, Croatia and Greece. The round trips by coach are organized from Lithuania. We provide transport by coach, accommodations, sightseeing by coach and a tour guide who stays with the tourists during the entire trip.

Other products. Our other products include flight tickets and hotel bookings online. We sell these to retail clients as well as to other tour operators who are often interested in booking seats on the most popular chartered flight routes.

Subsidiaries

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

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

* The activities of the subsidiary in Romania were suspended in 2009 and have not been renewed since that time.

Data about securities traded on a regulated market

The Nasdaq Vilnius stock exchange is the home market for the Company's shares. Since 21 March 2018, the Company's ordinary shares have been dual-listed on the Nasdaq Vilnius exchange and the Warsaw Stock Exchange.

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

Type of shares	Number of shares	Nominal value (in EUR)	Total nominal value (in EUR)	Issue code
Ordinary registered shares	7,807,000	0.03	234,210	LT0000131872

Information about related party transactions

The Company's transactions with related parties are disclosed in the Notes to the Financial Statements.

Risk management

Credit risk

The Company's credit risk is relatively low as customers are required to pay for tours before the tours start. Besides that, credit limits are granted to the travel agencies that carry out the majority of sales. The main purpose of the credit limits is to ensure timely payments. If a credit limit is exceeded, the Company's reservation system automatically blocks sales.

The Company does not guarantee the 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 Company considers that its 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.

Interest rate risk

A major portion of the Company's borrowings is subject to variable rates, tied to EURIBOR, which creates an interest rate risk. No financial instruments have been designated to manage the outstanding exposure to fluctuation in interest rates.

Foreign exchange risk

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

In December 2010, the Company began to use derivative financial instruments to reduce EUR/USD foreign exchange risk and fuel price variance risk. These risks are managed through the purchase of foreign exchange forward contracts and ICE Brent futures contracts. As of 1 January 2014, the Group and the Company started to use derivatives for which hedge accounting applies.

Liquidity management

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 Company's cash flows.

Capital management

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

The Company manage its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of activities. In order to maintain or adjust the capital structure, the Company may issue new shares, adjust the dividend payment to shareholders and/or return capital to shareholders.

The Company is obliged to maintain equity at no less than 50% of its share capital, as required by the Law on Companies of the Republic of Lithuania. External share capital requirements regarding the equity-to-asset ratio may also be imposed on the Company by banks.

The Company assesses capital using a ratio of total liabilities and equity. The Company's capital includes ordinary shares, reserves and retained earnings attributable to the equity shareholders of the parent company.

Corporate governance

According to the Company's Articles of Association, the governing bodies of the Company are the General Shareholder's Meeting, the Supervisory Council, the Board and the CEO.

The decisions of the General Meeting made regarding matters for which the General Meeting has competence are binding on the shareholders, the Supervisory Council, the Board, the CEO and other officials of the Company. Shareholders of the Company who at the end of the date of record of the General Meeting are shareholders of the Company have the right to participate in the General Meeting. The date of record of the General Meeting of Shareholders of the Company is the fifth business day prior to the General Meeting or the repeated General Meeting. A person who participates in a General Meeting and has the right to vote must present documents that establish his/her identity. If the person is not a shareholder, then he/she must present a document establishing his/her right to vote at the General Meeting.

Under the Articles of Association, the Supervisory Council of the Company consists of five members who are elected for a term of three years and jointly act as a supervising body of the Company. The Council represents the shareholders and performs supervision and control functions. The members of the Council are elected by the General Meeting in keeping with the procedure established by the Law on Companies of the Republic of Lithuania. The Chairperson of the Council is elected by the Council from among its members for a three-year term. The Council institutes two Committees – (1) Audit and (2) Nomination and Remuneration. The Audit Committee is composed of three members of the Council, The Nomination and Remuneration Committee – of four members of Council.

The Board of the Company consists of three members who are elected for a term of three years and jointly act as the managing body of the Company. The members of the Board are elected by the Supervisory Council in keeping with the procedure established by the Law on Companies of the Republic of Lithuania. The Chairperson of the Board is elected by the Board from its members for a three-year term.

The Board, with the prior consent of the Supervisory Council, elects and recalls the CEO of the Company, sets his/her remuneration and other terms of employment, approves his/her office regulations, and encourages and penalizes him/her. The CEO is a single-person management body reporting directly to the Board of the Company who, within his/her scope of authority, organizes the day-to-day operations of the Company. Transactions of the Company shall be signed jointly by the CEO and any member of the Board.

The Company essentially follows the recommended Corporate Governance Code for Companies Listed on the Nasdaq Vilnius stock exchange (hereinafter “the Governance Code”). The Company also abides by the WSE Best Practices for companies listed on the Warsaw Stock Exchange.

In accordance with the Governance Code, all members of the current Supervisory Council are considered non-executive directors and two of the five members of the Council are independent. Both the members of the Audit Committee and members of the Nomination and Remuneration Committee are elected for three-year terms by the Council. All three members of the current Audit Committee have a financial or economics background, and two of them are independent members of the Council.

The Company publishes a detailed list of the practices and recommendations it does not comply with on its website www.novaturasgroup.com.

Shareholders rights

None of the shareholders of the Company have any special controlling rights. The rights of all shareholders are equal. As of 30 June 2019, the number of the Company’s shares that grant voting rights during the General Meeting of Shareholders amounted to 7,807,000. One ordinary registered share of the Company gives one vote in the General Meeting of Shareholders.

The Company is not aware of any agreements between shareholders that would limit their ability to exercise their voting rights. Lock-up periods for transferring shares were set during the Company’s IPO: a 180-day lock-up period for Central European Tour Operator S.a.r.l., a 540-day lock-up for Ugnius Radvila, Vidas Paliūnas and Rytis Šumakaris, and a 720-day lock-up for Linas Aldonis (the former General Director) and Tomas Staškūnas. The lock-up periods started on 21 March 2018 which was the first listing day of the Company’s shares on the Nasdaq Vilnius exchange.

Treasury stock

The Company has no treasury stocks. The Company has never acquired any shares from the management of the Company.

Dividends

In 2018 the Board of the Company approved a dividend policy to pay out 70-80% of earned net profits as dividends. The Company neither announced nor paid dividends during the period January-June 2019.

Activities of the Supervisory Council

During January-June of 2019, six meetings of the Supervisory Council were held, having been convened as per the procedure set out in the Regulations of the Company’s Supervisory Council. At all Supervisory Council meetings the legally required quorum was present.

During its meetings the Supervisory Council recalled from the position of member of Board Linas Aldonis; provided advance approval to the Board regarding the candidate being offered to the position of the General Director of the Company - Audronė Keinytė. Also Supervisory Council elected Franz Leitner as fourth member of Nomination and Remuneration Committee and consequently amended the Regulations of this Committee.

Four meetings of the Audit Committee were held in the period through 30 June 2019. During its meetings the Audit Committee was presented and discussed the draft of 2018 Audit report of the external auditors Deloitte Lietuva UAB; provided recommendations to the Supervisory Council regarding improvement of the annual report and financial statements of the Company for the period ending on the 31 of December, 2018; revised internal audit 2018 results, discussed and approved the internal Audit plan for 2019.

One meeting of the Nomination and Remuneration Committee was held in the period through 30 June 2019. During its meetings the Nomination and Remuneration Committee provided recommendations to the Supervisory Council regarding the candidacy of the General Director of the Company and her employment contract conditions as well as recommendation regarding the conditions of remuneration to members of the Board.

Information about Supervisory Council members' attendance of meetings through 30 June 2019 (number of attended meetings):

	General shareholders meeting	Supervisory Council meeting	Meeting of the Audit Committee	Meeting of the Nomination and Remuneration Committee
Total number of meetings	1	6	4	1
Sebastian Król	1	6		
Ugnius Radvila	1	6		1
Vidas Pliūnas	1	6	4	1
Franz Leitner	-	6	4	- (meeting before his election)
Piotr Nowjalis	-	6	4	1

In keeping with the Governance Code for Companies Listed on the Nasdaq Vilnius stock exchange, all current members of the Supervisory Council are non-executive directors. Three members of the Supervisory Council represent shareholders of AB Novaturas and two members of the Supervisory Council – Franz Leitner and Piotr Nowjalis – are regarded as independent members of the Council.

Members of the Supervisory Council as of 30 June 2019

Sebastian Król has been working with Enterprise Investors since 2001, currently as partner. He sits on the supervisory boards of the fund's portfolio companies. He also serves as director for funds managed by Enterprise Investors. In 2009-2015, he was director at Enterprise Investors Corporation. He graduated from the University of Łódź with a master's degree in economics. Directly holding no shares, he represents a shareholder owning 47.4% of the Company's shares.

Ugnius Radvila has been working with the Company since its establishment. From 1999 to 2011 he was the manager of its Vilnius branch and since 2011 he has been a consultant to the Company. In 1995-2004 he was also tourism director at Interservis Kelionių Agentūra. He graduated from the Vilnius University Faculty of Communication with a master's degree in Communication and Information (International Communication Programme). He holds 9.49% of the Company's shares.

Vidas Paliūnas participated in the establishment of Novaturas UAB on the basis of a merger of three travel agencies, one of which was DELTA Travel Agency where he was the managing director. From 2009 to 2018 he was a member of Novaturas' Board and as of February 2018 he has been a member of the Supervisory Council. He obtained an IT degree from Chemnitz University of Technology in Germany. He holds 6.86% of the Company's shares.

Piotr Nowjalis has been involved in financial management for 20 years. He has held managerial and supervisory positions at many Warsaw Stock Exchange-listed companies, including CCC (the largest shoe retailer in CEE), AB (the largest IT distributor in CEE) and Dino Polska (a food retailer). He holds an Executive MBA degree from Kozminski University in Warsaw and is also a graduate of the University of Gdansk's Faculty of Economics and Faculty of Law and Administration.

Franz Leitner has profound knowledge of European travel markets, in particular DACH, CEE and Russia. From 1994 to 2007 he gained extensive experience serving in executive positions at Thomas Cook/Neckermann and TUI as CEO Austria/CEE/Russia. Since 2007 he has been providing consulting and transaction advisory services and has held supervisory positions for international clients in the travel industry.

Members of the Board as of 30 June 2019

Audronė Keinytė joined Novaturas in 2006. Initially she was the firm's representative abroad in foreign destinations. In 2009-2010, she worked as Head of Foreign Services, and for the past 8 years (since 2010) she has primarily been in charge of the development and purchasing of products. She graduated from the Philosophy Faculty at Vilnius University with a master's and a bachelor's degree in sociology. She also gained professional experience working at hotels in Lithuania and that USA between 1999 and 2003.

Tomas Staškūnas has been with Novaturas since 2009, during which time he has been responsible mainly for financial reporting, budgeting, relations with financial institutions and organizing the book-keeping process. He has a master's degree in finance and banking from the Vytautas Magnus University. He holds 0.75% of the Company's shares.

Tomas Staškūnas has been with Novaturas since 2009, during which time he has been responsible mainly for financial reporting, budgeting, relations with financial institutions and organizing the book-keeping process. He has a master's degree in finance and banking from the Vytautas Magnus University. He holds 0.75% of the Company's shares.

Birutė Čepanskienė has been with Novaturas since 2001. She has been responsible for sales and bookings reservations, coordinating and centralizing these functions on a group level and taking on the role of production director at the end of 2011. She graduated from Vytautas Magnus University with a master's degree in marketing and sales. Prior to that, she obtained a bachelor's degree in tourism and hotel management at Kauno Kolegija and completed English language and literature courses at Nottingham Trent University.

Personnel

Average number of employees of the Company (headcount) by field of activity:

	6M 2019	6M 2018	Change, %
Representatives abroad and guides	65	89	-27.2
Retail personnel	40	42	-4.8
Office personnel	132	128	+3.1
Total:	237	259	-8.6

Figures do not include employees who are on maternity/paternity leave.

Confirmation of responsible persons

In accordance with Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Information Disclosure of the Bank of Lithuania, we, Audronė Keinytė, CEO of AB Novaturas, and Tomas Staškūnas, CFO of AB Novaturas, hereby confirm that, to the best of our knowledge, the AB Novaturas Consolidated Interim Report for the Six-Month Period Ended 30 June 2019 provides a fair review of the development and performance of the business and the position of the Company's undertakings in relation to the description of the main risks and contingencies faced therein.

Audronė Keinytė
CEO

Tomas Staškūnas
CFO