



“Novaturas” AB

(a public limited liability company incorporated and existing under the laws of Lithuania, with its registered office in Kaunas corporate ID code 135567698)

Public offering of 3,903,500 existing ordinary registered shares with a nominal value of EUR 0.03 per share, with a possibility to increase the number by up to 1,249,120 shares and, in such case, up to 5,152,620 shares and the seeking of the admission and introduction of 7,807,000 existing ordinary registered shares to trading on the regulated (main) market of the Warsaw Stock Exchange and on the Main List of AB Nasdaq Vilnius

On the basis of this document (the **“Prospectus”**), the Selling Shareholders (as defined below) are collectively offering 3,903,500 existing ordinary registered shares with a nominal value of EUR 0.03 each (the **“Sale Shares”** or the **“Offer Shares”**) in the share capital of the Novaturas AB (the **“Issuer”** or the **“Company”**, together with its subsidiaries, the **“Group”**), which is a public limited liability company incorporated and existing under the laws of the Lithuania, having its registered office at A. Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania, and registered with the Register of Legal Entities of the Republic of Lithuania (in Lithuanian: *Juridinių asmenų registras*) under code 135567698 (the **“Offering”**). The Offer Shares represent 50% of the Company's share capital. Central European Tour Operator s. a. r. l. (the **“Selling Shareholder 1”**) is offering 3,141,500 Offer Shares, Mr. Rytis Šumakaris (the **“Selling Shareholder 2”**) is offering 381,000 Offer Shares and Mr. Vidas Paliūnas (the **“Selling Shareholder 3”**) is offering 381,000 Offer Shares (Selling Shareholder 1, Selling Shareholder 2, and Selling Shareholder 3 together the **“Selling Shareholders”**). If the Global Coordinator determines that there is sufficient quality demand for the Offer Shares, the Selling Shareholder 1 may decide to increase the number of the Offer Shares by up to 1,249,120 Offer Shares (**“Additional Shares”**) and, in such case, the final number of the Offer Shares in the Offering will not be higher than 5,152,620 Offer Shares. The Additional Shares shall be sold by Selling Shareholder 1.

The Offering consists of: (i) public offerings in the Republic of Poland, the Republic of Lithuania and the Republic of Estonia (ii) and a private placement for institutional investors outside of the United States (excluding the Republic of Poland, the Republic of Lithuania and the Republic of Estonia) in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the **“U.S. Securities Act”**). There will be no public offering outside of the Republic of Poland, the Republic of Lithuania and the Republic of Estonia.

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation, suspension or modification of the Offering and subject to certain other conditions. Please see Section *Terms and Conditions of the Offering*.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 3 of European Union (EU) Directive 2003/71/EC, as amended (the **“Prospectus Directive”**) and has been prepared in accordance with the provisions of the European Commission Regulation (EC) 809/2004, as amended and Law of the Republic of Lithuania on Securities, as amended (the **“Law on Securities”**) and the rules promulgated thereunder. This Prospectus has been filed with, and was approved on 23 February 2018, by the Bank of Lithuania (in Lithuanian: *Lietuvos bankas*, the **“BoL”**), which is the competent authority for the purposes of the relevant implementing measures of the Prospectus Directive in Lithuania. Based on Articles 4 and 5 of the Law on Securities, Lithuania is the home member state of the Issuer and the BoL is solely authorized to approve this Prospectus. The Issuer will be authorized to carry out the public Offering in the Republic of Lithuania, in the Republic of Poland and in the Republic of Estonia once the BoL has approved and has notified the approval of the Prospectus to the Polish Financial Supervision Authority (in Polish: *Komisja Nadzoru Finansowego*; the **“PFSA”**) and Estonian Financial Supervision Authority (in Estonian: *Finantsinspeksioon*; the **“EFSA”**) respectively. The Prospectus together with its summary translated in Polish, in Lithuanian and in Estonian has been published on the website of the Issuer (www.novaturasgroup.com). Additionally, for information purposes only, the Prospectus has been published (i) in the English language together with its summary translated into Polish on the website of the Offering Agent in Poland (www.dm.pkobp.pl), (ii) in the English language together with its summary translated into Lithuanian on the Lithuanian website of the Offering Agent in Lithuania and Estonia (www.swedbank.lt); and (iii) in the English language together with its summary translated into Estonian on the Estonian website of the Offering Agent in Lithuania and Estonia (www.swedbank.ee). In addition, in accordance with the requirements of the applicable regulations in the Republic of Lithuania, the Republic of Estonia and the Republic of Poland, a paper copy of the Prospectus will be delivered to the Investors upon their request free of charge. The PFSA and the EFSA are respectively the competent authorities for the purposes of the relevant implementing measures of the Prospectus Directive in the Republic of Poland and the Republic of Estonia as host member states of the Issuer.

Prior to the Offering, the shares of the Issuer have not been admitted to or traded on any regulated market. Applications will be made based on this Prospectus to admit all the Issuer's shares issued and existing in the share capital of the Issuer as at the date hereof (the **“Shares”**) to listing and trading on the regulated market of the Warsaw Stock Exchange (*Gięda Papierów Wartościowych w Warszawie S.A.*) (the **“WSE”**). Regarding Admission of Shares to trading on AB Nasdaq Vilnius (**“Nasdaq”**), the Issuer has made an application to Nasdaq for adoption of a decision on conditional admission of Shares to trading on the regulated market (main list) of Nasdaq. On 15 February 2018 Nasdaq's management board passed the respective decision. The Issuer expects that the date on which trading in the Shares on the WSE will commence is on or around 21 March 2018 (the **“WSE Listing Date”**) and expects that the date on which trading in the Shares on the Nasdaq will commence is on or around 21 March 2018 (the **“Nasdaq Listing Date”**).

The maximum price for the Retail Investors per Offer Share is EUR 13.50 (the **“Maximum Price”**) and its indicative PLN equivalent is PLN 56.11. The Retail Investors will be placing orders at the Maximum Price. The final offer price per Offer Share for the Retail Investors (the **“Offer Price for the Retail Investors”**) and the final offer price per Offer Share for the Institutional Investors (the **“Offer Price for the Institutional Investors”**) (the **Offer Price for the Institutional Investors and the Offer Price for the Retail**

Investors collectively, the “Offer Prices”), as well as the final number of the Offer Shares shall be determined by the Selling Shareholders in agreement with the Global Coordinator on or about 8 March 2018 (the “**Pricing Date**”) and will be announced in a manner compliant with applicable regulations, as well as market practice in the Republic of Lithuania, in the Republic of Estonia and in the Republic of Poland. The Offer Prices will be determined in EUR. More specifically, the information referred to in the preceding statement will be published in the same manner as this Prospectus and notified to the PFSA and the EFSA. When determining the Offer Prices the following criteria, among others, will be taken into account: (i) size and price sensitivity of demand from the Institutional Investors as indicated during the book-building process; (ii) the current and anticipated situation on the Lithuanian, Polish, Estonian and international capital markets; and (iii) the secondary market post-Offering for the Shares. The Offer Price for Retail Investors expressed in EUR will not be higher than the Maximum Price expressed in EUR. The Offer Price for Institutional Investors may be higher than the Maximum Price. Neither the Issuer nor the Selling Shareholders nor the Joint Bookrunners accept any responsibility or liability with respect to any person as a result of a withdrawal/cancelation, modification or suspension of the Offering.

PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE DOCUMENT AND, IN PARTICULAR, PLEASE SEE SECTION *RISK FACTORS* FOR A DESCRIPTION OF FACTORS TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING WHETHER TO INVEST IN THE OFFER SHARES.

This Prospectus does not constitute an offer to sell the Offer Shares, or a solicitation of an offer to buy the Offer Shares from persons in any jurisdiction in which the making of such an offer or solicitation would be illegal.

All the Shares are ordinary registered shares and are registered with Lithuanian branch of Nasdaq CSD, SE (“**Nasdaq CSD**”) (the merged central securities depository of Lithuania, Latvia and Estonia) under ISIN code LT0000131872. The delivery of the Offer Shares in Poland will be made through the book-entry facilities by transferring them from the Nasdaq CSD to the Polish clearing and settlement institution – the Central Securities Depository of Poland (in Polish: *Krajowy Depozyt Papierów Wartościowych S.A.*, the “**CSDP**”), acting as a secondary depository for the Shares. Shareholders in the Issuer may hold the Shares through the CSDP and/or Nasdaq CSD participants, such as investment firms and custodian banks operating in Poland and/or Lithuania.

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR BY ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR SUBJECT TO THE JURISDICTION OF THE UNITED STATES OF AMERICA, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT (PLEASE ALSO SEE SECTION “*SELLING RESTRICTIONS*”).

There will be no over-allotment option in the Offering.

Maximum Price: EUR 13.50, equivalent in Polish zloty PLN 56.11

Offer Prices for particular categories of Investors: To be determined in EUR and announced (including the equivalent in PLN) on or about 8 March 2018

Global Coordinator, Joint Bookrunner and Offering Agent in Poland

Dom Maklerski PKO Banku Polskiego

Joint Bookrunner

Trigon Dom Maklerski S.A.

*Joint Bookrunner and Offering Agent
in Lithuania and Estonia*

Swedbank AB

The date of this Prospectus is 23 February 2018

TABLE OF CONTENTS

SUMMARY	4
RISK FACTORS	20
IMPORTANT INFORMATION	36
USE OF PROCEEDS	43
DIVIDEND AND DIVIDEND POLICY	44
CAPITALIZATION AND INDEBTEDNESS	46
CONSOLIDATED FINANCIAL INFORMATION	48
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	51
BUSINESS OF THE GROUP	69
INDUSTRY AND MARKET OVERVIEW.....	94
LEGAL OVERVIEW	100
STRUCTURE OF THE GROUP.....	104
MANAGEMENT	107
THE SELLING SHAREHOLDERS.....	115
RELATED PARTY TRANSACTIONS.....	118
DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE.....	119
TERMS AND CONDITIONS OF THE OFFERING.....	134
PLACEMENT, STABILIZATION AND LOCK-UP	144
DILUTION	147
SELLING RESTRICTIONS.....	149
TRANSFER RESTRICTIONS.....	151
THE CAPITAL MARKET IN POLAND AND LITHUANIA AND CERTAIN REGULATIONS RELATED TO THE PURCHASE AND SALE OF SHARES.....	152
TAXATION.....	159
ADDITIONAL INFORMATION.....	169
ABBREVIATIONS AND DEFINITIONS.....	171
ANNEX I – CONSOLIDATED FINANCIAL STATEMENTS	A-1
ANNEX II – ARTICLES OF ASSOCIATION	A-2

SUMMARY

Summaries are made up of disclosure requirements known as elements (the “Elements”). These Elements are numbered in Sections A—E (A.1—E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer.

Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with “not applicable”.

Section A – Introduction and warnings	
A.1	Introduction and warnings
<p>This summary should be read as introduction to the prospectus (the “Prospectus”).</p> <p>Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European economic area, have to bear the costs of translating the Prospectus before legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>	
A.2	Consent by the Issuer to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries
Not applicable. The Issuer has not granted such consent and the shares will not be the subject of subsequent resale or final placement by financial intermediaries.	
Section B – Issuer	
B.1	The legal and commercial name
Public limited liability company “Novaturas” and Novaturas AB respectively.	
B.2	Domicile, legal form, legislation and country of incorporation
The Issuer is a public limited liability company with its registered address at Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania. The Issuer is incorporated and operates under the laws of the Republic of Lithuania.	
B.3	Description of, and key factors relating to the nature of the issuer’s current operations and its principal activities, stating the main categories of products sold or services performed and identification of the principal markets in which the issuer competes
<p>The Company is a tour operator offering a full holiday experience to clients from the stage of planning to booking flights, accommodation, transfers and activities during the stay as well as round trips by coach and by plane. The Company is headquartered in Lithuania and is the largest tour operator in the Baltic region – i.e. Lithuania, Latvia and Estonia by turnover and by PAX sold. The above-mentioned countries are the Group’s main source markets.</p> <p>The Group has a leading position in the Baltic region with a total population in 2016 of 6.2 million people (2.9 million in Lithuania, 2.0 million in Latvia and 1.3 million in Estonia). The Group benefits from a favorable macroeconomic situation in the Baltics. Average real GDP growth amounts to 2.7-2.8% y/y in each Baltic country in 2014-2017 (source: IMF). According to the IMF in 2017 the average GDP growth rate in the Baltics should be approximately 4%. The key driver of such growth is domestic demand. The steady increase in disposable income in the Baltics, which is supported among other things by improving labour market conditions, creates a favourable</p>	

macroeconomic environment. Moreover, the Group started its sale in Belarus which is a prospective market with a population of 9.5 million.

The Group has been a market leader in all Baltic countries since 2004. According to the Group's estimations of seats supply, the Group's market share in the Baltics organized charter flights market equals 44% at the end of 2017. The Company has been a leader in the Lithuanian organized charter flights market with a market share of approximately 49% at the end of 2017. In the Latvian and Estonian markets, the Group's market share at the end of 2017 equals 39% and 39% respectively, making the Group a leader also in those countries.

The Group has a diversified portfolio of products and destinations targeting different market segments, which allows it to be well-positioned to withstand potential changes in consumer preferences. The Group offers various types of tours to a broad spectrum of countries throughout the entire year. It organizes flight package holidays, sightseeing tours by plane and by coach, ski trips and sell other tourism-related products (such as holiday accommodation and flight tickets).

The Group primarily focuses on outgoing tourism and arranges flights both on charter and scheduled operations to more than 30 destinations worldwide. The destination portfolio ranges from all major European destinations to selected holiday spots in the Mediterranean Sea region and North Africa. In addition, the Group offers trips to the Middle East, Asia and Latin America. The majority of destinations are serviced by the Company's on-site representative and each sightseeing tour is accompanied by a Group guide throughout the entire trip. The Group's key countries are Turkey, Greece, Egypt, Bulgaria and Spain (including the Canary Islands), jointly representing 87.8% of the total share in flight packages revenues of the Group in 2017. The Group's holiday flights depart from all capital cities in the Baltics. Moreover, the Group has approximately 120 programmes in Europe related to coach travel and flight round trips.

The Group has well-balanced distribution channels that allow it to offer products to a broader customer base, not only searching for package tours, but also for flight tickets and hotels, and to exploit most market opportunities. The Group sells its holiday packages through four main sales channels: (i) external travel agencies (more than 400), (ii) direct sales in its six offices in Lithuania, Latvia and Estonia, (iii) its online sales platform, and (iv) GDS which is used to sell flight tickets. The Group is constantly developing its e-commerce channel and manages one of the largest online shops in the Baltics selling all of the Group's products. The Group's online shops have customized websites in local languages for the Lithuanian, Latvian, Estonian as well as a version in Russian for the Belarusian markets. The Group constantly increases the e-commerce share in the Group's revenues (calculated as revenues from flight packages, roundtrips by plane and coach, sell of flight tickets and accommodation, without other products), which reached 16% in 2017. In 2017 the Group's websites had 3.2 million unique visits.

The Groups' uniqueness is based on reputable and well-recognized brands. In the Baltics, the Group's most important brands are Novaturas (in Lithuania) and Novatours (in Latvia and Estonia). Other brands of the Group on the Lithuanian market include: (i) the budget brand ECO Travel and (ii) a premium brand Novaturas GOLD.

Moreover, the Management team's experience and the Company's know-how accumulated over 18 years on the market allow for the envisaging of market trends and clients' needs, and provide a strong competitive position.

The Company believes that the following competitive strengths represent the primary drivers for the Group's business success and set the Group apart from the competitors in the tourism business:

- Presence in developing markets with favorable macroeconomic conditions stimulating growth of the tourism sector;
- Unique position in growing markets;
- Strong brand recognition and customer loyalty;
- Diversified offer;
- Well-balanced multi-channel distribution network with growing share of e-commerce;
- Flexible and dynamic destination services supply management with minimized obligations and minimized financial risks;
- The ability to generate substantial and stable cash flows and payout of dividend;
- Experienced management with a strong track record and deep understanding of the tourism market.

The Group's strategy envisages further growth of business by concentrating on these key areas:

- (i) maintaining its market leader position in the Baltics;
- (ii) constantly developing the offer to retain existing customers and attract the additional ones together with

- increasing the volumes of products sold;
- (iii) further geographical expansion to Belarus;
- (iv) keeping well-balanced distribution channels with growing e-commerce;
- (v) delivering profitable growth and cash generation;
- (vi) paying out dividends to the shareholders regularly.

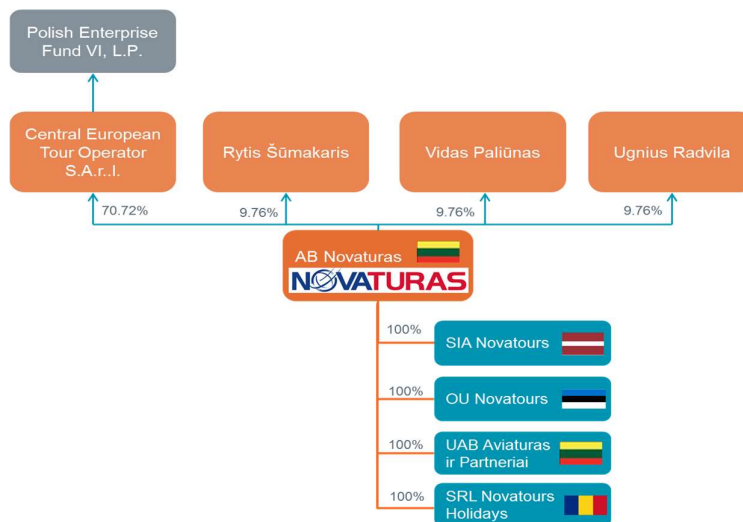
B.4a Significant recent trends affecting the Issuer and the industries in which it operates

In the Company’s opinion, the following trends should affect the business of the Company by the end of 2018:

- Further improvement of the general economic environment in the Baltic region, especially increase in GDP;
- Further increase in the wealth of the population of the Baltic region, due to the low and decreasing unemployment rate and rising wages;
- Further increase in household spending, including expenditures on package holidays;
- The Baltic countries' convergence towards the living standards of the western European markets and tourism expenditures;
- Increasing market penetration of tourism in the Baltics, i.e. an increasing number of people who can afford to and who do travel abroad;
- Growing frequency of travel per year;
- Increase in demand for foreign trips;
- Growing spending per trip;
- Increasing use of internet sales channels as well as increasing number of direct interactive consumers driven by social media;
- Continuous increase in early bookings.

B.5 The Group and the issuer’s position within the Group

The chart below presents the structure of the Group as of the date of this Prospectus.



SRL Novatours Holidays is inactive, i.e. it has not performed any operational activity yet.

Source: The Issuer

The Company operates as a holding company, also as an operational company and runs its activities itself and through the Subsidiaries forming the Group.

B.6 Major shareholders of the Issuer

As of the date of this Prospectus the shareholders of the Company are:

- Central European Tour Operator S.à r.l. with registered office at 1, rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg (the “CETO”, “Selling Shareholder 1”), holding 5,521,000 Shares constituting 70.72% of the Issuer’s share capital, enabling it to exercise 70.72% of the overall number of votes at the General Meeting;
- Rytis Šūmakaris (the “Selling Shareholder 2” or the “Minority Shareholder 1”), holding 762,000 Shares constituting 9.76% of the Issuer’s share capital, enabling him to exercise 9.76% of the overall number of votes at the General Meeting;
- Vidas Paliūnas (the “Selling Shareholder 3” or the “Minority Shareholder 2”), holding 762,000 Shares constituting 9.76% of the Issuer’s share capital, enabling him to exercise 9.76% of the overall number of votes at the General Meeting;
- Ugnius Radvila (the “Minority Shareholder 3”), holding 762,000 Shares constituting 9.76% of the Issuer’s share capital, enabling him to exercise 9.76% of the overall number of votes at the General Meeting;

(Selling Shareholder 1, Selling Shareholder 2, and Selling Shareholder 3 together the “Selling Shareholders”).

Selling Shareholder 1 is a company controlled by Polish Enterprise Fund VI LP with the registered office in Cayman Islands. Polish Enterprise Fund VI LP has no dominant entity.

Besides those stated above, the Selling Shareholders and Minority Shareholder 3 do not hold any other voting rights in the Issuer and are not entitled to any preferences regarding such voting rights.

B.7 Selected historical key financial information including a description of significant changes to the issuer’s financial condition and operating results

The following tables disclose selected financial information of the Group (EUR thousand) for the years ended 31 December 2017, 31 December 2016 and 31 December 2015 that are extracted without material adjustment from the Consolidated Financial Statements. The tables below disclose selected financial information of the Group, therefore figures included in below tables may not sum up to figures presented in lines headed “total”.

Selected Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
	<i>(audited)</i>		
Sales	141,147	101,525	99,091
Cost of sales	(114,345)	(83,762)	(81,895)
Gross profit	26,802	17,763	17,196
Operating (expenses)	(16,473)	(12,207)	(11,821)
Profit from operations	10,301	5,356	5,319
Finance income	564	494	193
Finance (expenses)	(1,730)	(750)	(2,636)
Profit before tax	9,135	5,100	2,876
Income tax (expense)	(984)	(638)	(631)
Net profit	8,151	4,462	2,245

Source: Consolidated Financial Statements, the Issuer

Selected Consolidated Statement of Financial Position

	As of 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
	<i>(audited)</i>		
ASSETS			

Non-current assets			
Goodwill	30,327	30,327	30,327
Other intangible assets	448	442	291
Total non-current assets	31,134	31,445	31,013
Current assets			
Prepayments and deferred expenses	5,940	2,748	3,825
Cash and cash equivalents	7,984	6,646	5,861
Total current assets	19,319	12,821	10,722
Total assets	50,453	44,266	41,735

Source: Consolidated Financial Statements, the Issuer

	As of 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
<i>(audited)</i>			
Equity			
Retained earnings	13,785	15,134	14,672
Equity attributable to equity holders of the parent	14,669	15,833	15,051
Non-controlling interests	-	-	-
Total equity	14,669	15,833	15,051
Liabilities			
Non-current liabilities			
Non-current borrowings	-	10,842	8,914
Deferred income tax liabilities	2,606	2,033	1,533
Total non-current liabilities	2,606	12,875	10,450
Current liabilities			
Current portion of non-current borrowings	14,000	3,158	3,158
Trade payables	3,882	3,130	2,620
Advances received	12,102	7,988	6,405
Total current liabilities	33,178	15,558	16,234
Total equity and liabilities	50,453	44,266	41,735

Source: Consolidated Financial Statements, the Issuer

Selected Consolidated Statement of Cash Flows

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
<i>(audited)</i>			
Cash flows from (to) operating activities			
Net profit	8,151	4,462	2,245
Adjustments for non-cash items:			
Net cash flows from operating activities	13,689	6,683	6,609
Net cash flows (to) investing activities	(285)	(409)	(435)
Dividends (paid)	(9,500)	(6,928)	(17,072)
Net cash flows (to) financing activities	(10,066)	(5,489)	(5,028)
Net increase (decrease) in cash flows	3,338	785	1,146
Cash and cash equivalents at the beginning of the year	6,646	5,861	4,715

Cash and cash equivalents at the end of the year	9,984	6,646	5,861		
<i>Source: Consolidated Financial Statements, the Issuer</i>					
B.8	Selected key pro forma financial information				
Not applicable. The Prospectus does not contain pro forma financial information.					
B.9	Forecast or estimate of the profit				
Not applicable. The Issuer has not made a decision to include the profit forecast or estimate in the Prospectus.					
B.10	Qualification of the auditor				
Not applicable. The auditor's reports regarding historical financial information were unqualified.					
B.11	Working capital				
The Issuer is of the opinion that the Group has sufficient working capital for its present requirements, i.e. for at least the next twelve months commencing as of the date of this Prospectus.					
Section C – Securities					
C.1	Type of security and security codes				
The Shares are ordinary registered shares with a nominal value of EUR 0.03 each and are registered with Nasdaq CSD under ISIN code LT0000131872.					
C.2	Currency of the securities issue				
The Shares are issued in euro (EUR).					
C.3	Number of shares issued par value per share				
Share capital of the Company as of the date of this Prospectus is as follows.					
	<u>Name of securities</u>	<u>Number of securities</u>	<u>Nominal value, EUR</u>	<u>Total nominal value, EUR</u>	<u>Part in the share capital, %</u>
	Ordinary registered shares	7,807,000	0.03	234,210	100
<i>Source: The Issuer</i>					
C.4	Rights attached to the shares				
Rights conferred by the Shares of the Company are as follows:					
<ul style="list-style-type: none"> • to receive a portion of the Company's profit (dividend); • to receive the Company's funds when the capital of the Company is reduced with a view to paying out the Company's funds to the shareholders; • to receive a part of the assets of the Company in liquidation; • to receive shares without payment if the capital is increased out of the Company funds, except for cases provided in the Law on Companies; • to have a pre-emption right in acquiring the shares or convertible bonds issued by the Company, except in the event the General Meeting decides to withdraw the pre-emption right for all the shareholders according to the procedure provided by the Law on Companies; • to lend to the Company in the manner prescribed by laws; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has its place of residence or business, which was in effect on the day of conclusion of the 					

	<p>loan agreement. In such a case, the Company and shareholders shall be prohibited from negotiating a higher interest rate;</p> <ul style="list-style-type: none"> • other property rights under the laws of the Republic of Lithuania; • to attend General Meetings; • to submit to the Company in advance questions related to the issues on the agenda of the General Meetings; • to vote at the General Meetings according to voting rights carried by their Shares; • to obtain information about the Company – of the scope and pursuant to the procedure provided in the Articles of Association; • to bring an action for damages to the Company caused by non-performance or improper performance of office duties of the Manager and Management Board members of the Company provided for in the Law on Companies, other laws and the Articles of Association, as well as in other cases stated in the law; • other non-property rights under the laws of the Republic of Lithuania or the Articles of Association. <p>All the Shares confer equal rights to all the shareholders.</p>
C.5	Restrictions on the free transferability of the shares
	<p>There are no restrictions on transfer of Shares (including the Offer Shares) as they are described in the applicable laws.</p>
C.6	Admission to trading
	<p>As of the date of this Prospectus, the Shares are not listed on any regulated or equivalent market. The Issuer has made an application to AB Nasdaq Vilnius (“Nasdaq”) for adoption of a decision on conditional admission of Shares to trading on the regulated market (main list) of Nasdaq, and also intends to make application to admit all the Issuer's Shares to listing and trading on the regulated main market of the Warsaw Stock Exchange (in Polish: <i>Gielda Papierów Wartościowych w Warszawie S.A.</i>) (“WSE”).</p> <p>On 15 February 2018 Nasdaq’s management board passed the decision on conditional admission of Shares to trading on the regulated market (main list) of Nasdaq. Nasdaq’s management board established the following conditions to be fulfilled by 19 March 2018 in order that the Shares were listed on the main list of Nasdaq: (a) the approval of the Prospectus by the BoL and its publication by the Issuer in the manner prescribed by the applicable laws; (b) delivery of the Shares to the public to the extent that the requirements set forth in the Nasdaq Listing Rules would be met, including requirement regarding sufficient portion of free float.</p> <p>The Issuer expects that the date on which trading in the Shares on the WSE will commence is on or around 21 March 2018 and expects that the date on which trading in the Shares on the Nasdaq will commence is also on or around 21 March 2018.</p>
C.7	Dividend policy
	<p>Based on the dividend policy, approved by the decision of the Board dated 9 February 2018, regular dividend distribution is one of the key points of the Group’s strategy. The Group’s asset light business model together with high cash generation allows it to distribute a substantial part of its profit to the shareholders. The Management Board expects that after the Admission, based on the audited interim results of the Company for the first half of 2018, an interim dividend in the amount of ca. EUR 6 million will be offered for payment. The payment of such interim dividend will be made only if it is approved by the General Meeting with a qualified majority of 2/3 votes of the shareholders present at the respective General Meeting. The Company has received declaration from the current shareholders of the Company that they will vote for payment of an interim dividend for 2018 in the above amount, if the conditions for such payment of the applicable laws will be met.</p> <p>In the future, based on the above dividend policy, the Board intends to propose for distribution of 70% - 80% of the Company’s profit. The distribution of the dividend will be made only if it is approved by the General Meeting with a qualified majority of 2/3 votes of the shareholders present at the respective General Meeting. The Company is planning to propose annual dividend distributions.</p> <p>The dividend policy will, however, be reviewed from time to time by the Board and any future dividends will be proposed for payment by the Board, taking into account several factors concerning the Issuer, including, without limitation, the Issuer’s prospects, future profits, cash requirements, financial standing, level of liquidity ratios,</p>

expansion plans as well as the laws and regulations pertaining to this subject in order to make a relevant decision, etc. In any event is the payment of a dividend subject to approval by the General Meeting with a qualified majority of 2/3 votes of the shareholders present at the respective General Meeting.

All Shares, including the Offer Shares, carry equal rights to dividends (and advance dividend payments, respectively) and entitle the holders to participate in the Issuer's profit from the date of their acquisition.

Section D – Risks

D.1 Key risks relating to the Group's business and industry

General Risk Factors in the Business Field in which the Group Operates

- The macroeconomic situation may have a material adverse effect on the organized charter flights market.
- Political instability, terrorist attacks, military conflicts and other extraordinary events may have a material adverse effect on the organized charter flights market.
- Competition between market players.
- The organized charter flights market is affected by the seasonality of sales.
- All Latvian tour operators will have an obligation to obtain a license and perform a new registration with the state database due to amendments to Latvian laws.

Risk Factors Characteristic of the Group

- **The Group may be required to obtain additional insurance** – it is not excluded that the Group will be requested to pay a deposit upon annual renewal of insurance policies.
- **The Group hedging policy may be ineffective** - the Group uses hedging in order to manage the foreign exchange risk and risk of fluctuations in jet fuel prices and USD exchange rate fluctuations. The changes to accounting of the hedge results may be attributable either to cost of sales or to financial income or expenses.
- **The Issuer may breach obligations under the financial agreements** – failure to meet the obligations specified in the loan agreements (in particular the financial covenants) and breach of the obligations mentioned therein may result in the raising of the interest rate on the financial liabilities, and in the event of continued improper performance of the obligations may result in the necessity of accelerated repayment of the loan together with interest and contractual interests and penalties.
- **Securities established on the Group's assets may be enforced** – difficulties in fulfilling the obligations resulting from the external financing agreements concluded by the Group may lead to their termination and initiation of enforcement of established securities.
- **The Company does not have a code of conduct or other documents regulating social responsibility yet** - a potential negative impact on the reputation of the Company exists, in case any of the customers experience any conduct, which is deemed to be socially irresponsible.
- **The Group is dependent on a limited number of key employees** – if the Group is unable to retain its key employees, this could result in a significant loss of expertise and could have a material adverse effect on the Group.
- **Certain Air Charter Agreements provide for joint liability of Novatours OÜ and Novatours SIA with third parties and certain other provisions** - certain Air Charter Agreements concluded by Novatours SIA and Novatours OÜ with other parties provide for joint liability of charterers under the respective agreements for breach of any clause of the agreement, as well as for compensating of losses caused to the carrier.

D.3 Key information on the key risks that are specific to the securities

Risk Factors Relating to the Offering and Trading on the WSE and Nasdaq

- The Offering may be suspended, modified or cancelled or the results of the Offering may deviate significantly from the envisaged Offering size and value.
- The Shares may not be eligible for admission to trading or listing on the regulated market (main market) of the WSE or Main List of Nasdaq.
- In the event of a breach or suspected breach of law in relation to the Offering, or the application for the Admission and introduction of the Shares to trading on a regulated market, the BoL, the PFSA and the

EFSA may, inter alia, prohibit or suspend the Offering and issue an order to stay the application or prohibit the application for the admission or introduction of the Shares to trading on the regulated market.

- The Issuer's failure to meet the requirements set forth in the WSE rules, applicable Nasdaq rules, the Law on Securities, the Law on Markets in Financial Instruments or the Polish Act on Public Offering may cause the Shares to be delisted.
- The market price of the Shares may decrease and/or be highly volatile.
- The Shares may have limited liquidity.
- Future offerings by the Issuer of debt or equity securities may adversely affect the market price of the Shares and dilute the interests of its shareholders.
- Dual listing of the Shares results in differences in liquidity, settlement and clearing systems, trading currencies and transaction costs between the two exchanges where the Shares are listed. These and other factors may hinder the transferability of the Shares between the two exchanges.
- There is no guarantee that the Company will pay dividends in the future.
- The PLN equivalent of the Offer Price for Retail Investors and reimbursements to them may be influenced by exchange rates fluctuations due to the fact the final Offer Price for Retail Investors will be determined on the Pricing Date.

Section E – Offering

E.1 Net proceeds and estimated expenses

The Selling Shareholders will receive the net proceeds from the sale of the Offer Shares. The Company will not receive any proceeds from the Offering.

The total costs and expenses of the Offering consist of the underwriters' commissions or fees and other associated expenses, e.g. fees for legal and accounting services, costs of drafting of the Prospectus, fees incurred in connection with the marketing activities and fees relating to the approval of the Prospectus and admission of the Shares to trading on the WSE and Nasdaq. The Issuer estimates that its total expenses relating to the Offering will amount to approximately EUR 0.6 million.

The final amount of expenses will be calculated after the Offering and will be publicly announced within two weeks from the Settlement Date.

The Issuer and the Selling Shareholders agreed to pay all commissions and expenses in connection with the Offering. However, Investors will bear their own costs connected with the evaluation and participation in the Offering, i.e. standard brokerage fees charged by brokers.

E.2a Reasons for the Offering, use of proceeds

The Selling Shareholders will receive the net proceeds from the sale of the Offer Shares. The shareholders of the Company believe that listing of the Company could enable the further growth of the Company, provide the Company with various market opportunities, access to capital markets as potential new source of financing for future development and increase Company's profile, visibility and reliability among market participants. Moreover, as the Selling Shareholder 1 is a private equity firm it treats Offering as a partial exit option. The Company will not receive any proceeds from the Offering.

E.3 Terms and conditions of the Offering

General information

On the basis of this Prospectus, the Selling Shareholders are collectively offering 3,903,500 Offer Shares which represent 50% of the Company's share capital. The Selling Shareholder 1 is offering 3,141,500 Offer Shares, the Selling Shareholder 2 is offering 381,000 Offer Shares and the Selling Shareholder 3 is offering 381,000 Offer Shares. If the Global Coordinator determines that there is sufficient quality demand for the Offer Shares, the Selling Shareholder 1 may decide to increase the number of the Offer Shares by up to 1,249,120 Offer Shares (“**Additional Shares**”) and, in such case, the final number of the Offer Shares in the Offering will not be higher than 5,152,620 Offer Shares (i.e. 66% of all the Shares). The Additional Shares shall be sold by the Selling Shareholder 1 only.

The Offering consists of: (i) public offerings in the Republic of Poland (the “**Polish Offering**”), the Republic of

Lithuania and the Republic of Estonia (the “**Lithuanian and Estonian Offering**”, the Polish Offering collectively with the Lithuanian and Estonian Offering the “**Public Offering**”); and (ii) a private placement to Institutional Investors outside of the United States of America (excluding Poland, Lithuania and Estonia) in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”). The Prospectus has been filed with and approved by the BoL, which is the competent authority under the relevant implementing measures of the Prospectus Directive in the Republic of Lithuania. The Republic of Lithuania is the home member state of the Issuer and the BoL is solely authorized to approve this Prospectus. The Selling Shareholders will be authorized to carry out the Offering in the Republic of Poland, the Republic of Lithuania and the Republic of Estonia once the BoL has approved the Prospectus and has notified the Polish Financial Supervision Authority (the “**PFSA**”), the Estonian Financial Supervision Authority (the “**EFSA**”) of the approval of the Prospectus and the Prospectus together with its summary translated into Polish, Lithuanian and Estonian has been published in the Republic of Poland, the Republic of Lithuania and the Republic of Estonia on the website of the Issuer (www.novaturasgroup.com). Additionally, for information purposes only, the Prospectus has been published (i) in the English language together with its summary translated into Polish on the website of the Offering Agent in Poland (www.dm.pkobp.pl), (ii) in the English language together with its summary translated into Lithuanian on the Lithuanian website of the Offering Agent in Lithuania and Estonia (www.swedbank.lt); and (iii) in the English language together with its summary translated into Estonian on the Estonian website of the Offering Agent in Lithuania and Estonia (www.swedbank.ee). In addition, in accordance with the requirements of the applicable regulations in Lithuania, in Estonia and in Poland, a paper copy of the Prospectus will be delivered to the Investors upon their request free of charge. The PFSA and the EFSA are respectively the competent authorities for the purposes of the relevant implementing measures of the Prospectus Directive in the Republic of Poland and the Republic of Estonia, as host member states of the Issuer. There will be no public offering outside of the Republic of Poland, Lithuania and Estonia.

No separate tranches have been created in the Offering for the various categories of investors or markets. Disregarding this, there will be certain distinctions in the Polish Offering as compared to Lithuanian and Estonian Offering (please refer to Section “*Expected Timetable of the Offering*”). As at the date of this Prospectus, there is no restriction on the amount of the Offer Shares that will be allocated to each category of investors. However, the Selling Shareholders intend to allocate approximately 10% of the final number of the Offer Shares to Retail Investors. The final number of Offer Shares offered to specific categories of investors will be announced together with the Offer Prices and the final number of Offer Shares. The Offer Shares offered to the Retail Investors will be reduced pro rata.

On 16 January 2018, the General Meeting acknowledged the public offering of the Offer Shares to be offered for sale by the Selling Shareholders and adopted resolutions regarding the listing of all outstanding Shares on the Nasdaq and the WSE. In addition, the General Meeting approved preparation of a prospectus for the purpose of the Offering, and listing of the Shares on the Nasdaq and the WSE.

Eligible Investors

The following groups of investors are entitled to participate in the Offering: (i) the Retail Investors, and (ii) the Institutional Investors.

The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

All investors that intend to acquire any of the Offer Shares should acquaint themselves with the relevant laws of their countries of residence prior to making a decision to purchase the Offer Shares.

Expected Timetable of the Offering

The timetable below lists the key dates related to the Polish Offering.

26 February 2018	Publication of the Prospectus
26 February 2018 - 8 March 2018	Book-building for Institutional Investors
27 February 2018 - 7 March 2018	Subscription period and payment for the Offer Shares at the Maximum Price for Retail Investors in the Polish Offering
8 March 2018	Determination and announcement of the Offer Prices and the final number of Offer Shares (the “ Pricing Date ”)

9 March 2018 - 13 March 2018	Subscription period and payment for the Offer Shares by Institutional Investors in the Polish Offering
14 March 2018	Subscription period for, if any, Substitute Investors who respond to the invitation of the Joint Bookrunners in the Polish Offering
no later than 14 March 2018	Allotment of the Offer Shares in the Polish Offering (the “ Polish Allotment Date ”)
on or about 19 March 2018	Delivery of the Offer Shares to Investors in Poland and closing of the Polish Offering (the “ Polish Settlement Date ”)
on or about 21 March 2018	Start of trading of Shares on the WSE (the “ WSE Listing Date ”)

The timetable below lists the key dates related to the Lithuanian and Estonian Offering.

26 February 2018	Publication of the Prospectus
26 February 2018 - 8 March 2018	Book-building for Institutional Investors Subscription period for the Offer Shares by the Institutional Investors in the Lithuanian and Estonian Offering
27 February 2018 - 7 March 2018	Subscription period and payment for the Offer Shares at the Maximum Price for Retail Investors in the Lithuanian and Estonian Offering
8 March 2018	The Pricing Date
9 March 2018	Allotment of the Offer Shares in Lithuanian and Estonian Offering (“ Lithuanian and Estonian Allotment Date ”)
14 March 2018	Delivery of the Offer Shares to Investors in Lithuania and Estonia and closing of the Offering in Lithuania and Estonia (the “ Lithuanian and Estonian Settlement Date ”)
on or about 21 March 2018	Start of trading of Shares on the Nasdaq (the “ Nasdaq Listing Date ”)

In agreement with the Global Coordinator and after consultation with the other Joint Bookrunners, the Selling Shareholder 1 may decide to amend the above dates. Changes made to the stated dates, if any, will be made available to the public in the form of an update reports pursuant to the Law on Securities, the Polish Act on Public Offerings, and the Estonian Securities Market Act and announced publicly in the same manner as this Prospectus. If, in the Selling Shareholders’ opinion, a change of dates for Subscription Orders would be a material factor affecting the evaluation of the Offer Shares, then such changes would be made available to the public in the form of a supplement to this Prospectus and announced publicly in the same manner as this Prospectus.

Maximum Price and Offer Prices

The maximum price per Offer Share is EUR 13.50 (the “**Maximum Price**”) and its PLN equivalent is PLN 56.11 (based on the EUR/PLN average exchange rate of 1/4.1562, quoted by the National Bank of Poland on 21 February 2018, as rounded up to the closest Polish grosz).

The final offer price per Offer Share for the Retail Investors (the “**Offer Price for the Retail Investors**”) and the final offer price per Offer Share for the Institutional Investors (the “**Offer Price for the Institutional Investors**”) will be determined by the Selling Shareholders in agreement with the Global Coordinator and after consultation with the other Joint Bookrunners, based on the following criteria and rules: (i) the size and price sensitivity of demand from the investors as indicated during the book-building process; (ii) the current and anticipated situation on the Lithuanian, Polish, Estonian and international capital markets; and (iii) the secondary market post-Offering for the Shares. The Offer Price for the Retail Investors expressed in EUR will not be higher than the Maximum Price expressed in EUR. The Offer Price for the Institutional Investors may be higher than the Maximum Price.

The Offer Prices and the final number of the Offer Shares will be announced on the Pricing Date in accordance with the applicable regulations, as well as market practice in the Republic of Lithuania, the Republic of Poland and the

Republic of Estonia, in the same manner as this Prospectus and notified to the BoL, the PFSA and the EFSA. The Offer Prices will be determined in EUR. The PLN equivalents of the Offer Prices will be calculated based on the average exchange rate published by the National Bank of Poland on the Pricing Date (as rounded up to the closest Polish grosz), however, if such calculated PLN equivalent of Offer Price for Retail Investors would be higher than PLN equivalent of the Maximum Price, PLN equivalent Offer Price for the Retail Investors will be equal to PLN equivalent of the Maximum Price. The EUR/PLN exchange rate used for the purpose of calculation of the Offer Price expressed in PLN may differ from the EUR/PLN exchange rate used for the purpose of calculation of the PLN equivalent of the Maximum Price, what may influence PLN equivalent of the Offer Prices and reimbursements.

Final number of the Offer Shares

The total number of the Offer Shares offered for sale by the Selling Shareholders is 3,903,500 Offer Shares. If the Global Coordinator determines that there is a sufficient quality demand for the Offer Shares, the Selling Shareholder 1 may decide to increase the number of the Offer Shares by up to 1,249,120 Offer Shares and, in such case, the final number of the Offer Shares in the Offering will not be higher than 5,152,620 Offer Shares. The final number of the Offer Shares will be announced on the Pricing Date in accordance with applicable regulations, as well as market practice in the Republic of Lithuania, the Republic of Poland and the Republic of Estonia, in the same manner as this Prospectus and notified to the BoL, the PFSA and the EFSA.

Placement of subscription orders and payments for the Retail Investors in Lithuania and Estonia

In order to subscribe for the Offer Shares, the Retail Investors in Lithuania and Estonia must have securities accounts with a financial institution which is a member of Nasdaq (hereinafter – the financial institution). The Retail Investors wishing to purchase the Offer Shares in Lithuanian and Estonian Offering should contact the financial institution and submit a Subscription Order for the purchase of the Offer Shares using the Subscription Order forms made available by the financial institution. The investor may use any method or form that such investor's financial institution offers to submit a Subscription Order (e.g. physically at the client service venue of the financial institution, over the internet or by other means).

The Retail Investors in Lithuanian and Estonian Offering will place their Subscription Orders in EUR at the Maximum Price, indicating the number of the Offer Shares they are willing to buy.

An investor may submit a Subscription Order through a nominee account only if such investor authorizes the owner of the nominee account to disclose the investor's identity to Nasdaq and Nasdaq CSD in writing. Among other information it is also requested to disclose a permanent address and personal identification code in case of a natural person or a registration address for a legal entity. An investor may submit a Subscription Order either personally or through a representative whom the investor has authorized (in the form required by law) to submit a Subscription Order.

By submitting a Subscription Order, a Retail Investor in Lithuanian and Estonian Offering authorizes and instructs the financial institution operating such investor's cash account linked to its securities account to immediately block the whole transaction amount on investor's cash account until the settlement is completed or funds are released in accordance with this Section. The transaction amount to be blocked will be equal to the Maximum Price multiplied by the amount of the Offer Shares such investor intends to purchase. Transaction related charges of the financial institution operating the investors securities account may also be blocked from the cash account (as agreed between the investors and the financial institution operating the investors securities account). Investor may submit a Subscription Order only when there are sufficient funds on the cash account linked to its securities account or its securities account to cover the whole transaction amount for that particular Subscription Order.

The Offer Shares allocated to the Investors will be transferred to their securities accounts or to the security account of their nominee or any other person acting on Investors behalf on the Lithuanian and Estonian Settlement Date simultaneously with the transfer of payment for such Offer Shares. Any overpayments (either as a result of the Offer Price for the Retail Investors being lower than the Maximum Price, lack of allocation of the Offer Shares or as a result of any proportional reduction) will be returned without any interest or any other compensation. Reimbursements will be made to the cash account indicated by the Retail Investor in Subscription Order form or omnibus account used to place the Subscription Order within 7 Business Days from the Lithuanian and Estonian Allotment Date or the date of announcement of cancellation of the Offering respectively. The Company, the Selling Shareholders and the Joint Bookrunners will not be liable for the payment of interest on the payment amount paid in advance or blocked in excess of the actual payment amount.

Placement of subscription orders and payments for the Retail Investors in Poland

The Retail Investors may place multiple Subscription Orders for the Offer Shares, provided that the minimum number of the Offer Shares subscribed by one Retail Investor in one Subscription Order is not lower than 10 Offer Shares and the maximum number of the Offer Shares subscribed by one Retail Investor in one Subscription Order is

not higher than 390,000 Offer Shares. Any Subscription Order for more than 390,000 Offer Shares will be deemed as Subscription Order for 390,000 Offer Shares. Any Subscription Order for less than 10 Offer Shares will be deemed invalid.

Subscription Orders from the Polish Retail Investors can be submitted within the subscription period in the client service points of the Offering Agent in Poland or members of the Retail Syndicate (if the Retail Syndicate will be appointed) during usual business hours or by other means compliant with regulations of the Offering Agent in Poland or relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed). For information on detailed rules governing the placing of the Subscription Orders, in particular (i) the documents required if Subscription Order is placed by an investor, a statutory representative, a proxy or any other person acting on behalf of an investor, and (ii) the manner of placing Subscription Orders, the Polish Retail Investors should contact the Offering Agent in Poland or relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed).

The Polish Retail Investors will place their Subscription Orders in PLN at the PLN equivalent of the Maximum Price, indicating the number of Offer Shares they are willing to buy. The Polish Retail Investors placing Subscription Orders for the Offer Shares are required to pay for such Offer Shares at the latest upon the placement of the Subscription Order. Payments should be made in an amount corresponding to the product of the number of the Offer Shares for which such Polish Retail Investor places his Subscription Order and the PLN equivalent of the Maximum Price which amounts to PLN 56.11. Payment for the Offer Shares must be made in accordance with the rules of the Offering Agent in Poland or relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed).

Payments for the Offer Shares do not bear any interest. Any previously unsettled receivables may not be credited as payment for the Offer Shares. A Subscription Order placed by the Polish Retail Investor which is not fully paid or not paid in time will be considered invalid.

The final due payment for the Offer Shares allocated to the respective Polish Retail Investor will be calculated as the product of (i) the PLN equivalent of the Offer Price for the Retail Investors, based on the EUR/PLN exchange rates published by the National Bank of Poland on the Pricing Date (as rounded up to the closest Polish grosz) and (ii) the number of the Offer Shares allotted to the Polish Retail Investor. In case such calculated PLN equivalent of the Offer Price for Retail Investors would be higher than the PLN equivalent of the Maximum Price, PLN equivalent of the Offer Price for the Retail Investors will be equal to PLN equivalent of the Maximum Price. If the amount initially paid by the Polish Retail Investor upon the placement of the Subscription Order exceeds the final due payment for the Offer Shares allocated to the respective Polish Retail Investor, such overpayment will be reimbursed.

In case of an oversubscription by Retail Investors compared with the final number of the Offer Shares to be allotted to them, allocations will be reduced pro rata to the size of each Subscription Order placed in respectively the Polish Offering and the Lithuanian and Estonian Offering. All fractional allocations will be rounded down and any remaining Offer Shares to be allotted to the Retail Investors in respectively the Polish Offering and the Lithuanian and Estonian Offering, will be allocated to the Retail Investor who placed Subscription Order for the largest number of the Offer Shares.

In no circumstances will be the Retail Investors allotted with higher number of the Offer Shares than indicated in their Subscription Orders (even if the exchange rate fluctuations will result in an overpayment sufficient to cover the payment for the higher number of the Offer Shares than initially subscribed for by the Polish Retail Investors).

Any overpayments (either as a result of the Offer Price for the Retail Investors being lower than the Maximum Price, exchange rate differences, lack of allocation of the Offer Shares or as a result of any proportional reduction) will be returned without any interest or any other compensation. Reimbursements will be made to the cash account indicated by the Polish Retail Investor in Subscription Order form within 7 Business Days from the Polish Allotment Date or the date of announcement of cancellation of the Offering respectively. All excess payments will be reimbursed without any damages, interest or costs, if any, that may be incurred by the investors in relation to placing Subscription Orders for the Offer Shares.

E.4 Interest material to the Offering (including conflicting interests)

The Managers and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking or other financial services and other commercial dealings with the Selling Shareholders, any entities with respect to which the Selling Shareholders are a controlling party, and with the Company and its affiliates, including the provision of loans and/or other debt instruments to the Company and/or its affiliates. The Managers and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services.

There is no conflict of interests in the relationship formed between the Managers, the Company and the Selling Shareholders. The Managers or their related parties may acquire financial instruments issued by the Selling

Shareholders, the Company, their related parties, or financial instruments related to the financial instruments issued by any of the above entities. In connection with the Offering, each of the Managers or their affiliates may also, acting as Investor for its own account, purchase the Offer Shares in the Offering, and then either hold them or sell them, or otherwise dispose of them. The Managers will deliver information about the purchase of the Offer Shares or performance of the transactions described above exclusively if there is an obligation to disclose such information based on mandatory law or regulation.

The Managers act for the Company and the Selling Shareholders on the Offering and coordinate the structuring and execution of the Offering. Upon successful implementation of the Offering, the Managers will receive a commission. As a result of these contractual relationships, the Managers have a financial interest in the success of the Offering.

E.5 Selling Shareholder and lock-up arrangements

Selling Shareholders are: Central European Tour Operator S.à r.l., Rytis Šūmakaris and Vidas Paliūnas.

Lock up Agreements

The Company

In the Placement Agreement, the Company undertakes to the Managers that from the date of the Placement Agreement until the lapse of 360 days following the first listing date of the Shares on the WSE and on the Nasdaq (in the case the WSE Listing Date differs from NASDAQ Listing Date - the earlier date), neither the Company, nor any Subsidiary or affiliate of the Company over which the Company exercises management or voting control, nor any person acting on its behalf will, without the written consent of the Global Coordinator *inter alia* issue, offer, pledge, sell or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any securities of the Company similar to those offered in the Offer, enter into any swap arrangement, submit to its shareholders a proposal to effect any of the foregoing, with the exemption of the implementation in the Company of a management incentive scheme for the Group's senior management. The Managers have full discretion to waive the lock-up at any time before its expiry.

The Selling Shareholders

In the Placement Agreement the CETO undertakes to the Managers that from the date of the Placement Agreement until the lapse of 180 days following the first listing date of the shares in the Company on the WSE and on Nasdaq (in the case the WSE Listing Date differs from NASDAQ Listing Date - the earlier date), CETO, nor any subsidiary or affiliate of the CETO over which the CETO exercise management or voting control, nor any person acting on its behalf will, without the written consent of the Global Coordinator *inter alia* offer, pledge, sell, cause the Company to issue, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any securities of the Company similar to those offered in the Offering, enter into any swap arrangement, propose any general meeting of the Company for the purpose of proposing any resolution of the Company authorising the issue of any securities of the Company similar to those offered in the Offering. The Global Coordinator has full discretion to waive the lock-up at any time before its expiry. There are certain exceptions to the limitations referred to above.

In the Placement Agreement the Selling Shareholder 2, Selling Shareholder 3 and Minority Shareholder 3 undertake to the Managers that from the date of the Placement Agreement until the lapse of 540 days following the first listing date of the Shares in the Company on the WSE and on Nasdaq (in the case the WSE Listing Date differs from NASDAQ Listing Date - the earlier date), neither the Minority Shareholders, nor any subsidiary or affiliate of the Selling Shareholders over which the Minority Shareholders exercise management or voting control, nor any person acting on its behalf will, without the written consent of the Global Coordinator *inter alia* offer, pledge, sell, cause the Company to issue, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any securities of the Company similar to those offered in the Offering, enter into any swap arrangement, propose any general meeting of the Company for the purpose of proposing any resolution of the Company authorising the issue of any securities of the Company similar to those offered in the Offering. The Global Coordinator has full discretion to waive the lock-up at any time before its expiry. There are certain exceptions to the limitations referred to above.

E.6 Dilution

If the Offering is completed, the Selling Shareholders will suffer (assuming that all the Offer Shares were offered and subscribed for by Investors and the number of Offer Shares were not increased) an immediate dilution of 50.00% of their shareholdings in the Issuer and the overall number of votes such shareholders may exercise at the General Meeting as a result of the Offering going from 7,807,000 as at the date of this Prospectus to 3,903,500 immediately following the Offering. In such case the new shareholders will hold 3,903,500 Shares immediately following the Offering, representing a total of 50.00% of votes at the General Meeting.

If the Offering is completed, and the Additional Shares were offered and subscribed for by Investors, the Selling Shareholders will suffer an immediate dilution of 66.00% of their shareholdings in the Issuer and the overall number of votes such shareholders may exercise at the General Meeting as a result of the Offering going from 7,807,000 as at the date of this Prospectus to 2,654,380 immediately following the Offering. In such case the new shareholders will hold 5,152,620 Shares immediately following the Offering, representing a total of 66.00% of the votes at the General Meeting.

Moreover, the table below provides information on the Issuer's share capital structure existing as of the date of this Prospectus and the capital structure expected after the completion of the Offering.

Shareholder	Status as of the date of this Prospectus		Status after the Offering assuming sale of 3,903,500 Sale Shares offered in the Offering by the Selling Shareholders		Status after the Offering assuming sale of all 5,152,620 Shares (including Additional Shares) offered in the Offering by the Selling Shareholders	
	Number of shares	% votes at the GM	Number of shares	% votes at the GM	Number of shares	% votes at the GM
Selling Shareholder 1	5,521,000	70.72	2,379,500	30.48	1,130,380	14.48
Selling Shareholder 2	762,000	9.76	381,000	4.88	381,000	4.88
Selling Shareholder 3	762,000	9.76	381,000	4.88	381,000	4.88
Ugnius Radvila	762,000	9.76	762,000	9.76	762,000	9.76
Public shareholders	-	-	3,903,500	50.00	5,152,620	66.00
Total	7,807,000	100	7,807,000	100	7,807,000	100

Source: The Issuer

Moreover, CEO and CFO are covered by Exit Scheme (please see Section “*The Selling Shareholders-Shareholding Structure following the Offering*”).

The table below presents the Issuer's shareholding structure as of the date of this Prospectus and the anticipated shareholding structure after the completion of the Offering including Exit Scheme (calculated at the Maximum Price).

Shareholder	Status as of the date of this Prospectus		Status after the Offering assuming sale of 3,903,500 Sale Shares offered in the Offering by the Selling Shareholders		Status after the Offering assuming sale of all 5,152,620 Shares (including Additional Shares) offered in the Offering by the Selling Shareholders	
	Number of shares	% votes at the GM	Number of shares	% votes at the GM	Number of shares	% votes at the GM
Selling Shareholder 1	5,521,000	70.72	2,231,867	28.59	982,747	12.59
Selling Shareholder 2	762,000	9.76	360,624	4.62	360,624	4.62
Selling Shareholder 3	762,000	9.76	360,624	4.62	360,624	4.62
Ugnius Radvila	762,000	9.76	741,624	9.50	741,624	9.50
CEO	-	-	139,174	1.78	139,174	1.78
CFO	-	-	69,587	0.89	69,587	0.89
Public shareholders	-	-	3,903,500	50.00	5,152,620	66.00
Total	7,807,000	100	7,807,000	100	7,807,000	100

Source: The Issuer

E.7 Estimated expenses charged to the investor by the issuer or the offering agent

Not applicable. Investors will not be charged expenses by the Issuer, Selling Shareholders or the Managers. However, Investors may bear their own costs connected with the evaluation and participation in the Offering, i.e. standard brokerage fees charged by brokers.

RISK FACTORS

Before investing in the Offer Shares, potential Investors should carefully consider the risk factors presented below and other information contained in this Prospectus. If one or more of the risks described below actually materialize, it could have, individually or in combination with other circumstances, a significant, unfavorable impact on the Group's operations, in particular on its cash flow, financial position, results of operations and outlook, or the market price of the Shares. Before purchasing the Offer Shares, potential Investors should be aware that making such an investment involves significant risks, including the risks described below and elsewhere in this Prospectus, such as those set forth under the Section "Forward-Looking Statements". Potential Investors should consider carefully the factors described below in addition to the remainder of this Prospectus before purchasing the Offer Shares. The risks and uncertainties described below are not the only ones the Issuer and/or the Group face. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also have a material adverse effect on its business, financial condition, results of operations and prospects. If any of the events described in the risk factors below occur, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. This Prospectus also contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those anticipated in the forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Prospectus.

It cannot be excluded that over time the list of the risks specified below will no longer be complete or comprehensive. Consequently, these risks cannot be considered as the only risks to which the Group is exposed as at the date of the Prospectus. The order of the risk factors described below is not an indication of the probability of their occurrence, intensity or importance. The Group may be exposed to additional risks and adverse factors of which the Group is unaware or which are believed to be immaterial as at the date of the Prospectus. The occurrence of events described as risks may result in a decline in the market price of the Shares and, consequently, Investors who purchase the Shares could lose a part or all of their investment.

General Risk Factors in the Business Field Where the Group Operates

Macroeconomic situation may have a material adverse effect on the organized charter flights market

The Group operates in the organized charter flights market in the Baltic states: in the Lithuanian, Latvian and Estonian markets, whose growth is linked to economic growth and the macroeconomic situation in these countries. The organized charter flights market is affected by macroeconomic factors. In particular, the level of demand for tourist trips abroad is affected, among other things by macroeconomic factors such as: (i) GDP dynamics; (ii) dynamics of disposable income and (iii) the level of unemployment. Other macroeconomic factors affecting the Group's operations include: (i) the inflation rate; (ii) level of interest rates; (iii) exchange rates and (iv) increase in salaries.

The Baltic countries are small open economies. Therefore, they are vulnerable to any potential economic and financial turmoil in the world or EU economy. As a result of the foregoing, the Group is exposed to risks associated with the economic situation, such as a potential economic downturn, price increase, decrease of salaries or disposable income and increase in unemployment rate. Although Lithuania, Latvia and Estonia have experienced significant political, legal and economic changes and liberalization during the last two decades of transition from a planned economy to a market economy, as emerging markets they are subject to legal, economic and political risks that may have a negative impact on macroeconomic situation.

These factors may contribute to lower tourist activity in a given year. There is also a risk that, in the event of a deterioration in the macroeconomic situation of the Baltic states, the demand for products and services of the Group may decrease and/or the Group's costs will increase, which may have a negative impact on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Epidemics and natural disasters may have a material adverse effect on the organized charter flights market

Natural disasters and epidemics of infectious diseases such as the Zika virus which is present particularly in Latin America, North America, the Far East as well as some areas of Italy, Turkey and Greece, avian flu, acute respiratory distress syndrome (SARS) and malaria have a negative impact on the demand for tourist services and charter flights related to international travel, in particular to the regions affected by these extraordinary events. Natural disasters affect the psychological perception of a given destination by tourists as a high risk location. This effect is usually short-term; however, a region may lose its importance as a tourist destination for a longer period.

Air travel and respectively the organized charter flights market can be also disrupted, sometimes severely, by the occurrence of natural disasters and other natural phenomena. For example, in July 2017 an earthquake on Kos Island decreased the amount of travel to this destination.

The occurrence of epidemics and natural disasters in regions of the world to which the Group organizes flights may decrease the demand for the Group's offer and the Group may not be able to provide an alternative offer.

The above may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Political instability, terrorist attacks, military conflicts and other extraordinary events may have a material adverse effect on the organized charter flights market

One of the factors affecting the demand for tourist services related to international travel are the risks associated with political instability, terrorist attacks, military conflicts and other extraordinary events. Uncertainty in a certain region, understood as an increased probability of terrorist attacks or military conflicts, or the occurrence of such phenomena, may limit interest in such tourist destination. An example of such situation were the events of the "Arab Spring", i.e. social protests and military conflicts in countries such as Egypt or Tunisia which have reduced the level of security experienced by tourists traveling to North Africa and the Middle East and have translated into several years of decreasing tourist interest in these directions of travel. Furthermore, the political consequences of the failed Turkish coup d'état attempt that took place in mid-2016 and subsequent activities of the Turkish government or the terrorist attack in Egypt in the Hurgada holiday resort in the beginning of 2016 may also affect tourist sentiment related to visiting Turkey or Egypt.

In the event of repeated terrorist attacks or new military conflicts, interest in foreign travel to the affected tourist regions may be reduced, which may translate into a decrease in demand for tourist trips to these regions. The length and intensity of the decline in demand for services can depend, among other things, on the place, form and intensity of these events. The potential increase in risk level perception by tourists will have an impact on at least a short-term decrease of income in tourism and may have a negative impact on the Group's business, financial position and prospects.

Terrorist attacks and other of the above events may adversely affect the tourism industry and concerns about such events could also result in: (i) higher costs to the airlines due to increased security measures; (ii) decreased passenger demand and revenue due to the inconvenience of additional security measures and danger in certain jurisdictions; (iii) significantly higher costs of insurance coverage for future claims caused by acts of war, terrorism and other similar perils, and the extent to which such insurance has been or will continue to be available; (iv) inability of airlines to reduce their operating costs (which could in turn lead the Group to also incur more costs for organising the trips) as a consequence of terrorist attacks and other conditions, including those referred to above.

The above events may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Aviation disasters and other transport disasters may have a material adverse effect on the organized charter flights market

The Group uses aircraft transport, which is one of the safest means of transport, for 95% of tourist trips organized by the Group. Although an airplane may be considered as a relatively safe means of transportation compared to alternative means, a plane crash involving an aircraft belonging to an entity providing transport services to the Group cannot be excluded. Although airlines are obliged to possess the respective insurance for any potential claims, the occurrence of such an event might have a material adverse effect on the Group's business and reputation.

In addition to the risk of a plane crash involving a plane conducting flights on behalf of the Group, the Group is also exposed to the risk of other transport disasters, particularly regarding coach traffic. Each transport accident increases the risk of undermining passenger confidence in a particular means of transportation, which may translate into a drop in demand for the Group's services.

The above events may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Competition between market players

Although the Group has a strong leading position in the organized charter flights market in the Baltic, it experiences competition between market players. The direct competitors of the Group are other tour operators organizing charter flights operating in Lithuania, Latvia and Estonia. Furthermore, it cannot be excluded that new competitors (both regional and international) may decide to start operating in the Baltics. The tightening of competition between tour operators organizing charter flights operating in the Baltic states may increase the pressure on lowering the prices of services offered, which would have a significant negative impact on the Group's business and financial position, as well as prospects.

The above events may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The organized charter flights market is affected by the seasonality of sales

The organized charter flights market is characterized by seasonality. Sales of the Group, as well as sales of most of the tour operators organizing charter flights, are characterized by an increase in demand for Group products and services in the second and third quarters of the year and lower demand in the other periods. Consequently, the financial result for the second and third quarters of the year has a significant impact on the final result of the entire year.

The decrease in tourist traffic during this period, in particular due to the occurrence of unforeseen events, may cause the Group to incur losses or fail to achieve expected returns that cannot be compensated by profits obtained in the transition period. The above events may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Changes in the organized charter flights market and customer preferences

The organized charter flights market is subject to changing customer trends, demands and preferences. In particular, customer trends, demands and preferences may vary depending on economic, social and technological factors, as well as customer preferences for the geographical locations, comfort, etc. There can be no assurance that the Group will be able to recognize such changes and adapt its existing services in a timely fashion to suit such changes in customer preferences. If customer preferences in the markets where the Group operates cease to favor the Group's developments, this may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

All Latvian tour operators will have an obligation to obtain a licence and perform a new registration with the state database due to amendments to Latvian laws

Currently, the Latvian Subsidiary Novatours SIA has all the required licences/registrations for execution of its business in Latvia. However, due to amendments to Latvian laws which came into effect on 1 January 2018, all of the tour operators operating in Latvia (including Novatours SIA) will be required to: (i) obtain a licence with the Latvian Consumer Rights Protection Centre (the "CRPC") (as of 30 June 2019); (ii) make a new registration with the state database (by 30 June 2019); (iii) have a security guarantee for re-payment of all payments made by or on behalf of the tourists for the cases when the tour operator is unable to comply with its obligations and provide services (the minimum amount of the security guarantee is yet to be defined by the cabinet of ministers of Latvia). For more information on this issue please see Section "Legal Overview".

Non-compliance can lead to: (i) administrative fines (up to EUR 700); (ii) prohibition to provide services. Additional administrative penalties may be established by 1 July 2018. Although Novatours SIA will make best endeavours to comply with the above requirements, there is no guarantee, that it will actually be achieved and that none of the above negative implications will affect Novatours SIA. If this occurs, it may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Risk Factors Characteristic of the Group

Group is exposed to risk of flight prices

Most of the tourist trips offered by the Group involve airfares. The Group does not own airplanes and therefore uses the services of external entities providing air carrier services to the Group. Charter fees consist of payment for the aircraft (inclusive of all expenses concerning exploitation of the aircraft and flight execution), and payment for the fuel. The agreements establish a fixed fee for each charterer per one flight in the framework of one chain flight depending on the aircraft. The said fixed fee consists of two payments – a fee in euros for the aircraft and a fee in US dollars for fuel, which is subject to change in case of change of fuel price.

A standard charter contract contains the price of flights and a pre-agreed number of flights per season, with a minimum fixed number of block hours for each season. Additionally, the Company incurs the costs of the fuel price, CO₂ emission payments, de-icing, airport taxes and other incidental costs depending on its current market price. This results in a situation whereby the entire fuel price risk is transferred to the Group. In addition, airport taxes related to passengers, are transferred in full to the Group upon prior notice of their amount.

Although the Group hedges against fuel price increases for early booking trips, the Group is exposed to the risk of an increase in fuel prices for the remaining part of sales. The standard contract with a customer allows the Group to increase the price of the package in case of an increase in fuel prices; however, in such a case the customer may cancel the package at no cost. Moreover, it cannot be excluded that the future prices of fuel will increase. In the event of a negative scenario in the future, the Group will have to bear additional costs, which may lower its profitability or could decrease demand for the Group's offer. In addition, any significant increase in fuel prices will lead to an increase in the price of flights may translate into a general decline in market demand and adversely affect the Group's development prospects.

The above events may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Group is exposed to risk of hotel prices

The Group operates according to an asset-light business model. As a result, the Group does not have its own hotels, hence it uses third-party hotels in its operations. The Group contracts accommodation primarily on allotment basis, meaning that a certain number of rooms is contracted without any obligation to the Group to materialize them, accordingly the Group pays only the rooms it actually books. In certain cases, depending on necessity the Group contracts rooms on guarantee basis. Accommodation is booked at the rates set by hotels or the supplier. The Group contractually fixes prices and conditions for a given season and additionally may get special offers and additional discounts that are used for sales prices' calculation. Thus, fixed contract prices can never be increased for the given season (unless any taxation and governmental regulations are issued later than the contract signed), however the rates are subject to change when contracting the future seasons so any significant increase in hotel prices (mainly due to overall inflation pressure) will result in higher prices for the services provided by the Group in the following seasons.

The above events may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The Group may be required to obtain additional insurance

According to the applicable laws every tour operator organizing charter flights in Lithuania, Latvia and Estonia must secure its obligations towards customers. The Group fulfils this obligation by obtaining mandatory tour operator's duty fulfilment guarantee insurance. When issuing such insurance, insurance companies have the right, but not obligation, to request that the tour operator puts down a deposit. In the case of the Company the forecasted value of such deposit may amount even up to EUR 18 million at the Group's level during the term of the agreement. Currently the insurance company does not require the Company to pay such deposit as it is well regarded by the market, and due to its reputation. Nevertheless, it cannot be excluded that the Group will be requested to pay the above-mentioned deposit upon annual renewal of the insurance policies.

On 7 February 2018 the Company concluded an amendment to the Credit Line in Bank Account Agreement No 340-TV, dated 25 November 2015 for the total limit of EUR 12 million, which will allow the Company to request issuance of bank guarantees of up to EUR 8 million (remaining EUR 4 million will be an overdraft), with a deposit of 30% of the amount used for guarantees, but not less than EUR 1.5 million. Bank guarantees can be used to secure obligations of the Company towards customers instead of insurance.

Moreover, mandatory insurance does not cover other claims than those related to non-fulfilment of obligations of a tour operator organizing charter flights toward the clients as a result of their lack of financial liquidity. Under the applicable laws, the Group Companies are fully liable for losses suffered by customers (tourists) while on trips organized by the Group Companies, regardless of whether the losses have been actually caused by third parties acting on behalf of the Group Companies. While the agreements with suppliers of various travel services generally provide for compensation of losses to the Group Companies, the agreements do not require that any of their suppliers hold civil liability insurance. Therefore, recovery of any losses by the Group Companies from such third parties is contingent on the ability and willingness of such third parties to cover the losses of the Group Companies.

Historically all claims of clients and contractors were settled directly by the Group from its own funds (however in many cases they are discussed and finally covered (partly or fully) by the supplier). It cannot be excluded that in the future the value of claims may be higher than usual and the Group may be forced to make material expenditures to cover such claims.

The Group Companies rely on a limited number of suppliers, in particular, for organizing charter flights or trips by bus. Interruption of the activities of any of these suppliers would also likely lead to interruption of the business activities of the Group Companies.

The above events may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Foreign exchange rate fluctuations have adverse effect on the Group

The Group conducts its activities in various foreign markets. Although it is generating revenue primarily in EUR the costs are incurred in various currencies mainly in EUR and USD. USD is mostly used for expenses related to hotels in Egypt, the United Arab Emirates as well as is a component of the fuel price. Exposure to foreign exchange risk arises from the possibility of mismatching the level of revenues and expenditures in different currencies, which may expose the Group to losses in the event of unfavourable exchange rates of particular currencies.

The Group is exposed to fluctuations in exchange rates, which, in the case of appreciation of foreign currencies (mostly USD), may have an adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The Group hedging policy may be ineffective

The Group uses hedging in order to manage foreign exchange risk and risk of fluctuations in jet fuel prices and USD exchange rate fluctuations. The Group hedges against fuel price changes for all early-booking sales in the upcoming season (summer or winter) using future and forward contracts, and thus hedging is made for a year in advance. As described in note 8 to the Consolidated Financial Statements for the year, ended 31 December 2016 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. As of 31 December 2017 the Group and the Company accounted for current asset of EUR 569 thousand which were accounted for in the financial statements under the caption of other current financial assets. Related gain of EUR 218 thousand was accounted for in the other comprehensive income.

The effectiveness of the Group's hedging policy for the purpose of hedge accounting is tested: (i) on a prospective basis in order to determine whether the hedge is expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated, (ii) on a retrospective basis in order to determine whether the hedge was actually highly effective throughout the entire reporting period. The changes to accounting of the hedge results may be attributable either to cost of sales or to financial income or expenses.

The above may have an adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The Group's business partners may become insolvent

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, in the worst case scenario the Group may become insolvent and it may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The Group may fail to implement its strategy

The Group's strategic objectives are as follows: (i) maintaining the position of market leader in the Baltics; (ii) constantly developing its offer to maintain existing customers and attract new ones together with increasing volumes of products sold; (iii) further geographical expansion to Belarus; (iv) keeping well-balanced distribution channels with growing e-commerce; (v) delivering profitable growth and cash generation; (vi) regularly paying out dividends to the shareholders.

There is a risk that the Group may not achieve its strategic objectives due to its internal and external factors of an economic, regulatory, legal, financial or an operational nature. The implementation of the strategy in whole or part adopted by the Group may require the involvement of larger financial and human resources than envisaged. As a result, the Group's output and costs may differ from those expected. If the Group does not implement its strategy in accordance with the intentions or the costs of its implementation will be higher than assumed, it may have a negative impact on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The Issuer may breach obligations under the financial agreements

Financial agreements concluded by the Group with Luminor Bank, AB (last amendments were concluded on 7 February 2018) impose obligations on the Group, including the obligation to maintain an equity ratio of at least 27% until the end of 1Q 2018 and 30% from 2Q 2018 until full repayment of the loans and net financial debt to an EBITDA ratio not exceeding 2.00 (for the purpose of these agreements, the equity ratio is calculated based on the following formula: $((\text{capital} + \text{undistributed profit} + \text{subordinated loans} + \text{subsidiaries} + \text{grants} + \text{reserves}) / (\text{asset})) * 100\%$). Based on the abovementioned amendments, the Company has to repay EUR 4 million until June 2018, EUR 2 million until the end of 2018, EUR 2 million until the end of 2019 and EUR 6 million until the end of 2020. The obligations of the Company towards Luminor Bank are secured by the pledge of shares of the Subsidiaries, pledge of trademarks owned by the Company, sureties issued by the Subsidiaries and a financial collateral arrangement whereby all present and future funds in the account and any other accounts opened by the Company with the bank, both at the moment of conclusion of the agreement and thereafter, as well as any cash deposits held with the bank and any other funds of the Company transferred to the bank on any grounds serve as security financial collateral, with a minimum amount of such collateral being 30% of all guarantees/indemnities issued by Luminor Bank, however in any case not less than EUR 1,500,000 (at the end of 2017 the Company had EUR 2 million of restricted cash, which was reserved due to guarantees issued as well as approx. EUR 266 thousand as deposit amount required by processing bank in relation to the credit card turnover in Company's online shop). Failure to meet the obligations specified in the loan agreements (in particular the financial

covenants) and breach of the obligations mentioned therein may result in the necessity of accelerated repayment of the loan together with interest for the entire term of the loan and compensation of any losses suffered by the bank. The above factors may adversely affect the Group's operations, its financial condition, results of operations and the price of the Shares. As of 31 December 2017, the Company has not met one of the financial ratio obligation included in the loan agreement with Luminor Bank AB, due to a delay in signing the loan agreement amendment. However, the Luminor Bank AB did not request accelerated repayment of the loan and the Company received a waiver in February 2018. Management has increased its procedures to monitor compliance with bank's covenants to ensure that such circumstances do not recur.

Securities established on the Group's assets may be enforced

In order to secure obligations under external financing agreements, the Group grants collaterals for the repayment of liabilities arising from such agreements. The securities include in particular: pledge of shares of the Subsidiaries, pledge of trademarks, and deposits in the Company's bank accounts. Difficulties in fulfilling the obligations resulting from the external financing agreements concluded by the Group may lead to their termination and initiation of enforcement of established securities. The Group cannot exclude that the occurrence of the circumstances referred to above may result in the loss of business relationships with business partners or deterioration of the financial terms of future contracts. The above events may have a material adverse effect on the Group's operations, its financial situation and results of operations.

The Company does not have a code of conduct or other documents regulating social responsibility yet

The Company carries out its activities in a number of destinations where the applicable laws and/or practices of local service providers may not meet the standards of prevention of child labour and exploitation, environmental sustainability, such as pollution and waste, energy and water management, animal welfare etc. applicable in the EU.

Thus, a potential negative impact on the reputation of the Company exists, in case any of the customers experience any conduct, which is deemed to be socially irresponsible. This in turn may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares. The Company is aware of the above risk and intends to implement such code of conduct regulating social responsibility in the nearest future.

The Group may suffer reputation risks

The Group's business is dependent on its market reputation. Reputation risk is inextricably linked to the specific nature of the industry in which the Group operates. It is characteristic for the travel industry that even the smallest shortcomings, or deficiencies of a tour operator organizing charter flights, due to the wide audience, may result in a negative perception of the Group by clients and entities cooperating with the Group. Negative attitudes of consumers and business partners may have a negative impact on the Group's ability to attract or retain business partners and tourists. Furthermore, it is also possible that customers, counterparties, former employees of the Group and any other third parties make untrue and misleading statements in the press, social networks, internet portals and in any other means of communications regarding activities of the Group, its financial status, allegedly executed actions and any other aspect related to the Group, which may despise the reputation of the Group. The Group cannot guarantee that it will be able to effectively avoid the negative consequences of the risk of reputational loss that may have a negative impact on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The Group is dependent on a limited number of key employees

The Group's success and the proper execution of its business strategy depend on the activities and expertise of its key employees. The Group relies on a skilled team of professionals, including its Key Executives and project managers, midlevel managers, accountants and other financial professionals, in the operation of its projects. If the Group is unable to retain its key employees, this could result in a significant loss of expertise and could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

If the Group is unable to hire the necessary employees, staffing shortages may adversely affect its ability to adequately and efficiently manage and operate its assets or force it to pay increased salaries to attract skilled professionals or the necessary employees.

Furthermore, the future success of the Group depends on its ability to hire key personnel. The failure by the Group to recruit and retain appropriate personnel may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

Certain Air Charter Agreements provide for joint liability of Novatours OÜ and Novatours SIA with third parties and certain other provisions

Certain Air Charter Agreements concluded by Novatours SIA and Novatours OÜ with other parties provide for joint liability of charterers under the respective agreements for breach of any clause of the agreement, as well as for compensating of losses caused to the carrier.

Consequently, if one/several charterers fail to fulfil any of its/their obligations under the agreement, then the remaining charterer(-s) can be obliged to fulfil the obligation instead of the breaching charterer(-s) and SmartLynx can bring claims for the entire amount against any of them. The agreement may also be terminated due to reasons not attributable to Novatours SIA or Novatours OÜ. Furthermore, there is a theoretical risk that the respective Estonian institution may deem that certain provisions of one of the above agreements, concluded by the Subsidiary Novatours OÜ could contain a potentially an anti-competitive clause regarding sharing markets and sources of supply. If any of the above occurs, it may have a material adverse effect on the Group's operations, its financial condition, results of operations and on the price of the Shares.

The Group may be subject to failures of IT systems and online security issues

The Group uses IT systems, but there is no guarantee that the IT system will not fail. The most important systems used by the Group is the reservation system. Some of the systems in the near future may require replacements or updates, which will involve additional costs and the risk of failures associated with the change of the IT systems and their implementation. At the same time, the Group has emergency procedures for most operational processes, isolating it from the typical risks associated with the operation of information systems.

Moreover, security is an essential part of any transaction that takes place over the internet. In case of any actions affecting the safety of on-line products of the Group, in particular the safety of e-payments and transactions, the customers may lose trust in e-commerce.

Any such failure or potential partial or total loss of data resulting from such failure may in the short term negatively affect the Group's operations, its financial condition, results of operations and the price of the Shares.

Legal and Taxation Risk Factors

Legal obligation related to compensation to customers may affect the Group's business

Pursuant to Article 5 of the Council Directive of 13 June 1990 on package travel, package holidays and package tours (90/314/EEC) (the “**Directive 90/314**”) Member States are required to take all necessary steps to ensure the liability of a tour operator organizing charter flights and/or retailer towards the consumer for proper performance of contractual obligations, irrespective of whether these obligations are to be fulfilled by the organizer and/or retailer or service provider. This does not violate the rights of the organizer and/or retailer against these service providers. With regard to the damage caused to the consumer as a result of non-performance or improper performance of the contract, Member States are obligated to take necessary steps to ensure the liability of the organizer and/or retailer unless the failure to perform or improper performance of the contract results from either their fault or the fault of another service provider, and is the result of: (i) negligence that will emerge during performance of the contract, caused by the consumer; (ii) negligence caused by a third party not related to the provision of services covered by the contract and which could not have been anticipated or avoided; (iii) deficiencies caused by force majeure or events which the organizer and/or retailer or the service provider, even acting with due diligence, could not have foreseen or prevented. In addition, in accordance with the Directive 90/314, in the cases referred to in the second and third paragraph, the organizer and/or retailer being the contracting party will be obligated to provide immediate assistance to a consumer who is in a difficult situation.

As regards the damage arising from non-performance or improper performance of services, Member States may allow limitation of compensation in accordance with the international conventions governing such services. In the event of damage other than personal injury resulting from the failure to perform or improper performance of the services covered by the event, Member States may allow for a reasonable limitation of contractual compensation.

Both the aforementioned Directive 90/314, and the pro-consumer approach presented in the judgments of EU courts indicate that the number of consumer claims against the Group may increase. The Group is committed to customer satisfaction and strives to prevent an increase in the number of claims through the implementation of a quality control system and employee motivation system in order to maintain, among other things, the employment of experienced and qualified employees.

Further, on 1 July 2018 the Directive 90/314 will be repealed by Directive 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangements, amending Regulation (EC) No 2006/2004 and Directive 2011/83/EU of the European Parliament and of the Council and repealing Council Directive 90/314/EEC (the “**Directive 90/314**”). Drafts of national laws implementing the Directive 2015/2302 are also currently under consideration. For example, a draft of the law amending the Civil Code of Republic of Lithuania has been drawn up, which provides for additional rights for customers in relation to the provision of tourism services, e.g. the right to terminate an agreement with no additional fees in cases established by the law; the right to reduce price for services, etc. If adopted, the draft regulations will come into force on 1 July 2018.

As a result of a failure to perform a contract with the customers the Group may be forced to pay compensation to such customers. The above may have a material adverse effect on the Group's operations, financial results, financial situation and development prospects.

The Group may be subject to risk from infringements of data protection regulations

The Group's use of personal data (i.e. any information directly or indirectly relating to an identified or identifiable natural person), particularly personal data pertaining to tenants, is subject to the provisions of the Lithuanian, Latvian and Estonian as well as EU data protection laws (as applicable). If third parties obtain unauthorized access to the personal data processed by the Group or if the Group itself or parties engaged by the Group (such as a data processor) infringes the applicable data protection regulations (e.g. due to the lack of required provisions regarding data protection in the respective agreement with the parties engaged by the Group, lack of full compliance of the internal personal data processing regulations to the applicable laws, failure to inform of the necessary parties about personal data processing, etc.), this might result in claims for damages, administrative sanctions (such as fines) and criminal sanctions and be detrimental to the Group's reputation, thus materially adversely affecting the Group's business, financial condition, results of operations and the price of the Shares.

Furthermore, as of the 25 May 2018 the EU's General Data Protection Regulation (the "GDPR") will come into force, when it will replace EU member state implementations of the 1995 EU Data Protection Directive. The new data protection regime shall result in significant shift in the way that organizations must protect personal data. Among other things, it grants individuals a number of new rights, including the right to judicial remedy against organizations that have infringed their rights, requires organizations to adopt "appropriate technical and organizational measures" to protect personal data. Apart from that, the GDPR mandates considerably tougher penalties: organizations found in breach of the data protection rules can expect fines of up to 4% of annual global turnover or EUR 20 million, whichever is greater. Failure to comply with the above provisions of law may result in the imposition of fines on the Group which may have a material adverse effect on the Group's operations, financial results, financial situation and prospects for development.

The Group executes agreements under foreign law

As part of the Group's operations, a number of agreements concluded by the Group companies are in place. Some of the agreements concluded by the Group companies are subject to foreign law. Accordingly, the occurrence of potential disputes arising from such agreements may result in the Group incurring significant costs related to the involvement of foreign lawyers and the costs of carrying out proceedings abroad. In addition, in the event of late payment, some of the Group companies stipulate, among other things guarantee deposits and contractual penalties. In the event of late payment on the part of a Group companies being a party to such agreement, the Group cannot exclude negative consequences, including financial consequences. In addition, some agreements contain provisions for obtaining the prior written consent of the other party in the event of a change of control, (which is specifically excluded for the execution of the Offering) the obligation to have a specific type of insurance, or a confidentiality obligation (including after the expiry of the agreement). Violation of these types of contractual provisions may result in immediate termination of the agreement as well as liability of the respective company within the Group. The above may have a negative impact on the Group's business, financial situation, results or prospects.

The Group may be subject to legal disputes

Group companies are parties to administrative and court proceedings, including customer claims. The most important proceeding in the Issuer's opinion is described in Section "Business of the Group"-*"Legal proceedings"*. The Issuer cannot exclude that in the proceeding described in the Prospectus and other proceedings, judgments which are not advantageous to the Group may be passed.

In particular, In September 2017, the Group discovered from the accounting systems that several payments for hotel services, flights, fuel, airport taxes, visas, commission expenses, etc. were made by Novatours OÜ to unknown companies. Following additional checks, it was established that these companies were related to three former employees of Novatours OÜ. During the internal investigation in October 2017, more abuses were discovered, such as payments without any legal basis and without any services provided to the related companies, larger salaries and bonuses than agreed and/or approved by the shareholder, expenses and payments in relation to personal consumption. The total amount of the damage discovered that the Group has suffered is EUR 3,832,590.37.

Based on the findings, a number of cases have already been initiated. Novatours OÜ has already sustained monetary damage due to the actions of these former employees as indicated above. Restoration of this incurred damage depends on whether the civil claims presented are successful. There is a possibility that even if all civil claims are successful, not all litigation costs suffered will be awarded by the court. Furthermore, in case the civil claims are unsuccessful Novatours OÜ will have to pay for the defendants' litigation costs.

In addition, due to the Group companies' operations, it is not possible to exclude the risk of the institution of future litigation against the Group companies or by other Group companies, whose judgments may also adversely affect the Group. Certain court adjudications of court, arbitration or administrative proceedings may have a material adverse effect on the Group's operations, financial results, financial situation and prospects for development.

Interpretation of legal regulations applicable to the Group's activity may have adverse effect on the Group

The Group also operates outside Lithuania, Latvia and Estonia. Foreign laws may be interpreted differently and may be used in a non-uniform manner. In addition, the laws of the jurisdictions in which the Group operates may be subject to periodical changes. It may happen that along with the introduction of new legislation, the Group will be forced to implement adaptation measures, that could result in substantial costs of adaptation to the new rules and potential non-compliance costs.

Moreover, the Baltic states' as well as EU legal systems, including regulations concerning the tourist sector, as well as various interpretations of these regulations, is subject to frequent and significant changes. Due to the variability of regulations, they are not uniformly applied by the courts, administrative bodies and other law enforcement agencies. Therefore, there is a risk that the decisions issued by individual courts and other bodies in relation to specific facts will be contradictory or substantially unpredictable. Moreover, the ratio of competent courts or other authorities to matters within their competences may change. The instability of the legal system and regulatory environment increases the risk of the incurring of significant additional and unexpected expenses as well as the cost of adapting the business to a changing legal environment. This may lead to disputes arising from the interpretation of legal regulations with both the public authorities and private entities with whom the Group remains in legal relationships. In addition, errors or delays in the implementation of EU directives may lead to additional concerns regarding interpretation of regulations affecting the Group's operations. As a result, the Group is exposed to the risk that its activities may not meet the requirements of frequently changing regulations, which may have a material adverse effect on its business, results, financial situation or prospects for development.

Frequent change of tax regulations and their interpretation may have adverse effect on the Group

There is a risk that along with the introduction of new tax regulations (in the Baltics and destinations where the Group operates), the Group will be forced to take adaptation measures, which may result in significant costs caused by the circumstances related to adjustment to the new regulations and the costs of non-compliance. The application of tax law is often accompanied by controversies and disputes, which are usually resolved by the administrative courts. In addition, the tax authorities' practice of applying tax law is not uniform, and significant discrepancies exist in the decisions of the administrative courts in the field of tax law. The Company cannot rule out that the tax authorities will make a different, and unfavorable for the Group interpretation of the tax regulations applied by the Group. As a result, the Company cannot exclude potential disputes with the tax authorities and consequently, the tax authorities' question of the correctness of the tax settlements of the Group with respect to non-overdue tax liabilities and the determination of tax arrears. The above may have a material adverse effect on the Group's business, financial situation and results of operations.

Tax treatment of non-Lithuanian investors in a Lithuanian company may vary

The Company is organized and existing under the laws of Lithuania and, as such, the Lithuanian tax regime applies to the distribution of profit and other payments from the Company to its investors. The taxation of income from such payments as well as other income, for instance, from the sale of the Shares, may vary depending on the tax residence of particular investors as well as the existence and the provisions of double tax treaties between an investor's country of residence and Lithuania. Tax provisions applying to particular investors may be unfavorable and/or may change in the future in a way which has an adverse effect on the tax treatment of an investor's holding of the Shares.

Tax contingencies and uncertain tax positions

Lithuanian tax legislation that was enacted or substantively enacted at the end of the reporting period may be subject to varying interpretations. Consequently, tax positions taken by the Management and the formal documentation supporting the tax positions may be successfully challenged by the relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for the calendar years preceding the year of review. Management is not aware of any circumstances that could lead to significant tax charges and penalties in the future that have not been provided for or disclosed in these financial statements. The Group's uncertain tax positions are reassessed by the Management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the Management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on the Management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Risk Factors Relating to the Offering and Trading on the WSE and Nasdaq

The Offering may be suspended, modified or cancelled or the results of the Offering may deviate significantly from the envisaged Offering size and value

The Selling Shareholder 1, after consultation with the Joint Bookrunners, may cancel the Offering and/or modify the terms and dates of the Offering at any time prior to the commencement of the subscription period for Retail Investors, without disclosing any reason for doing so.

The Selling Shareholder 1, in agreement with the Global Coordinator and after consultation with the other Joint Bookrunners, may also cancel or suspend the Offering at any time after the commencement of the subscription period for Retail Investors up to and until the Lithuanian and Estonian Allotment Date, if they consider that there are reasons to believe that proceeding with the Offering is, or has become impracticable or inadvisable. Such reasons may include, but are not limited to: (i) the suspension of, or material limitation in trading in securities generally on the Nasdaq or the WSE, as well as any other official stock exchange in the European Union or the United States; (ii) a sudden and material adverse change in the economic or political situation in jurisdictions where the Company operates or worldwide; (iii) a material loss, or interference with the Company's business; (iv) any change or development in or affecting the general affairs, management, financial position, Selling Shareholders' equity or results of the Company or of the operations of its subsidiaries in a materially adverse way; (v) an unsatisfactory level of demand for the Offer Shares; (vi) an insufficient, in the Selling Shareholders' opinion, expected free float of the Company's shares on the WSE and Nasdaq.

In the event of a cancellation of the Offering, information about the cancellation will be made available to the public in the same manner as this Prospectus. Should the Offering be cancelled, Subscription Orders for the Offer Shares that have been made will be deemed null and void, and any subscription payments that have been made will be returned without any interest or compensation no later than seven Business Days after the date of public announcement of cancellation of the Offering.

In the event of a suspension of the Offering, information on the suspension will be made available to the public in the form of a supplement to the prospectus and in the form and scope specified under applicable laws and regulations.

If the decision to suspend the Offering is made after commencement of the subscription period for Retail Investors, the Subscription Orders made shall be deemed invalid and any subscription payments in cash that have been made, will be returned without any interest or compensation, no later than seven Business Days after the date of the announcement to the public of the information of suspension of the Offering.

Neither the Company, the Selling Shareholders nor the Joint Bookrunners shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including any investor) and/or their affiliates in respect to and/or in connection with such suspension or cancellation of the Offering.

Furthermore, there is a risk that the final number of Offer Shares to be allocated in the Offering and the Offer Prices for particular categories of Investors determined during the Offering could be significantly lower due to many factors, including low demand or a lack of available financial resources due to public offerings of other companies conducted simultaneously with the Offering. As a result, the size of the free float of the Shares may not guarantee a satisfactory level of liquidity of the Shares.

The Shares may not be eligible for admission to trading or listing on the regulated market (main market) of the WSE or Main List of Nasdaq

The Admission and introduction of the Shares to trading on the regulated market (main market) of the WSE and Main List of Nasdaq is subject to the consent of the management boards of the WSE and Nasdaq respectively and the registration of the Shares in the CSDP foreign account in Nasdaq CSD, where CSDP will be acting as a secondary depository for the Shares. Such consent and registration may be obtained if the Issuer as well as the Shares satisfy all the legal requirements, specifically, those set forth in the Regulation on the Market and Issuers as well as in the respective regulations of the WSE, Nasdaq and the CSDP. One of the requirements provided for in the Regulation on Markets and Issuers as well as in the rules of the WSE Nasdaq and Listing Rules of Nasdaq, and a requirement on which the admission of the Shares to trading on the regulated market depends, is ensuring the proper liquidity of the Shares. Moreover, some of the criteria with respect to the Admission and introduction of the Shares to trading on the regulated market are discretionary and left to the WSE and Nasdaq to assess. The Company intends to take all the necessary steps to ensure that its Shares are admitted to trading on the WSE and Nasdaq as soon as possible after the closing of the Offering. However, the Issuer cannot guarantee that the above criteria will be satisfied and/or that these approvals and consents will be obtained and that the Shares will be admitted and introduced to trading on the regulated market of the WSE and Nasdaq on the Listing Date as expected or at all. In addition, the Issuer cannot rule out the possibility that due to circumstances beyond its control, the Admission and introduction of the Shares to trading on the

main market of the WSE or on the Main List of Nasdaq will be effected on dates other than as originally anticipated or that they will be effected simultaneously.

In the event of a breach or suspected breach of law in relation to the Offering, or the application for the Admission and introduction of the Shares to trading on a regulated market, the BoL, the PFSA and the EFSA may, inter alia, prohibit or suspend the Offering and issue an order to stay the application or prohibit the application for the admission or introduction of the Shares to trading on the regulated market

Pursuant to the Polish Act on Public Offering, in the event that an issuer, any selling shareholder or any other entities participating in an offering, subscription or sale carried out pursuant to such offering, themselves or on behalf of or upon instructions from the issuer or any selling shareholder, are in breach of the laws applicable to public offerings, subscriptions or sales of securities in Poland, an admission and/or the introduction of securities to trading on a regulated market in Poland or a promotional campaign carried out in the territory of Poland, the PFSA shall notify the competent regulator in the home Member State (the BoL for the Issuer) of such event(s). The same applies if an issuer, any selling shareholder, or any other entity responsible for the offering, themselves or on behalf of or upon instructions from the issuer or any selling shareholder, violate any requirements established in the applicable Estonia laws, related to the Offering in Estonia. Based on such notification, the BoL may, in accordance with the provisions of the Law on Securities, impose sanctions on the Issuer. If upon being notified by the PFSA, the BoL does not immediately react or the actions taken by such regulator are insufficient, the PFSA or the EFSA may, among other things: order that the commencement of the public offering and/or the application for the admission and/or introduction of securities to trading on a regulated market be withheld or the offering, subscription or sale or the admission and/or introduction of securities to trading be delayed for up to ten business days; or otherwise prohibit the commencement of the public offering, subscription or sale or further activity in relation to it. Additionally, pursuant to the Polish Act on Trading in Financial Instruments, if the safety of trading on a regulated market so requires or if the interests of Investors are prejudiced, the company operating a regulated market will suspend, at the request of the PFSA, the admission to trading on that market or the commencement of listing of securities or other financial instruments designated by the PFSA for a period not exceeding ten days.

In addition, the BoL may request the WSE and/or Nasdaq to suspend trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Law of the Republic of Lithuania on Markets in Financial Instruments (the “**Law on Markets in Financial Instruments**”) or the Law on Securities have been infringed by the Issuer or if it has reasonable grounds for believing that such legal provisions have been infringed. The BoL may further request the WSE and/or Nasdaq to suspend the Shares from trading if, in its opinion, the Issuer’s situation is such that trading would be detrimental to Investors' interests.

The occurrence of the circumstances mentioned above could have a material adverse effect on the success of the Offering and the Admission.

Trading in the Shares on the WSE and/or Nasdaq or may be suspended or terminated

The WSE may pass a resolution suspending trading in securities in accordance with the WSE Rules. The WSE may suspend trading in financial instruments at the request of a listed company in order to protect the interests and the safety of trading activities or upon a violation of the WSE regulations by a listed company. Nasdaq is also entitled to pass a resolution suspending trading in securities in accordance with the Listing Rules of Nasdaq.

The PFSA is empowered under the Polish Act on Trading in Financial Instruments to request the WSE to suspend trading in instruments quoted on the WSE. The PFSA may exercise this right if trading in specific securities or other financial instruments constitutes a threat to the proper functioning of the WSE or the safety of trading on the WSE, or if the interests of Investors have been infringed. During a suspension of trading in securities, Investors are unable to purchase and sell the affected securities on the stock market, which adversely affects the liquidity levels of such securities. Any off-market sale of suspended securities may be achieved only at a significant discount to their last traded price. There can be no assurance that trading in the Shares will not be suspended.

The BoL may request the WSE and/or Nasdaq to suspend or terminate trading in the Shares for a maximum of ten days at a time if it has reasonable grounds for suspecting that the provisions of the Law on Markets in Financial Instruments have been infringed by the Issuer. The BoL may further request the WSE and/or Nasdaq to withdraw the Shares from the regulated market if it finds that the provisions of the Law on Markets in Financial Instruments have been infringed, or if it has reasonable grounds for suspecting that the provisions of the said law have been infringed. The BoL may also request the suspension of trading of the Shares if the Issuer is in breach of its obligations under the Market Abuse Regulation.

The BoL may also request the WSE and/or Nasdaq to suspend at any time trading of the Shares for a maximum of ten consecutive working days on any single occasion if it has reasonable grounds for believing that the legal provisions of the Law on Securities have been infringed. The BoL may further request the WSE and/or Nasdaq to suspend the Shares from trading if, in its opinion, the Issuer's situation is such that trading would be detrimental to Investors' interests.

The Issuer's failure to meet the requirements set forth in the WSE rules, applicable Nasdaq rules, the Law on Securities, the Law on Markets in Financial Instruments or the Polish Act on Public Offering may cause the Shares to be delisted

Securities traded on the WSE may be delisted by a decision of the management board of the WSE. "The Warsaw Stock Exchange Rules" establish the basis for the optional and mandatory delisting of securities by the WSE.

Securities are delisted in a case where: (i) their transferability has been limited or when they are no longer dematerialized and have been converted to registered form; or (ii) a competent authority delists them from a regulated market, or at the PFSA's request in connection with a material threat to the proper functioning of the WSE, the safety of trading on the WSE or to the interests of Investors, among other matters specified in detail in the Polish Act on Trading in Financial Instruments. The PFSA may decide to delist a listed company's securities if the company breaches its duties under the Polish Act on Public Offering or certain obligations regarding disclosure of confidential information under the Polish Act on Trading in Financial Instruments. The WSE may decide to delist securities if a listed company, inter alia, repeatedly violates WSE regulations, submits an application for delisting, is declared bankrupt, fails to have any dealings in the given securities for the period of the last three months or it initiates liquidation proceedings. The BoL may also request the WSE to withdraw the Shares from the regulated market of the WSE if it finds that the provisions of the applicable Lithuanian securities regulations have been infringed, or if it has reasonable grounds for suspecting that the provisions of the said law have been infringed. There can be no assurance that no grounds for the delisting of the Shares will occur in the future. Upon the delisting of securities, Investors can no longer trade in the affected securities on the WSE, which would have a material adverse effect on the liquidity of such securities. Any off-market sale of such securities may be achieved only at a significant discount to their last traded price.

Quite similar rules of delisting the company's shares as described above are also applicable as far as the delisting from Nasdaq is concerned.

The Company believes that as at the date hereof there are no circumstances which could give grounds for delisting of the Shares from the WSE and/or Nasdaq in the foreseeable future. However, there can be no assurance that any of such circumstances will not arise in relation to the Shares in the future.

The Issuer is not in full compliance with the Corporate Governance Rules of the Warsaw Stock Exchange and Nasdaq Corporate Governance Code and does not expect to be in full compliance in the near future

The Issuer is a company incorporated under the laws of Lithuania.

While the Issuer's corporate governance structure complies with the principles of Lithuanian law, the Issuer deviates in certain respects from the principles of the good corporate governance and best practice provisions set forth in the Nasdaq Corporate Governance Code and the WSE Corporate Governance Rules contained in the "WSE Best Practices". Please see Section "Description of Share Capital and Corporate Governance—Corporate governance code" for details. Investors generally consider companies that comply with Nasdaq Corporate Governance Code and the WSE Corporate Governance Rules to be more transparent. Failure to fully comply with Nasdaq Corporate Governance Code and the WSE Corporate Governance Rules may have an adverse effect on the Offering, as well as the price and liquidity of the Shares.

If the Issuer does not comply with the requirements with which it must comply as a listed company, the value of its Shares may be adversely affected

A publicly listed company is subject to a number of obligations including reporting and disclosure obligations. The Issuer has never been subject to such obligations and may fail to sufficiently fulfil such obligations. As a consequence, the Issuer may be subject to various administrative penalties, criminal and civil liability, including fines, damage claims and negative Investor perception, and shareholders may be not provided on time or at all with price sensitive information or the content of materials made public may be of an unsatisfactory quality. In addition, other sanctions may be imposed on the Issuer for noncompliance with regulations relating to publicly listed companies. If any of the above risks materializes, the value of the Shares could be materially adversely affected.

The market price of the Shares may decrease and/or be highly volatile

The market price of the Shares may decrease and/or be highly volatile, as well as be subject to significant fluctuations caused by various factors, some or many of which are beyond the Group's control and not necessarily related to the Group's business, operations and prospects. These factors include: the overall condition of the Polish and Lithuanian economy, as well as political or regulatory conditions; conditions and trends in the tourism sector in Poland and Lithuania and elsewhere in Europe; changes in market valuations of companies in the tourism industry; variations in the Group's yearly and interim operating results; fluctuations in stock market prices and volumes; potential changes in the regulatory regime; changes in financial estimates or recommendations by securities analysts regarding the Issuer or the Shares; and announcements by the Group or its competitors of new services or technology, significant investments, acquisitions, or joint ventures. In addition, the equity market has generally been exposed to significant fluctuations in

price which may be unrelated to or disproportionately high in relation to the results of operations of the companies in question.

Moreover, the Issuer cannot assure that the marketability of the Shares will improve or remain consistent. The market price of the Shares at the time of the Offering may not be the same as the market price for the Shares after the Offering has been completed. As a result of these or other factors, the Issuer cannot give assurance that the public trading market price of the Shares will not decline below the Offer Prices for particular categories of Investors.

The Shares may have limited liquidity

The fact that the Shares are admitted to trading on the regulated market operated by the WSE or Nasdaq does not guarantee that the Shares will be sufficiently liquid. Listed companies from time to time experience significant fluctuations in securities trading volumes, which can have a negative impact on the market price of the Shares. If an appropriate level of trading in the Shares is not achieved or maintained, that could have a material impact on the liquidity and price of the Shares. Even if the appropriate level of trading in the Shares is achieved and maintained, the market price of the Shares may be below the price of such shares in the Offering.

Furthermore, the Shares may have a lower level of liquidity than the shares in comparable companies to the Issuer listed on other markets, especially in the U.S. or in other Western European countries.

Any inadequate level of liquidity of the Shares may limit the ability of Investors to sell the required number of the Shares at the expected share price. This could have a material adverse effect on the price of the Shares.

Future offerings by the Issuer of debt or equity securities may adversely affect the market price of the Shares and dilute the interests of its shareholders

To finance investment plans, the Issuer or its Subsidiaries may raise additional capital by offering debt or additional equity securities, including notes convertible into shares, senior or subordinated notes and ordinary shares.

The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of the existing shareholders if made without granting pre-emptive or other subscription rights, or may reduce the price of the Issuer's shares, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Issuer may issue in the future may also dilute the interests of the Issuer's shareholders. Holders of the Issuer's ordinary shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of the Issuer's ordinary shares. As a result, holders of the Issuer's ordinary shares may, in certain circumstances, have the right to purchase ordinary shares that the Issuer may issue in the future in order to preserve their percentage ownership interest in the Issuer. If the General Meeting withdraws shareholders of pre-emptive rights or they fail to exercise such rights, their share in the share capital will be reduced.

As any decision by the Issuer to issue additional securities depends on market conditions and other factors beyond the Issuer's control (including the respective decision of the General Meeting), the Issuer currently cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective Investors bear the risk of the Issuer's future offerings reducing the market price of the Shares and diluting their interest in the Issuer.

There is no prior market for the Shares and therefore no assurance regarding the future development of such market can be given

The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or on the price at which the holders may be able to sell their Shares. If a market for the Shares were to develop, the Shares could trade at prices that may be higher or lower than the Offer Prices for particular categories of Investors, depending on many factors. There can be no assurance as to the liquidity of the Shares or that an active market for the Shares will develop.

Future sales or the possibility of future sales of a substantial number of the Shares by the Selling Shareholders, by Management or by other shareholders may adversely affect the market price of the Shares

Following the completion of the Offering, assuming sale of 3,903,500 Sale Shares offered in the Offering by the Selling Shareholders, 50% of the Shares will be held by the Selling Shareholders (and assuming that the Additional Shares are sold – 34% of Shares will be held by the Selling Shareholders). After the expiration of the lock-up period of 180 days for the Selling Shareholder 1 and 540 for the Minority Shareholders following the Listing Date, the Selling Shareholders may sell substantial numbers of their Shares on the public market. In addition, there could also be a perception on the market that such sales could occur due to the expiry of the applicable lock-up period or the waiver thereof.

Furthermore, other shareholders of the Issuer who acquire the Shares in the Offering or in stock exchange transactions may plan to sell the Shares or securities entitling their holders to the Shares in the future.

The sale of a significant number of the Shares in the future or an expectation that such sale will take place after the closing of the Offering, in particular after all contractual lock-ups on the issuance, sale or other disposal of the Shares imposed on the Issuer, the Selling Shareholders and others expire, may have an adverse effect on the market price of the Shares and significantly reduce the Group's ability to arrange capital by way of a public offering or private placements of shares or other securities. Furthermore, the sale of the Shares by one or more significant shareholders of the Issuer may have an adverse impact on the perception of the Issuer's standing or its prospects for strategic growth, and thus on the value of the Shares. The Issuer cannot predict the potential effect that either the sale of the Shares by the existing or future shareholders or the belief that such sale will take place, will have on the Share price.

Any of these circumstances may adversely affect the market price of the Shares. In addition, such sales could make it more difficult for the Issuer to raise capital through the issuance of equity securities in the future.

Dual listing of the Shares results in differences in liquidity, settlement and clearing systems, trading currencies and transaction costs between the two exchanges where the Shares are listed. These and other factors may hinder the transferability of the Shares between the two exchanges

If the Shares are successfully Admitted to trading and listed on the WSE and on Nasdaq, trading and liquidity of the Shares will be split between those two exchanges. Furthermore, the price of the Shares may fluctuate and may at any time be lower on the Nasdaq than the price at which the shares are traded on the WSE and vice versa.

Differences in settlement and clearing systems, trading currencies, transaction costs and other factors may hinder the transferability of shares between the two exchanges. This could adversely affect the trading of the shares on these exchanges and increase their price volatility and/or adversely affect the price and liquidity of the shares on these exchanges.

The shares are quoted and traded in EUR on Nasdaq and are quoted and traded in PLN on the WSE. The shares traded on the Nasdaq are settled and cleared through the Nasdaq CSD. The shares traded on the WSE are settled and cleared through CSDP. The transfer of the shares between Nasdaq and the WSE are effectuated through a direct settlement link between the Nasdaq CSD and the CSDP. Although the Polish and Lithuanian settlement systems operated by the CSDP and Nasdaq CSD currently settle transfers of shares between CSDP and Nasdaq CSD participants, they are under no obligation to perform or to continue to perform such procedures and such procedures may be discontinued at any time, which may limit the liquidity of the Shares and have a negative impact on the efficiency of the pricing mechanisms of the secondary market of the Shares.

Impact of securities analysts

Trading volumes and the price of the Shares may depend on the opinions of securities analysts who regularly monitor operations of the Company, and publish their research reports regarding the future performance of the Company. The Company has no control over these analysts who may downgrade their recommended price of the Shares at any time, issue opinions that are not in line with the Management's view, or may drop coverage of the Company altogether. All these events may have an adverse impact on the trading volume and price of the Shares.

Dividend payment risk

Although the Company has approved its dividend payment policy, payment of dividends to shareholders is not guaranteed and will depend on the profitability of activities, investments plans and the general financial situation. For more information regarding payment of dividends by the Company, please see Section "*Dividend and dividend policy – Dividend Policy*".

The rights of Lithuanian company shareholders may differ from the rights of shareholders of a Polish company and Estonian company and the legislation, interpretation and application of legal acts may be different in Lithuania from that in Poland and in Estonia

The Company is organized and exists under the laws of Lithuania. Accordingly, the Company's corporate structure as well as rights and obligations of the shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE or in Estonian companies, listed on local regulated market (Nasdaq Tallinn). The exercise of certain shareholders' rights for non-Lithuanian Investors in a Lithuanian company may be more difficult and costly than the exercise of rights in a Polish company or in Estonian company respectively. For example, an action with view of declaring a resolution invalid must be filed with, and will be reviewed by the Lithuanian court, in accordance with the Lithuanian law. In addition, Lithuanian regulations may provide shareholders with particular rights and privileges which could not exist in Poland or in Estonia and, *vice versa*, certain rights and privileges that shareholders may benefit from in Polish or in Estonian companies may not be guaranteed.

Even though Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies should be transposed into the national law of Poland, Lithuania and

Estonia, there still may be differences in regulation of the shareholder rights and exercise thereof across the countries. In addition, even where the regulation is comparable, there may still be differences in its interpretation and application.

Furthermore, the conflicts regarding the applicable laws (Lithuanian, Polish and Estonian) with regards to disclosures of information in connection with this Offering and other relevant issues on this Offering may arise.

After the successful Offering and Admission Lithuania will be the home Member State of the Issuer for the purpose of the European Union securities regulations, while Poland will be its host Member State. The EU directives provide different competencies for the home Member State and host Member State with respect to rights and obligations of the Investors in public companies, depending on the subject of regulations. In addition, the directives are not always implemented in a proper manner at the national level. Consequently, Investors in the Offer Shares may be forced to seek complex legal advice in order to comply with all regulations when exercising their rights or when fulfilling their obligations. In case an Investor fails to fulfil its obligations or violates the law when exercising rights from or regarding the Offer Shares, he or she may be fined or punished under the law for such non-compliance or be unable to exercise rights from the Offer Shares.

In addition, the exercise of pre-emption and certain other shareholder rights for Polish or non-Lithuanian Investors in a Lithuanian company may be more difficult and costly than the exercise of rights in a Polish company listed on the WSE. Resolutions of the General Meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Action with a view to declaring a resolution invalid must be filed with, and will be reviewed by a Lithuanian court in accordance with Lithuanian law. Moreover, certain protections such as anti-takeover measures may not be available to holders of the Offer Shares, or their application may be uncertain.

PLN equivalent of the Offer Price for Retail Investors and reimbursements to them may be influenced by exchange rates fluctuations

The Maximum Price for the Offer Shares is expressed in EUR. The Polish Retail Investors placing Subscription Orders (in Polish: *zapis*) for the Offer Shares are required to pay for such Offer Shares in the PLN equivalent of the Maximum Price. However, the final Offer Prices for particular categories of Investors will be determined on the Pricing Date (expected to fall on 8 March 2018). The PLN equivalents of the Offer Prices will be calculated on the basis of the Offer Prices for particular categories of Investors, based on the average exchange rate published by the National Bank of Poland on the Pricing Date (as rounded up to the closest Polish grosz). The EUR/PLN exchange rate used for the purpose of calculation of PLN equivalent of the Offer Prices for particular categories of Investors may differ from the EUR/PLN exchange rate used for the purpose of calculation of the Maximum Price.

Additionally, the possibility of exchange rate fluctuations may affect reimbursements of overpayments. The final value of excess payments to be reimbursed to the Polish Retail Investors will depend on the final number of the Offer Shares allotted to given Polish Retail Investor that may be influenced by the EUR/PLN exchange rate from the Pricing Date.

Certain foreign judgments issued against the Issuer, its Management or the Selling Shareholders by its shareholders may be not enforceable

The Issuer is incorporated in Lithuania, and the Group conducts its operations predominantly in the Baltic territory and the majority of the Group's assets are located in the Baltic region. As a result, it may be difficult or impossible for an investor in the Shares to enforce a judgment issued outside Lithuania against the Issuer. This applies, to the greatest extent, to Investors from outside the EEA and any countries that are not party to conventions or bilateral agreements on the mutual recognition and enforcement of court judgments to which Lithuania is a party. Even if such Investor were successful in bringing an action of this kind, the laws of Poland or Lithuania, as applicable, may render such Investor unable to enforce a judgment against the Issuer's and the Group's assets or the assets of the Issuer's directors and officers.

Moreover, the Selling Shareholder 1 is an entity incorporated and operating in accordance with the laws of Luxembourg law and Selling Shareholder 2 and Selling Shareholder 3 are Lithuanian citizens and thus any judgments issued against the Selling Shareholders, including those issued by Polish courts, in connection with the Offering and the Offer Shares will be recognized and enforced specifically on the terms determined by private international law rules. Please see Section "Important Information—Delivery and enforceability of foreign court judgments" for more details.

Holders of the Shares in certain jurisdictions may be subject to restrictions regarding the exercise of pre-emptive rights with respect to future offerings

In the case of an increase in the Issuer's registered share capital, existing shareholders of the Issuer are entitled to exercise pre-emptive rights pursuant to the applicable regulations of Lithuania, unless waived in whole or in part under a resolution of the General Meeting by no less than a 3/4 majority of votes, present in the meeting. To the extent that pre-emptive rights are granted, holders of the Shares in the United States may be unable to exercise their pre-emptive rights unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an

exemption from the registration requirements is available. Shareholders of the Issuer in other jurisdictions may also be limited in their ability to exercise their pre-emptive rights. The Issuer cannot give any assurance that in the future it will register any of the Shares or other securities in accordance with the U.S. Securities Act or the provisions of any other jurisdiction outside Poland and Lithuania. If the Issuer's share capital is increased in the future, the Issuer's shareholders who are not able to exercise a potential pre-emptive right (in accordance with the laws of the country where they have their registered office) should take into account that their interest in the Issuer's share capital may be diluted upon such issuance of new shares in the Issuer. Furthermore, although in some jurisdictions non-participating shareholders may be given a distribution in cash of the value of their tradable rights, there is no requirement to do so in Lithuania and, consequently, a holder of the Shares may not receive any exercisable rights or any compensation in lieu of such rights.

IMPORTANT INFORMATION

Important Notice

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie (the “**Global Coordinator**”) and Swedbank AB and Dom Maklerski Trigon S.A. (the “**Joint Bookrunners**”) are acting exclusively for the Issuer and the Selling Shareholders and no one else in connection with the Offering and Admission, and will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and Admission and will not be responsible to anyone other than the Issuer and the Selling Shareholders for providing the protections afforded to their respective clients, or for providing advice in relation to the Offering and Admission or any transaction or arrangement referred to in this Prospectus.

Capitalized terms used in this Prospectus and not otherwise defined in this Prospectus have the meanings ascribed to such terms in Section “*Abbreviations and Definitions*”.

Unless implied otherwise in this Prospectus, the terms “**we**” or “**Group**”, refer to the Issuer together with all of its Subsidiaries.

Unless indicated otherwise, references to statements as to beliefs, expectations, estimates and opinions of the Issuer or its management refer to the beliefs, expectations, estimates and opinions of the Issuer’s Management.

Neither the Issuer, nor the Selling Shareholders, the Global Coordinator, nor Joint Bookrunners, or any of their respective representatives and their legal advisers, make any assurance to any offeree or purchaser of the Offer Shares as to the legality of an investment in the Offer Shares by such Investor under the laws applicable to such Investor. Each Investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares. Thus, participating in the Offering, Investors agree that they are relying on their own examination and analysis of this Prospectus (including the financial statements of the Group which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain.


This Prospectus is intended to provide information to prospective investors in the context and for the sole purpose of evaluating a possible investment in the Offer Shares offered in the Offering. It contains selected and overview information, does not express any commitment or acknowledgement or waiver and does not create any express or implied right towards anyone other than a prospective Investor in the context of the Offering. It cannot be used except in connection with the promotion of the Offering. The contents of this Prospectus are not to be construed as an interpretation of the Group’s obligations, of market practice or of contracts entered into by the Group.

This Prospectus has been prepared by the Company in connection with the Offering and the Admission, solely for the purpose of enabling any prospective Investor to consider an investment in the Offer Shares. The information contained in the Prospectus has been provided by the Issuer and other sources identified herein. This Prospectus is a prospectus in the form of a single document within the meaning of the Prospectus Directive and the Prospectus Regulation. This Prospectus has been prepared in accordance with Annex I (Minimum Disclosure Requirements for the Share Registration Document) and Annex III (Minimum Disclosure Requirements for the Share Securities Note) of the Prospectus Regulation. A summary of the Prospectus contains the key information items set out in Annex XXII (Disclosure Requirements in Summaries) of the Prospectus Regulation. The Prospectus together with its summary translated into Polish, into Lithuanian and into Estonian has been published on the website of the Issuer (www.novaturasgroup.com). Additionally, for information purposes only, the Prospectus has been published (i) in the English language together with its summary translated into Polish on the website of the Offering Agent in Poland (www.dm.pkobp.pl), (ii) in the English language together with its summary translated into Lithuanian on the Lithuanian website of the Offering Agent in Lithuania and Estonia (www.swedbank.lt); and (iii) in the English language together with its summary translated into Estonian on the Estonian website of the Offering Agent in Lithuania and Estonia (www.swedbank.ee).

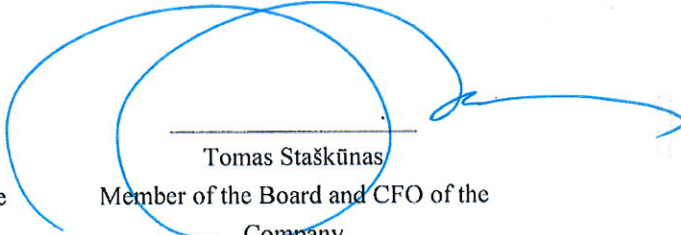
Responsibility statements

The Issuer accepts responsibility for the information contained in this Prospectus. Under Article 9.2 of the Articles of Association of the Company (the “**Articles of Association**”), transactions of the Company shall be signed jointly by the Manager of the Company and any member of the Board. Thus, this Prospectus on behalf of the Company is signed by Mr. Linas Aldonis, who is the Manager and the Chairman of the Board of the Company and by Mr. Tomas Staškūnas, who is a member of the Board and CFO of the Company.

To the best of knowledge and belief of the Issuer and Mr. Linas Aldonis as well Mr. Tomas Staškūnas, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.



Linas Aldonis
Chairman of the Board and CEO of the
Company



Tomas Staškūnas
Member of the Board and CFO of the
Company

Limitations of Liability

Without prejudice to the above, no responsibility is accepted by the person responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid Investors when considering whether to invest in such securities.

Potential Investors should not assume that the information in this Prospectus is accurate as of any other date than the date of this Prospectus and they should only rely on the information contained in this Prospectus and any supplement drawn up to amend any material mistakes or inaccuracies or to reflect any new development which occurs between the date of this Prospectus and the time when trading in the Shares begins on the WSE and Nasdaq or the Offering of the Offer Shares is closed.

The Global Coordinator, the Joint Bookrunners, the Selling Shareholders and their legal advisors make no representation, warranty or undertaking, express or implied, and accept no responsibility or liability as to the accuracy or completeness of the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof or any other information provided by the Issuer in connection with the Offer Shares or their distribution, Offering and Admission.

No representation or warranty, express or implied, is made by the Global Coordinator, the Joint Bookrunners, the Selling Shareholders and their legal advisors as to the accuracy, completeness or verification of the information set forth in this Prospectus, the summary of this Prospectus or individual parts thereof or any other information provided by the Issuer or the Selling Shareholders in connection with the Offer Shares or their distribution, Offering and Admission, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether made in the past or the future. The Global Coordinator as well as the Joint Bookrunners assume no responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

Neither the Company, nor the Selling Shareholders, nor their legal advisors will accept any responsibility for information pertaining to the Offering, Admission, the Group or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering and Admission or otherwise.

In the case of a dispute related to this Prospectus or the Offering, the plaintiff may have to resort to the jurisdiction of the Lithuanian courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

Notice to Prospective Investors

Prospective Investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore read this Prospectus in its entirety (including the Consolidated Financial Statements of the Group which form an indispensable part of this Prospectus), in particular Section “Risk Factors” hereof, when considering an investment in the Offer Shares. In making an investment decision, prospective Investors must rely on their own examination, analysis and enquiry of the Issuer, and the information contained in this Prospectus and the terms of the Offering, including the merits and risks involved with an investment in the Offer Shares.

Any decision to invest in the Offer Shares offered hereby should be based solely on this Prospectus (and any supplement hereto), taking into account that any summary or description, set forth in this Prospectus, of legal provisions, accounting principles or comparison of such principles, corporate structuring or contractual relationships is for information purposes only and should not be construed as legal, accounting or tax advice as to the interpretation or enforceability of such provisions, information or relationships.

Except for the mandatory provisions of law, no person is authorized to give any information or to make any representation in connection with the Offering other than as contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Selling Shareholders, the Global Coordinator or the Joint Bookrunners.

This Prospectus does not constitute an offer to sell or a solicitation by or on behalf of the Issuer, the Selling Shareholders, the Global Coordinator or the Joint Bookrunners to any person to subscribe for any of the Offer Shares offered hereby in any jurisdiction where it is unlawful for such person to make such an offer or solicitation. The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer, the Selling Shareholders, the Global Coordinator and the Joint Bookrunners to inform themselves about and to observe such restrictions. Other than in Poland and in Lithuania with respect to the public Offering, no action has been taken by the Issuer, the Selling Shareholders, Global Coordinator or the Joint Bookrunners that would permit an offer of the Offer Shares, or possession or distribution of this Prospectus or any other offering material or application form relating to the Offer Shares, in any jurisdiction where action for that purpose is required. This Prospectus may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. Neither the Issuer, the Selling Shareholders, the Global Coordinator, nor the Joint Bookrunners, nor their legal advisors accept any responsibility for any violation by any person, whether or not such a person is a prospective Investor in the Offer Shares, of any of these restrictions. For more information, please see Section “*Selling Restrictions and Transfer Restrictions*”.

The Issuer has submitted the Prospectus to the BoL. The Prospectus has been prepared in accordance with the Regulation 809/2004 and the Law on Securities and the rules promulgated thereunder, as well as with the Act on Public Offering and other applicable legislation governing the public offering of securities in Poland. The Prospectus was approved by the BoL, passported to the PFSA, EFSA and published.

For the purpose of or in connection with the Offering, the Global Coordinator and any of its affiliates acting as an Investor for its own account, may take up the Offer Shares and in that capacity, may retain, purchase or sell for its own account the Offer Shares and any other securities of the Issuer or related investments and may offer or sell securities of the Issuer or other investments other than in connection with the Offering. Accordingly, references in this Prospectus to the Offer Shares being offered or placed should be read as including any offering or placement of such securities to the Global Coordinator and any relevant affiliate acting in such capacity. The Global Coordinator does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Neither the delivery of this Prospectus nor any sale made hereunder at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the Issuer’s affairs since the date hereof or that the entirety of the information set forth in this Prospectus is correct as of any time subsequent to its date.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to purchase or subscribe for any Offer Shares by any person (i) in any jurisdiction in which such offer or invitation is not authorized, or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so, or (iii) to any person to whom it is unlawful to make such offer or invitation. In any member state (the “**Member State**”) of the European Economic Area (the “**EEA**”) that has implemented the Prospectus Directive other than Poland (and subject to any limitations set out in the relevant regulations of such EEA Member State), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive. General selling restrictions applicable in certain jurisdictions are set in Section “*Selling Restrictions*”.

Stabilization

In connection with the Offering, no over-allot or effect transactions with a view to supporting the market price of the Shares on the WSE and Nasdaq at a level higher than that which might otherwise prevail in the open market are planned.

Dating of Information

This Prospectus is drawn up based on information which was valid on 31 December 2017. Where not expressly indicated otherwise, all information presented in this Prospectus (including the Consolidated Financial Information of the Group, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 31 December 2017, this is identified by either specifying the relevant date or by the use of expressions as “the date of this Prospectus”, “to date”, “until the date hereof” and other similar expressions, which must all be construed to mean the date of this Prospectus (23 February 2018).

Documents on Display

Throughout the lifetime of this Prospectus, the Articles of Association, the Consolidated Financial Statements as well as the Prospectus itself, may be inspected at the head offices of the Company located at A. Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania, as well as in its Vilnius representative office located at J. Jasinskio str. 16, Vilnius, Lithuania and on the Company's website (www.novaturagroup.com). Any interested party may obtain a copy of these documents from the Company without charge. To the extent that documents other than mentioned above (i.e. reports, letters, valuations, statements) are not reflected in this Prospectus with reasonable fullness and do not at the sole discretion of the Company constitute business secrets of the Company, physical inspection of such documents will be arranged at the offices of the Company or via electronic mail at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. Reference to the Company's website in this Prospectus should not be deemed to incorporate the information on the Company's website by reference.

Updates

The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable law or considered necessary and appropriate by the Company. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Presentation of Financial Information

Financial Information of the Group

This Prospectus includes the consolidated financial information of the Issuer for the years ended 31 December 2017, 31 December 2016, and 31 December 2015 (the "**Consolidated Financial Statements**") prepared in accordance with IFRS as adopted by EU ("IFRS") and included elsewhere in this Prospectus.

Presentation of the financial information in accordance with the IFRS requires the Management to make various estimates and assumptions which may impact the values shown in the financial statements and notes thereto. The actual values may differ from such assumptions. Unless expressly stated any financial information is presented as unaudited.

Deloitte Lietuva UAB has audited the Consolidated Financial Statements of the Issuer and its Subsidiaries set forth in this Prospectus as of and for the year ended 31 December 2017, included herein.

Ernst&Young Baltic UAB has audited the Consolidated Financial Statements of the Issuer and its Subsidiaries set forth in this Prospectus as of and for the years ended 31 December 2016, and 31 December 2015.

The above financial statements for the years ended 31 December 2016, and 31 December 2015 were replaced on 19 January 2018 by new financial statements for the same years, which have also been audited by Ernst & Young Baltic UAB, included herein. These financial statements were approved by the decision of the General Meeting, dated 9 February 2018. The financial statements results have not changed but the main differences between those financial statements were: (i) description of the proceedings in Estonia (please see Section "*Business of the Group – Legal proceedings*") and changes of some report lines and note 21 related to it, as well as (ii) addition of segmentation note 23.

The financial information in this Prospectus is presented in EUR and all of the Group's revenues are expressed in EUR. Furthermore, unless otherwise indicated, the financial and statistical data included in this Prospectus are expressed in EUR.

Certain figures in this Prospectus have been subject to rounding adjustments and presented in EUR. Accordingly, in certain instances the sum of numbers in a column or a row in the tables contained in this Prospectus may not conform exactly to the total figure given for that column or row. Some percentages in the tables in this Prospectus have also been rounded, and accordingly the totals in these tables may not exactly add up to 100%.

Alternative Performance Measures

Certain financial measures in this Prospectus, including EBITDA, EBITDA margin, gross profit margin, sales profit per PAX and cost per seat (collectively, the "**APMs**") are not specifically defined under the IFRS. Potential Investors should take into consideration that these financial measures are neither standardized nor applied in a consistent manner by companies, and that other companies may calculate such measured differently than the Company. These financial measures should be considered together with their most directly comparable IFRS financial measures and should not by themselves be seen as a basis to compare different companies. Furthermore, EBITDA, EBITDA margin, gross profit margin, sales profit per PAX and cost per seat are not recognized as financial measures by the IFRS and do not substitute the financial measures presented in the income statement and the statement of cash flows prepared in accordance with the IFRS.

The APMs are presented in this Prospectus because the Group believes that they are among the measures used by Management to evaluate the financial performance of the Group and they are frequently used by securities analysts, Investors and other interested parties to perform their own evaluation. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under the IFRS, and Investors should not consider such items as alternatives to net income/loss, operational income or any other performance measures derived in accordance with the IFRS.

Unless otherwise indicated, all references to “EUR”, “Eur” or € are to the lawful currency of the European Economic and Monetary Union, including of Lithuania as of 1 January 2015.

The performance measures should be read exclusively as additional information rather than financial information prepared in accordance with the IFRS. These financial measures should be considered together with their most directly comparable IFRS financial measures and should not by themselves be seen as a basis to compare different companies. The APMs should be analysed in conjunction with the Consolidated Financial Statements. In the Company’s opinion, the other financial data or ratios presented in the Prospectus are not APMs.

Market economic and industry data

Certain macroeconomic and statistical data included in this Prospectus has been derived from publicly available sources, the reliability of which may vary. Macroeconomic and statistical data concerning Lithuania, Latvia and Estonia is mostly based on information published by the Statistical Office of the European Communities (the “Eurostat”), IMF, the European Commission, Passport GMID (Euromonitor). In any case, macroeconomic and statistical data, as well as the source data on which it is based, may not have been extracted or derived from a source in a manner analogous to that used in other countries. There is no guarantee that a third party using different methods of gathering, analysing and processing information would obtain the same results.

Market data and certain industry data and forecasts used, as well as statements made herein regarding the Issuer’s position in the industry were estimated or derived based upon assumptions the Management deems reasonable and from the Company’s own research, surveys or studies conducted at its request by third parties, or derived from publicly available sources (Eurostat). Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. When searching for, processing and preparing macroeconomic, market, industry and other data from sources other than the Issuer, such as governmental publications, third party publications, industry publications and general interest publications, the Issuer has identified the sources. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from the information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer does not intend, nor is it obligated, to update the data presented herein, save for obligations arising under provisions of law.

Forward-looking statements

This Prospectus includes forward-looking statements, which include all statements other than statements of historical facts, including, without limitation, any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions of the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Issuer’s control that could cause the Issuer’s actual results, financial condition, results of operations or developments to differ materially from any future results, financial condition, results of operations or developments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer’s present and future business strategies and the environment in which it currently operates and will operate in the future. Among the important factors that could cause the Issuer’s actual results, financial condition, results of operations or developments to differ materially from those expressed in such forward-looking statements are those factors discussed in Sections “*Management’s Discussion and Analysis of Financial Condition and Results of Operations* and *Risk Factors*” and elsewhere in this Prospectus.

These forward-looking statements speak only as of the date of this Prospectus. The Issuer expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein in order to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by the Law on Securities, the Polish Act on Public Offers, the WSE Corporate Governance Rules, Nasdaq Corporate Governance Code, or any other law or regulation to which the Issuer is subject.

Investors should be aware that several important factors and risks cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

The Issuer has not published and does not intend to publish any profit forecasts and/or estimates within the meaning of Regulation 809/2004.

Documents incorporated in the Prospectus by reference

The Prospectus does not contain any information incorporated therein by reference to information contained in other publicly available documents or sources, regardless of the form in which they have been made available or recorded.

Except for the Prospectus, the Prospectus supplements and the information about the Offer Prices for particular categories of Investors and the final number of the Offer Shares allotted to the Investors in each tranche published in compliance with the requirements of the Law on Securities, the information on the websites of the Issuer, the Selling Shareholder, the Global Coordinator and the Joint Bookrunners or the information contained on the websites to which the websites of the Issuer, the Selling Shareholder, the Global Coordinator and the Joint Bookrunners are linked do not constitute a part of the Prospectus.

Delivery and enforceability of foreign court judgments

The Issuer has been established and operates in accordance with Lithuanian law. The assets of the Issuer are principally situated in Lithuania. Therefore, in matters that are not subject to the jurisdiction of the Lithuanian courts, it may be difficult for Investors who are not subject to the Lithuanian jurisdiction to successfully deliver to the Issuer any letters or judgments issued in courts outside the EU in connection with any proceedings conducted against such persons with respect to the Offering or the Offer Shares.

In each of Poland and Lithuania, being Member States, Regulation No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the “**Regulation 1215/2012**”) is applied directly. Under the Regulation 1215/2012, the enforcement of judgments of courts of the Member States in each of Poland and Lithuania does not require a declaration of enforceability in separate proceedings. The relevant court, at the request of the person against whom a motion was submitted for the enforcement of a judgment may refuse to enforce the judgment if any of the following occur: (i) the enforcement would undoubtedly contradict the public policy system of the relevant Member State; (ii) the defendant who has not commenced the dispute was not provided with a document commencing the proceedings or an equivalent document at the time and in the manner allowing the defendant to prepare the defence, unless the defendant failed to submit a complaint against the judgment, although such an option existed; (iii) the judgment cannot comply with the judgment issued between the same parties in a given Member State; (iv) the judgment cannot comply with any earlier judgment issued in another Member State or in a third state in a dispute regarding the same claim between the same parties, *provided that* such earlier judgment satisfies the conditions necessary for it to be recognized in the relevant Member State; or (v) the judgment contradicts the Regulation 1215/2012 regarding jurisdiction over matters concerning insurance, consumer agreements or individual contracts of employment if the defendant was the insurer, the insured, the beneficiary under insurance, an injured party, a consumer or an employee and the Regulation 1215/2012 regarding exclusive jurisdiction. The Issuer cannot give any assurance that all of the conditions for the enforcement of foreign judgments in Poland and/or Lithuania, as the case may be, will be met or that any particular judgment will be enforceable in Poland and/or Lithuania, as the case may be.

With respect to a judgment issued by courts of a state that is not party to any relevant bilateral or multilateral treaty with Poland regarding the recognition of judgments and which is not a Member State, the Code of Civil Procedure provides, in principle, that foreign court judgments in civil matters that may be enforced become enforcement titles after their enforceability is declared by a Polish court and after an enforcement clause is attached thereto. A judgment is declared enforceable if it is enforceable in the country in which it was issued and if none of the following obstacles exist: (i) the judgment is not final and non-appealable in the country in which it was issued; (ii) the judgment was issued in a matter that was subject to the exclusive jurisdiction of the Polish courts; (iii) a defendant who did not accede to the dispute as to the merits of the case was not duly served a letter on the commencement of the proceedings within a sufficient time to allow for the preparation of a defence; (iv) in the course of the proceedings, no party was deprived of its right to defence; (v) a case regarding the same claim between the same parties was commenced in Poland prior to the commencement of the case in a foreign state (or, before any other Polish or foreign state authority); (vi) the judgment contradicts a prior foreign court judgment (or a judgment issued by any other Polish or foreign state authority) which satisfied the conditions of being recognized in Poland which was issued in a matter regarding the same claim between the same parties; and (vii) the judgment is considered as being in breach of the legal order of Poland (a public order clause).

With respect to a judgment issued by courts of a state that is not party to any relevant bilateral or multilateral treaty with Lithuania regarding the recognition of judgments and which is not a Member State, a judgment obtained against a Lithuanian company in such court in a dispute with respect to which the parties have validly agreed that such court is to have jurisdiction, such judgment will not be directly enforced by the courts in Lithuania. In order to obtain a judgment which is enforceable in Lithuania, enforcement proceedings must be initiated in Lithuania (exequatur) before the Court

of Appeal of Lithuania subject to compliance with the relevant provisions of the law. A judgment is declared enforceable if it is enforceable in the country in which it was issued and if none of the following obstacles exist: (i) the judgment is not final and non-appealable in the country in which it was issued; (ii) the judgment was issued in a matter that was subject to the exclusive jurisdiction of the Lithuanian courts; (iii) a defendant who did not accede to the dispute as to the merits of the case was not duly served a letter on the commencement of the proceedings within a sufficient amount of time to allow for the preparation of a defence; (iv) the judgment contradicts a judgment issued by any Lithuanian court which was issued in a matter regarding the same claim between the same parties; and (v) the judgment is considered as being in breach of the legal order of Lithuania (a public order clause).

If an original action is brought in Lithuania, Lithuanian courts may refuse to apply the designated law amongst others and notably (i) if the choice of such foreign law was not made in good faith (*bona fide*), (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law was contrary to mandatory Lithuania laws, in breach of the legal order of Lithuania (a public order clause) or incompatible with Lithuania's international public policy. Also, an exequatur may be refused in respect of a foreign judgment granting punitive damages. In practice, Lithuania courts presently tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review. Further, in the event of any proceedings being brought in a Lithuania court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Lithuania court would have power to give judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Lithuania would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

In addition, the Issuer is entity created and operating under the laws of Lithuania, the Selling Shareholder 1 is an entity incorporated and operating in accordance with the laws of Luxembourg law and the Selling Shareholder 2 and the Selling Shareholder 3 are Lithuanian citizens and thus notices and demands regarding the recognition and enforcement of judgments issued against the Issuer or the Selling Shareholders, including by the Polish courts, in connection with the Offering and the Offer Shares will specifically have to comply with the regulations of the laws of Lithuania and Luxembourg respectively.

No incorporation of website information

The contents of the Issuer's website and any other website referenced herein do not form part of this Prospectus.

Exchange Rate Information

The table below presents the mid, highest and lowest rates, as well as period-end rates as announced by the NBP for exchange transactions between EUR and PLN during the respective periods. The Issuer cannot guarantee, however, that the actual value of PLN corresponds to the given value of EUR or that it might have corresponded or been translated into EUR at the referred rate.

Year ended 31 December	Average	High	Low	Period-end
2015.....	4.184	4.358	3.982	4.261
2016.....	4.364	4.504	4.236	4.424
2017	4.265	4.288	4.224	4.171

Source: NBP

The NBP rate on 19 February 2018 was PLN 4.147 per EUR 1.00.

USE OF PROCEEDS

The Selling Shareholders will receive the net proceeds from the sale of the Offer Shares. The shareholders of the Company believe that listing of the Company could enable the further growth of the Company, provide the Company with various market opportunities, access to capital markets as potential new source of financing for future development and increase the Company's profile, visibility and reliability among market participants. Moreover, as the Selling Shareholder 1 is a private equity firm it treats Offering as a partial exit option. The Company will not receive any proceeds from the Offering.

DIVIDEND AND DIVIDEND POLICY

Dividends Paid in the Past

As from the year 2015 the Company has paid to its shareholders the following amounts of dividends:

Dividend for the year	Distributed dividends in total <i>(in thousand EUR)</i>	Distributed dividends per Share* <i>(in EUR)</i>	Recalculated distributed dividends per Share** <i>(in EUR)</i>
		<i>(unaudited)</i>	
2014	20,000	2,561.80	2.56
2015	4,000	512.36	0.51
2016	5,000	640.45	0.64
2017	4,500	576.41	0.58

* Until 8 February 2018 the authorized capital of the Company was EUR 226,090.72, divided into 7,807 Shares with a nominal value of EUR 28.96 each. Based on a resolution of the General Meeting, dated 16 January 2018, the nominal value of the Share was increased up to EUR 30 and then changed to EUR 0.03 by replacing each ordinary registered Shares of the Company with the nominal value of EUR 30 (thirty euros) to 1,000 (one thousand) ordinary registered Shares with the nominal value of EUR 0.03 (three cents) ("**Stock Split**"). As a result of that the authorized capital of the Company was increased from EUR 226,090.72 till EUR 234,210. Value of dividends per Share is presented in the values before the Stock Split.

** Value of dividends per share recalculated based on the number of Shares after the Stock Split.

Source: The Issuer

Dividend Policy

Based on the dividend policy approved by the Management Board on 9 February 2018, regular dividend distribution is one of the key parts of the Group's strategy. The Group's asset light business model together with high cash generation allows it to distribute a substantial part of its profit to the shareholders. The Management Board expects that after the Admission, based on the audited interim results of the Company for the first half of 2018, an interim dividend in the amount of ca. EUR 6 million will be offered for payment. The payment of such interim dividend will be made only if it is approved by the General Meeting with a qualified majority of 2/3 votes of the shareholders present at the respective General Meeting. The Company has received declaration from the current shareholders of the Company that they will vote for payment of an interim dividend for 2018 in the above amount, if the conditions for such payment of the applicable laws will be met.

In the future, based on the above dividend policy, the Board intends to propose for distribution 70% - 80% of the Company's profit. The distribution of the dividend will be made only if it is approved by the General Meeting with a qualified majority of 2/3 votes of the shareholders present at the respective General Meeting. The Company is planning to propose annual dividend distributions.

The dividend policy will, however, be reviewed from time to time by the Board and any future dividends will be proposed for payment by the Board, taking into account several factors concerning the Issuer, including, without limitation, the Issuer's prospects, future profits, cash requirements, financial standing, level of liquidity ratios, expansion plans as well as the laws and regulations pertaining to this subject in order to make a relevant decision, etc. The payment of the dividend is in all cases subject to approval by the General Meeting with a qualified majority of 2/3 votes of the shareholders present at the respective General Meeting.

All Shares, including the Offer Shares, carry equal rights to dividends (and advance dividend payments, respectively) and entitle the holders to participate in the Issuer's profit from the date of their acquisition.

For more detailed information regarding dividend payments please see Section "*Description of Share Capital and Corporate Governance – Dividends and other distributions*". For contractual limitations on our ability to pay dividends, see Section "*Business of the Group—Material Contracts—Financing Agreements*". For more detailed information regarding the taxation of dividends please see Section "*Taxation*".

General rules regarding declaration and payment of dividends

The following general rules apply with respect to any dividends declared by the Company.

Shares give rights to dividends declared by the General Meeting. Dividends are paid to persons who at the end of the rights record date (i. e. the tenth business day following the day on which the decision to distribute the dividends was adopted by the General Meeting) were shareholders of the Company or were otherwise entitled to receive dividends. The Company must pay out the declared dividends within one month from the date when the General Meeting decides to declare dividends. The same rules for paying dividends are applied both to residents and non-residents of Lithuania

with the exception of taxation requirements (see Section “*Taxation*”). Dividends are paid to the shareholders in proportion to the aggregate sum of the nominal value of the shares held by the respective shareholder. Dividends can be paid only in cash. The dividends attributable to the Shares are non-cumulative.

Under the Law of the Republic of Lithuania on Companies (the “**Law on Companies**”) the annual dividends as well as the dividends for a shorter period than a financial year may be distributed to the shareholders of the Company.

The Company may only distribute annual dividends out of its distributable profits that consist of net profit for each financial year, as increased or reduced by any profit or loss carried forward from the previous year and/or profit or loss of the current financial year not realized in the profit and loss account, plus any amounts held in its reserves that the shareholders decide to make available for distribution (other than those reserves that are specifically required by the Lithuanian laws) and shareholders’ contributions to cover the loss, less any distributions for any other purposes decided by the General Meeting. Dividends may not be declared or paid out if at least one of the following conditions is met: (i) the Company has outstanding obligations which became due before the decision of the General Meeting; (ii) the Company’s distributable result of the financial year is negative (i. e. losses were incurred); (iii) the equity capital of the Company is lower or after the payment of dividends would become lower than the aggregate amount of the share capital, the legal reserve, the revaluation reserve and the reserve for acquisition of own shares of the Company.

Dividends for a shorter period than the financial year may be declared if all the following conditions are met: (a) an audited set of interim financial statements has been approved; (b) the profit (loss) amount for a period shorter than a financial year is positive (there is no loss); (c) the amount distributed for payment of the dividend does not exceed the aggregate amount of the profit (loss) for a period shorter than a financial year, the amount of the retained earnings (loss) for the previous financial years carried forward to the current financial year, upon deduction of the share of profit earned during a period shorter than a financial year, which must be appropriated to reserves in accordance with the law or in accordance with the Articles of Association; (d) the company does not have outstanding obligations which matured before the taking of the decision, and upon payment of dividend it would be capable of fulfilling its obligations for the current financial year. Upon distribution of an interim dividend, it is allowed to allocate a dividend for another period shorter than a financial year after a period of 3 months.

CAPITALIZATION AND INDEBTEDNESS

The following tables present the capitalization, net financial debt and contingent liabilities of the Group as of 31 December 2017, each based on the financial information of the Group. This section should be read together with the Consolidated Financial Statements and the notes thereto.

Representation Concerning Working Capital

The Issuer is of the opinion that the Group has sufficient working capital for its present requirements, i.e. for at least the next twelve months commencing as of the date of this Prospectus.

Capitalization and Indebtedness

The table below presents the capitalization of the Group as of 31 December 2017.

Capitalisation and indebtedness	As of 31 December 2017
	Actual
	(audited)
	(in EUR thousand)
Total current debt	33,178
of which guaranteed	-
of which secured	14,000
of which unsecured not guaranteed	19,178
Total non-current debt	2,606
of which guaranteed	-
of which secured	-
of which unsecured not guaranteed	2,606
Shareholders' Equity	14,669
of which net assets attributable to shareholders	14,669
Issued share capital	226
Share premium	-
Retained losses	-
Legal reserve	29
Cash flow hedge reserve	484
Foreign currency transactions reserve	145
Total	50,453

Source: The Issuer

	As of 31 December 2017
	Actual
	(audited)
	(in EUR thousand)
A. Cash	55
B. Bank balances (cash equivalent)	9,929
C. Trading Securities	-
D. Liquidity (A)+(B)+(C)	9,984*
E. Current finance receivables	-
F. Current bank debt	-
G. Current portion of non-current bank debt	14,000
H. Other current finance liabilities	-

I. Current financial debt (F)+(G)+(H)	14,000
J. Net current financial indebtedness (I)– (E) –(D)	4,016
K. Non-current bank loans	-
L. Bonds issued	-
M. Other non-current borrowings	-
N. Non-current financial liabilities (K)+(L)+(M)	-
Total	4,016

Source: The Issuer

* this position includes EUR 2,000 thousand of restricted cash

There have been no material changes in the capitalization, indebtedness or liquidity of the Issuer from 31 December 2017, to the date of this Prospectus other than related to the Credit Agreement with Luminor Bank. For the information on financial agreements please see Section “*Business of the Group-Material Agreements*”.

Indirect and Conditional Indebtedness

For information on indirect and conditional indebtedness, please see Section “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Off-Balance Sheet Arrangements*”.

CONSOLIDATED FINANCIAL INFORMATION

The financial information summarized below for the financial years 2017, 2016 and 2015 is taken or derived from the Consolidated Financial Statements. This Section should be read in conjunction with the information contained in Sections "Use of Proceeds", "Capitalization and Indebtedness" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements included elsewhere in this Prospectus.

Selected Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
	<i>(audited)</i>		
Sales	141,147	101,525	99,091
Cost of sales	(114,345)	(83,762)	(81,895)
Gross profit	26,802	17,763	17,196
Operating (expenses)	(16,473)	(12,207)	(11,821)
Profit from operations	10,301	5,356	5,319
Finance income	564	494	193
Finance (expenses)	(1,730)	(750)	(2,636)
Profit before tax	9,135	5,100	2,876
Income tax (expense)	(984)	(638)	(631)
Net profit	8,151	4,462	2,245

Source: Consolidated Financial Statements, the Issuer

Selected Consolidated Statement of Financial Position

	As of 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
	<i>(audited)</i>		
ASSETS			
Non-current assets			
Goodwill	30,327	30,327	30,327
Other intangible assets	448	442	291
Total non-current assets	31,134	31,445	31,013
Current assets			
Prepayments and deferred expenses	5,940	2,748	3,825
Cash and cash equivalents	7,984	6,646	5,861
Total current assets	19,319	12,821	10,722
Total assets	50,453	44,266	41,735

Source: Consolidated Financial Statements, the Issuer

	As of 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
	<i>(audited)</i>		
Equity			
Retained earnings	13,785	15,134	14,672
Equity attributable to equity holders of the parent	14,669	15,833	15,051
Non-controlling interests	-	-	-
Total equity	14,669	15,833	15,051

Liabilities			
Non-current liabilities			
Non-current borrowings	-	10,842	8,914
Other non-current liabilities	-	-	-
Total non-current liabilities	2,606	12,875	10,450
Current liabilities			
Current portion of non-current borrowings	14,000	3,158	3,158
Trade payables	3,882	3,130	2,620
Advances received	12,102	7,988	6,405
Total current liabilities	33,178	15,558	16,234
Total equity and liabilities	50,453	44,266	41,735

Source: Consolidated Financial Statements, the Issuer

Selected Consolidated Statement of Cash Flows

	Year ended 31 December		
	2017	2016	2015
	<i>(in thousand EUR)</i>		
	<i>(audited)</i>		
Cash flows from (to) operating activities			
Net profit	8,151	4,462	2,245
Adjustments for non-cash items:			
Net cash flows from operating activities	13,689	6,683	6,609
Net cash flows (to) investing activities	(285)	(409)	(435)
Dividends (paid)	(9,500)	(6,928)	(17,072)
Net cash flows (to) financing activities	(10,066)	(5,489)	(5,028)
Net increase (decrease) in cash flows	3,338	785	1,146
Cash and cash equivalents at the beginning of the year	6,646	5,861	4,715
Cash and cash equivalents at the end of the year	9,984	6,646	5,861

Source: Consolidated Financial Statements, the Issuer

Alternative Performance Measures

The Management evaluates the Group's results based on certain profitability, debt and liquidity ratios and indicators. The ratios and indicators presented in this Section are Alternative Performance Measures ("APMs") within the meaning of the ESMA Guidelines on APMs. These measures have not been audited or reviewed by an independent auditor unless stated otherwise. The APMs are not recognized as financial measures by IFRS and cannot serve as substitutes to the financial measures presented in the Section "Selected Consolidated Financial Statements" and prepared in accordance with the IFRS. They are neither standardized nor applied in a consistent manner by companies; moreover, other companies may calculate such measures differently than the Company. The performance measures should be read exclusively as additional information rather than instead of the financial information prepared in accordance with the IFRS. These financial measures should be considered together with their most directly comparable IFRS financial measures and should not by themselves be seen as a basis to compare different companies. The APMs should be analysed in conjunction with the Consolidated Financial Statements. In the Company's opinion, the other financial data or ratios presented in the Prospectus are not APMs.

The table below presents the key APMs used by the Management in the periods indicated.

	Year ended 31 December		
	2017	2016	2015
	<i>(unaudited)</i>		

	Year ended 31 December		
	2017	2016	2015
	<i>(unaudited)</i>		
EBITDA (in thousand EUR)	10,611	5,632	5,541
EBITDA margin (%)	7.52	5.55	5.59
Gross profit margin (%)	19.0	17.5	17.35
Sales profit per PAX (in EUR)	82.5	71.0	74.4
Cost per seat (CPS) (in EUR)	39.6	40.9	42.7

Source: The Issuer

The table below presents the definition of key APMs used by the Management and the rationale for their use:

Name of APM	Definition	Rationale for using the Alternative Performance Measure
EBITDA	The Company defines EBITDA as the profits from operations plus depreciation and amortization	EBITDA is a measurement of a Company's operating profit and allows viewing operating trends and identifying strategies to improve operating performance and assists in comparing performance across reporting periods on a consistent basis by excluding items that are not indicative of the Company's core operating performance.
EBITDA margin	The Company defines EBITDA margin as the profits from operations plus depreciation and amortization divided by sales multiplied by 100%	The Company uses "EBITDA margin" because it provides an investor with a clear view of the Company's operating profitability.
Gross profit margin	The Company defines "Gross profit margin" as gross profit divided by sales multiplied by 100%	The Company uses "Gross profit margin" because it provides an investor with a clear view of the Company's operating direct profitability i.e. after the direct costs and before sales, general and administrative costs.
Sales profit per PAX	The Company defines "Sales profit per PAX" as gross profits minus commission divided by the number of PAX in the respective year	The Company uses "Sales profit per PAX" because it is commonly used by tour operators and allows an investor to compare the Company with other tour operators in terms of profitability per PAX sold.
Cost per seat (CPS)	The Company defines "Cost per seat" as operating expenses minus commission divided by the number of seats (charter seats plus coach travel PAX)	The Company uses "Cost per seat" because it is commonly disclosed by tour operators and allows investors to compare the Company with other tour operators in terms of operational efficiency.

Source: The Issuer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Group are based on the consolidated statement of comprehensive income, the consolidated statement of the financial position and the consolidated statement of cash flows of the Issuer and its Subsidiaries as of and for the years ended 31 December 2015, 2016, and 2017, which have been derived from the Consolidated Financial Statements which are reproduced elsewhere in this Prospectus. This Section should be read in conjunction with the Consolidated Financial Statements, including the notes thereto, as well as other financial information contained elsewhere in this Prospectus. See Section "Selected Consolidated Financial Information". An overview of certain critical accounting estimates, judgments and policies that have been applied to the Consolidated Financial Statements is set forth below in "Critical Accounting Policies, Estimates and Judgments".

Certain financial and operational information presented in the tables in this Section has been rounded to one decimal place. As a result of this, related information appearing within the narrative under this caption and throughout this Prospectus may vary in minor respects from the information presented in such tables, due to rounding.

The following discussion also contains forward-looking statements. The Group's actual results could differ materially from those that are discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly under the Sections "Forward-Looking Statements" and "Risk Factors".

Overview

The Company is a tour operator offering a full holiday experience to clients from the stage of planning to booking flights, accommodation, transfers and activities during the stay as well as round trips by coach and by plane. The Company is headquartered in Lithuania and is the largest tour operator in the Baltic region – i.e. Lithuania, Latvia and Estonia by turnover and by PAX sold. The above-mentioned countries are the Group's main source markets.

The Group has a leading position in the Baltic region with a total population in 2016 of 6.2 million people (2.9 million in Lithuania, 2.0 million in Latvia and 1.3 million in Estonia). The Group benefits from a favorable macroeconomic situation in the Baltics. Average real GDP growth amounts to 2.7-2.8% y/y in each Baltic country in 2014-2017 (source: IMF). According to the IMF, the average GDP growth rate in the Baltics should be approximately 4% in 2017. The key driver of such growth is domestic demand. The steady increase in disposable income in the Baltics, which is supported among other things by improving labour market conditions, creates a favourable macroeconomic environment. Moreover, the Group started its sales in Belarus which is a prospective market with a 9.5 million population.

The Group has been a market leader in all Baltic countries since 2004. According to the Group's estimations of seats supply, the Group's market share in the Baltics organized charter flights market equals 44% at the end of 2017. The Company has been a leader in the Lithuanian organized charter flights market with a market share of approximately 49% at the end of 2017. In the Latvian and Estonian markets, the Group's market share at the end of 2017 equals 39% and 39% respectively, making the Group a leader also in those countries.

The Group has a diversified portfolio of products and destinations targeting different market segments, which allows it to be well-positioned to withstand potential changes in consumer preferences. The Group offers various types of tours to a broad spectrum of countries throughout the year. It organizes flight package holidays, sightseeing tours by plane and by coach, ski trips and sells other tourism-related products (such as holiday accommodation and flight tickets).

The Group primarily focuses on outgoing tourism and arranges flights both on charter and scheduled operations to more than 30 destinations worldwide. The destination portfolio ranges from all major European destinations to selected holiday spots in the Mediterranean Sea region and North Africa. In addition, the Group offers trips to the Middle East, Asia and Latin America. The majority of destinations are serviced by the Company's on-site representatives and each sightseeing tour is accompanied by a Group guide throughout the entire trip. The Group's key countries are Turkey, Greece, Egypt, Bulgaria and Spain (including the Canary Islands), jointly representing 87.8% of the total share in flight packages revenues of the Group in 2017. The Group's holiday flights depart from all capital cities in the Baltics. Moreover, the Group has approximately 120 programmes in Europe related to coach travel and flight round trips.

The Group has well-balanced distribution channels that allow it to offer products to a broader customer base, not only searching for package tours, but also for flight tickets and hotels, and to exploit most market opportunities. The Group sells its holiday packages through four main sales channels: (i) external travel agencies (more than 400), (ii) direct sales in its six offices in Lithuania, Latvia and Estonia, (iii) its online sales platform, and (iv) GDS which is used to sell flight tickets. The Group is constantly developing its e-commerce channel and manages one of the largest online shops in the Baltics selling all of the Group's products. The Group's online shops have customized websites in local languages for the Lithuanian, Latvian, Estonian, as well as version in Russian for the Belarusian markets. The Group is constantly increasing the e-commerce share in the Group's revenues (calculated as revenues from flight packages, roundtrips by

plane and coach, sell of flight tickets and accommodation, without other products), which reached 16% in 2017. In 2017 the Group's websites had 3.2 million unique visits.

The Groups' uniqueness is based on reputable and well-recognized brands. In the Baltics, the Group's most important brands are Novaturas (in Lithuania) and Novatours (in Latvia and Estonia). Other brands of the Group on the Lithuanian market include: (i) the budget brand ECO Travel and (ii) a premium brand Novaturas GOLD.

Moreover, the Management team's experience and the Company's know-how accumulated over 18 years on the market allow for the envisaging of market trends and the clients' needs, and provide a strong competitive position.

Material Factors Affecting Results of Operations

The Company believes that the factors discussed below have significantly affected the Group's – or will in the future significantly affect the Group's – business, results of operations, cash flows or financial position:

General Factors

General economic conditions and macroeconomic environment

According to the IMF data, the Baltic countries are one of the fastest growing regions in Europe with real GDP growth forecasted for 2017 of approximately 4%. Moreover, macroeconomic conditions in the Baltics are improving rapidly and growing disposable income allows households to spend more money on discretionary goods, including holiday travel. Additionally, the Baltic countries have sensible fiscal policies and one of the lowest public debt to GDP ratios in the EU.

Changing economic cycles and general economic conditions may affect the demand for holiday tours in the future. Such cycles are influenced by market specific events, such as increases or decreases in customer confidence and customer spending, labour or social unrest and political uncertainty, as well as by the global geopolitical situation. In particular, demand for the Group's products depends on the macroeconomic development in the source markets as spending on travel is discretionary and, consequently, price sensitive. Increasing travel market penetration in the Baltic countries in conjunction with rapidly improving macroeconomic conditions constitutes a solid basis for the long-term growth of the Group's business. The strong potential of the Group's source markets is also induced by the Baltic countries' convergence towards the living standards of the European Union.

Accordingly, the results of the Group's operating segments are likely to vary depending on the prevailing economic conditions, such as the unemployment rate, interest rates, level of taxation, or the cost of living in the relevant source markets. Based on a positive outlook for the Baltic countries in the context of the global macroeconomic development and regional economic growth, the Group's Management expects a continuation of the dynamic growth in sales.

Society's affluence

The Group's results of operations are affected by the financial situation of households. High growth in private consumption in the Baltic countries is driven by strong growth of household disposable income and a rise of private consumption in recent months can be observed. According to the Eurostat data, private consumption growth increased from 3.4% in Estonia, 1.4% in Latvia and 4.0% in Lithuania in 2014 to 4.4% in Estonia, 3.3% in Latvia and 4.9% in Lithuania in 2016. The CAGR of the gross average monthly wages in the Baltics in 2012-2016 amounted to +6.9% in Estonia, +6.9% in Latvia and +6.2% in Lithuania. In all three Baltic countries, the unemployment rate decreased in recent years to 6.8% in Estonia, 9.6% in Latvia, 7.9% in Lithuania (in 2016) and will continue to decrease (except for Estonia where the unemployment rate is expected to grow slightly) (source: Eurostat). The unemployment rate in Estonia has been growing since 2016 due to the rising effective pension age and the positive effects of multiple years' work-ability reform, which is gradually reintroducing partly-disabled people to the labour market. Such policy has a negative impact on the unemployment rate; however, the estimated annual employment growth rate in 2017-2019 is positive (source: European Commission). Finally, the 30-34 age group constitutes the top income earners, while simultaneously being one of the Company's main target groups (source: Euromonitor International).

Seasonality

The Group's business is subject to seasonal fluctuations. Historically, the level of demand for the Group's services has fluctuated over the course of a calendar year, which causes the Group's results of operation to fluctuate from quarter to quarter. Demand has historically been highest during the summer season and lowest during the winter season. At the same time, a significant proportion of the Group's expenses are incurred more evenly throughout the year. Therefore, the Group's profitability may fluctuate during the year, with the majority of its profits being generated in the summer season. The first and fourth quarters of the calendar year are affected by a decrease in consumer spending in our primary source markets after the holidays. Nonetheless, due to the fact that the Group has very strong sales during the shoulder season (i.e. from May to June and from September to October) the stability of generated income is ensured. The potential variations in the income structure in the winter season will be compensated by the historically higher income in the summer season. The Group's net (excluding the cash on hand and in bank accounts) is increasing in the

beginning of the year, then decreasing from May until August, followed again by increases until the end of the year but staying negative through the entire year.

Volatility of fuel prices and currency exchange rate

The costs of the Group are affected by volatility of fuel prices and of the currency exchange rates. Aircraft fuel costs, which have fluctuated considerably since 2004, constitute a significant proportion of the Group's operating expenses. The price of fuel and its availability are subject to economic and political factors which are beyond the control of the Group. Therefore, the Group is hedging against changes in fuel prices. Due to the fact that the Group hedges against the aviation fuel price's fluctuation by entering into Brent crude future agreements which are denominated in USD, EUR/USD forwards for the same amount are opened as well. Additionally, the Group is also hedging against changes in currency exchange rates (for prices of hotels which are not denominated in EUR).

Geopolitical situation

In the last three years the Group's revenues were affected by general political, social and market conditions in the countries and cities in which the Group operates. As long as negative events are only limited to certain countries or regions, a well-balanced offer allows the Group to counteract the impact of such specific event on its operations by increasing business elsewhere. In case of any negative events in certain countries or region the Group changes such destinations and organizes more flights and trips to destinations that are not affected by any specific negative events. In the last three years the Group has successfully changed the destinations that were affected by political instability. For example, the demand for Turkey and Egypt recovered in the second half of 2016, whose sales declined in the first half 2016 due to political unrest and were offset by increased sales in other destinations.

Specific Factors

Well balanced distribution channels with a growing focus on the on-line platform

The organised charter flights market has changed considerably in recent years as a result of changes in travel patterns, new technologies, and changes in customer booking behaviour and travel expectations. This trend is expected to continue and the travel industry is expected to continue to be impacted by the rise of online travel booking platforms. A significant part of the Group's product is sold through an online distribution channel. The Group has successfully focused its sales strategy on developing e-commerce as an important distribution channel whilst keeping its overall distribution channels mix well balanced and well controlled and, as a result, e-commerce sales as a proportion of the Group's revenues (calculated as revenues from flight packages, roundtrips by plane and coach, sell of flight tickets and accommodation, without other products) has grown rapidly from 7.6% in 2013, through 12.8% in 2014 and 15.6% in 2015, up to 16.3% in 2016 and 16% in 2017. In 2017 the Group's websites had 3.2 million unique visits. There is a visible trend in society across all Baltic countries to increasingly make purchases through the internet.

Oil price crash and entering into long term contract

The Company entered into two-year hedging contracts in mid-2014. After the oil price crash which started at the end of 2014, the Company changed its hedging policy in 2015 by optimizing and adjusting it to lower hedging volatility and decided to enter only into one-year hedging contracts. As the Group decided to change its major bank in 2015, the Group closed all open hedging positions at the end of December 2015 and opened a new position with a new bank. This transaction resulted in the recording of an extraordinary loss of EUR 2.3 million from derivative financial instruments as a result of the oil crash, which were not related to the 2015 operations of the Group.

For accounting purposes, these losses were treated as a finance expense and thus resulted in a one-off finance expense in 2015, with the impact of this one-off finance expense being the above- mentioned amount.

Optimized hedging policy

The Group uses hedging in order to manage foreign exchange risk and the risk of fluctuations in jet fuel prices. Since 2015 the Group has only used hedging for early booking sales in the upcoming season (summer or winter), thus at any given moment the Group is hedged for only about a year ahead. The Group purchases hedging instruments (i.e. future and forward contracts) before the start of early booking sales in accordance with the sales target during the given early booking season. Due to the fact that the Group hedges against aviation fuel price fluctuations by entering into Brent crude future agreements which are denominated in USD, EUR/USD forwards for the same amount are bought as well. The number of seats forecast to sell during early-bookings is calculated using the season seat supply and historical or targeted percentage of early-booking sales and the company uses fuel statistics for each type of aircraft and destination to determine the fuel amount needed. Early-bookings usually constitute approximately 40% of programme sales. In most of the airports that the Company flies from, the price of fuel and airport taxes are fixed at the beginning of the month for the entire month. Essentially the period and part of revenues that are not hedged are rather low. After purchasing all hedge positions, the prices of aviation fuel and USD are used to calculate the pricing policy for the corresponding early bookings sales. The hedge positions are closed and reflected in the accounts each month, i.e. in the

same period as the hedged costs are borne by the Group. The Group has already opened hedging positions needed for the 2018 summer season and holds positions for the remaining part of the 2017/2018 winter season. The effective part of the hedging results related to operating activities of the Group is reflected in the income statement as cost of sales, while the ineffective part is reported as financial income/expenses.

Local subsidies

The Group works with local governments in some countries (including Portugal, Spain, Andorra or Thailand) in order to receive marketing support for promoting those destinations. Such assistance of local governments is a common practice of supporting tourism in those countries and it covers part of the Group's marketing expenses. Other types of subsidies are related to the number of passengers brought to the destination. For example, Egypt has been using such solution for some time and the Turkish government has been using such system for two years already (to balance the temporary decrease in demand for Turkey). At the Group's level, the subsidies amounted to EUR 1.3 million in 2016 and EUR 1.9 million in 2017. The Company constructs its offers without taking into account such subsidies, so if they occur, they provide pure upside potential.

Creating a market for new destinations

The Group is the largest organised charter flights tour operator active in the Baltic countries and by offering in this region a range of quality travel packages to various destinations it creates market demand for new destinations in the Baltics. Moreover, as a market leader, the Group actively educates its customers about available destinations and the advantages of organised travel. The attractive and diversified product portfolio offered by the Group and the optimal quality of its service attract new customers and result in increasing travel market penetration in the Baltics and a growing number of first-time travellers among the Company's customers. The Group believes that by continuing to add new products and destinations to its portfolio, it will support the expansion of tourism in the region and further market penetration.

Development Perspectives and Recent Events

The information below is based on the internal management accounts of the Group and represents its preliminary expectations with respect to the development of the Group by the end of 2017. These expectations have been prepared by and are the responsibility of the Management, have not been reviewed or audited by an auditor, and Investors should not place undue reliance on them. While the Company believes these expectations to be reasonable, actual results of the Group could vary from these estimates and the differences could be material. Please see "Forward-Looking Statements" and "Risk Factors" for more information.

Trends

In the Company's opinion, the following trends should affect the business of the Company by the end of 2018:

- Further improvement of the general economic environment in the Baltic region, especially increase in GDP;
- Further increase in wealth of the population of the Baltic region, due to the low and decreasing unemployment rate and rising wages;
- Further increase in household spending, including expenditures on package holidays;
- The Baltic countries' convergence towards the living standards of the western European markets and tourism expenditures;
- Increasing market penetration of tourism in the Baltics, i.e. an increasing number of people who can afford to travel abroad;
- Growing frequency of travel per year;
- Increase in demand for foreign trips;
- Growing spending per trip;
- Increasing use of internet sales channels as well as increasing number of direct interactive consumers driven by social media;
- Continuous increase in early bookings.

Material events after 31 December 2017

From 31 December 2017 to the date of this Prospectus no material events have occurred, except of the changes in the share capital of the Company (please see Section "Description of share capital and Corporate Governance – Share capital of the Issuer") and change of the agreement with Luminor Bank (please see Section "Material Contracts").

Results of operation

The table below presents selected information relating to the results of the Group for the indicated periods.

	Year ended 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	<i>(in thousand EUR)</i>			<i>(%)</i>	
	<i>(audited)</i>				
Sales	141,147	101,525	99,091	39.03	2,46
Cost of sales	(114,345)	(83,762)	(81,895)	36.51	2,28
Gross profit	26,802	17,763	17,196	50.89	3,30
Operating (expenses)	(16,473)	(12,207)	(11,821)	34.95	3,27
Other operating income	1	21	45	(95.24)	(53.33)
Other operating (expenses)	(29)	(221)	(101)	(86.88)	118.81
Profit from operations	10,301	5,356	5,319	92.33	0.70
Finance income	564	494	193	14.17	155.96
Finance (expenses)	(1,730)	(750)	(2,636)	130.67	(71.55)
Profit before tax	9,135	5,100	2,876	79.12	77.33
Income tax (expense)	(984)	(638)	(631)	54.23	1.11
Net profit	8,151	4,462	2,245	82.68	98.75
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	218	376	1,765	(42.02)	(78.70)
Impact of income tax	(33)	(56)	(265)	(41.07)	(78.87)
Total comprehensive income for the year	8,336	4,782	3,745	74.32	27.69
Net profit attributable to:					
The shareholders of the Company	8,151	4,462	2,241	82.68	99.11
Non-controlling interests	-	-	4	-	(100.00)
	8,151	4,462	2,245	82.68	98.75
Total comprehensive income attributable to:					
The shareholders of the Company	8,336	4,782	3,741	74.32	27.83
Non-controlling interests	-	-	4	-	(100.00)
	8,336	4,782	3,745	74.32	27.69

Source: Consolidated Financial Statements, the Issuer

Sale

Revenues from sale are composed of the sale of products of the Group i.e. flight packages, roundtrips by plane and by coach and other sales (e.g. sell of flight tickets).

Sales increased by EUR 39,622 thousand, or 39.03%, from EUR 101,525 thousand in the year ended 31 December 2016 to EUR 141,147 thousand as of 31 December 2017. The increase was due to the increase in the number of PAX sold, and, especially the increase in the number of the sold flight package tours.

Sales increased by EUR 2,434 thousand, or 2.46%, from EUR 99,091 thousand in the year ended 31 December 2015 to EUR 101,525 thousand in the year ended 31 December 2016. The increase was due to the increase in the number of the sold flight package tours and sightseeing tours by coach.

The following table presents a breakdown of the sale of the Group for the indicated periods.

	Year ended 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	<i>(in thousand EUR)</i>			<i>(%)</i>	

	<i>(audited)</i>				
Flight package tours	120,567	86,447	84,658	39.47	2.11
Sightseeing tours by coach	3,785	3,269	2,809	15.78	16.38
Sightseeing tours by plane	1,590	1,392	1,225	14.22	13.63
Other sales	15,205	10,417	10,399	45.96	0.17
	141,147	101,525	99,091	39.03	2.46

Source: Consolidated Financial Statements, the Issuer

Sales from flight package tours increased by EUR 34,120 thousand from EUR 86,447 thousand in the year ended 31 December 2016 to EUR 120,567 thousand in the year ended 31 December 2017, i.e. an increase of 39.47%. The increases primarily resulted from increased demand from source markets and therefore an increase in the number of sold flight package tours.

Sales from flight package tours increased by EUR 1,789 thousand from EUR 84,658 thousand in the year ended 31 December 2015 to EUR 86,447 thousand in the year ended 31 December 2016, i.e. an increase of 2.11%. The increases primarily resulted from increased demand from source markets and therefore increase in the number of sold flight package tours.

Sightseeing tours by coach increased by EUR 516 thousand, or 15.78%, from EUR 3,269 thousand in the year ended 31 December 2016 to EUR 3,785 thousand in the year ended 31 December 2017. The increase was due to an increased demand from source markets and therefore an increase in the number of sold trips.

Sightseeing tours by coach increased by EUR 460 thousand, or 16.38%, from EUR 2,809 thousand in the year ended 31 December 2015 to EUR 3,269 thousand in the year ended 31 December 2016. The increase was due to an increased demand from source markets and therefore an increase in the number of sold trips.

Revenues from sightseeing tours by plane increased by EUR 198 thousand, or 14.22%, from EUR 1,392 thousand in the year ended 31 December 2016 to EUR 1,590 thousand in the year ended 31 December 2017. The increase primarily resulted from higher demand from source markets and therefore an increase in the number of sold trips.

Revenues from sightseeing tours by plane increased by EUR 167 thousand, or 13.63%, from EUR 1,225 thousand in the year ended 31 December 2015 to EUR 1,392 thousand in the year ended 31 December 2016. The increase primarily resulted from higher demand from source markets and therefore an increase in the number of sold trips.

Other sales increased by 45.96% i.e. EUR 4,788 thousand, from EUR 10,417 thousand in the year ended 31 December 2016 to EUR 15,205 thousand in the year ended 31 December 2017. Other sales cover the sales of flight tickets and accommodation as well as sales of block seats to other tour operators in the event the Group cannot fill the entire plane to some small destinations. The increase primarily resulted from an increased number in the flight tickers sold as well as from an increased number of block seat sales.

Other sales increased by 0.17% i.e. EUR18 thousand, from EUR 10,399 thousand in the year ended 31 December 2015 to EUR 10,417 thousand in the year ended 31 December 2016. Other sales cover the sale of flight tickets and accommodation as well as the sale of block seats to other tour operators in the event the Group cannot fill the entire plane to some small destinations. The increase primarily resulted from an increased number of flight tickers sold as well as from an increased number of block seats sales.

Cost of sales

Cost of sales is composed of costs of flight package tours, sightseeing tours by coach, sightseeing tours by plane and other sales.

The cost of sales increased by EUR 30,583 thousand, or 36.51%, from EUR 83,762 thousand in the year ended 31 December 2016 to EUR 114,345 thousand in the year ended 31 December 2017. This increase was primarily due to an increase in volumes of products sold.

The cost of sales increased by EUR 1,867 thousand, or 2.28%, from EUR 81,895 thousand in the year ended 31 December 2015 to EUR 83,762 thousand in the year ended 31 December 2016. This increase was primarily due to an increase in volumes of products sold.

The following table presents a breakdown of cost of sale of the Group for the indicated periods.

	Year ended 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	<i>(in thousand EUR)</i>			<i>(%)</i>	

	<i>(audited)</i>				
Cost of flight package tours	94,748	70,384	68,844	34.62	2.24
Cost of sightseeing tours by coach	3,351	2,665	2,272	25.74	17.30
Cost of sightseeing tours by plane	1,104	980	868	12.65	12.90
Cost of other sales	15,142	9,733	9,911	55.57	(1.80)
	114,345	83,762	81,895	36.51	2.28

Source: Consolidated Financial Statements, the Issuer

The main position of the cost of sales was total cost of flight package tours, which covers the cost of flights, hotels and other related to package tours offered by the Group.

The total cost of flight package tours increased by 34.62%, i.e. EUR 24,364 thousand from EUR 70,384 thousand in the year ended 31 December 2016 to EUR 94,748 thousand in the year ended 31 December 2017. The increase was related to the increase in flight package tours sold and the related costs.

The total cost of flight package tours increased by 2.24%, i.e. EUR 1,540 thousand from EUR 68,844 thousand in the year ended 31 December 2015 to EUR 70,384 thousand in the year ended 31 December 2016. The increase was related to the increase of sold flight package tours and related to it costs.

The cost of sightseeing tours by coach increased by EUR 686 thousand, or 25.74%, from EUR 2,665 thousand in the year ended 31 December 2016 to EUR 3,351 thousand in the year ended 31 December 2017 due to an increase the number of coach trips sold and costs related thereto.

The cost of sightseeing tours by coach increased by EUR 393 thousand, or 17.30%, from EUR 2,272 thousand in the year ended 31 December 2015 to EUR 2,665 thousand in the year ended 31 December 2016 due to an increase the number of coach trips sold and costs related thereto.

The cost of sightseeing tours by plane increased by EUR 124 thousand, or 12.65%, from EUR 980 thousand in the year ended 31 December 2016 to EUR 1,104 thousand in the year ended 31 December 2017. The increase was due to growth in volumes of sold sightseeing tours and the costs related thereto.

The cost of sightseeing tours by plane increased by EUR 112 thousand, or 12.90%, from EUR 868 thousand in the year ended 31 December 2015 to EUR 980 thousand in the year ended 31 December 2016. The increase was due to growth in volumes of sightseeing tours sold and the costs related thereto.

The cost of other sales increased by EUR 5,409 thousand, or 55.57%, EUR from 9,733 thousand in the year ended 31 December 2016 to EUR 15,142 thousand in the year ended 31 December 2017. The increase in the number of flight tickets and block seats sold and cost related thereto.

The cost of other sales decreased by EUR 178 thousand, or 1.80%, EUR from 9,911 thousand in the year ended 31 December 2015 to EUR 9,733 thousand in the year ended 31 December 2016. The increase of number of flight tickets and block seats sold and cost related thereto.

Operating (expenses)

Operating expenses increased by EUR 4,266 thousand, or 34.95%, from EUR 12,207 thousand in the year ended 31 December 2016 to EUR 16,473 thousand in the year ended 31 December 2017. This increase was primarily due to an increase in commissions.

Operating expenses increased by EUR 386 thousand, or 3.27%, from EUR 11,821 thousand in the year ended 31 December 2015 to EUR 12,207 thousand in the year ended 31 December 2016. This increase was primarily due to an increase in the number of employees and increase in average salary.

The following table presents a breakdown of operating (expenses) of the Group for the indicated periods.

	Year ended 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	<i>(in thousand EUR)</i>			<i>(%)</i>	
	<i>(audited)</i>				
Agency commissions	7,541	4,973	4,859	51.64	2.35
Salaries and related taxes	4,528	4,184	3,556	8.22	17.66
Advertising and marketing expenses	982	835	1,052	17.60	(20.63)
Consulting expenses	364	116	198	213.79	(41.41)

Depreciation and amortization	310	278	222	11.51	25.23
Rent and maintenance expenses	304	280	295	8.57	(5.08)
Business trips expenses	178	153	137	16.34	11.68
Transportation expenses	126	125	115	0.80	8.70
Representation expenses	124	127	91	(2.36)	39.56
Communication expenses	93	93	95	0.00	(2.11)
Training expenses	14	13	23	7.69	(43.48)
Allowance for and write-off of receivables and prepayments made	-	18	12	(100)	50.00
Other	1,909	1,012	1,166	88.64	(13.21)
Total operating expenses	16,473	12,207	11,821	34.95	3.27

Source: Consolidated Financial Statements, the Issuer

Agency commissions

Agency commissions increased by EUR 2,568 thousand, or 51.64%, from EUR 4,973 thousand in the year ended 31 December 2016 to EUR 7,541 thousand in the year ended 31 December 2017. The increase was due to an increase in volumes of products sold and increase in sales through agencies.

Agency commissions increased by EUR 114 thousand, or 2.35%, from EUR 4,859 thousand in the year ended 31 December 2015 to EUR 4,973 thousand in the year ended 31 December 2016. The increase was due to an increase in volumes of products sold. In 2015 Financial statements Agency commissions were presented as Commissions.

Salaries and related taxes

Salaries and related taxes increased by EUR 344 thousand, or 8.22%, from EUR 4,184 thousand in the year ended 31 December 2016 to EUR 4,528 thousand in the year ended 31 December 2017. The increase was due to an increase in salaries and an increase in the number of employees.

Salaries and related taxes increased by EUR 628 thousand, or 17.66%, from EUR 3,556 thousand in the year ended 31 December 2015 to EUR 4,184 thousand in the year ended 31 December 2016. The increase was due to an increase in salaries and an increase in the number of employees.

Advertising and marketing expenses

Advertising and marketing expenses increased by EUR 147 thousand, or 17.6%, from 835 thousand in the year ended 31 December 2016 to EUR 982 thousand in the year ended 31 December 2017. The increase resulted from an increase of the offer of products.

Advertising and marketing expenses decreased by EUR 217 thousand, or 20.63%, from 1,052 thousand in the year ended 31 December 2015 to EUR 835 thousand in the year ended 31 December 2016. The decrease was due to a lower need for marketing expenses.

Consulting expenses

Consulting expenses increased by EUR 248 thousand, or 213.79%, from EUR 116 thousand in the year ended 31 December 2016 to EUR 364 thousand in the year ended 31 December 2017. The increase was related to the IPO process.

Consulting expenses decreased by EUR 82 thousand, or 41.41%, from EUR 198 thousand in the year ended 31 December 2015 to EUR 116 thousand in the year ended 31 December 2016. The decrease was due to lower amount of outsourced consultancy services bought during the year.

Depreciation and amortization

Depreciation and amortization increased by EUR 32 thousand, or 11.51%, from EUR 278 thousand in the year ended 31 December 2016 to EUR 310 thousand in the year ended 31 December 2017. The increase was related to an increase in investment into a software solution in the previous years.

Depreciation and amortization increased by EUR 56 thousand, or 25.23%, from EUR 222 thousand in the year ended 31 December 2015 to EUR 278 thousand in the year ended 31 December 2016. The increase was due to the fact the Company has started amortizing significant software development into web sales platforms.

Rent and maintenance expenses

Rent and maintenance expenses increased by EUR 24 thousand, or 8.57%, from EUR 280 thousand in the year ended 31 December 2016 to EUR 304 thousand in the year ended 31 December 2017. The increase was due to an increase in maintenance expenses related to the rented offices.

Rent and maintenance expenses decreased by EUR 15 thousand, or 5.08%, from EUR 295 in the year ended 31 December 2015 to EUR 280 thousand in the year ended 31 December 2016. The decrease was due to decrease of maintenance expenses related to the rented offices.

Business trips expenses

Business trips expenses increased by EUR 25 thousand, or 16.34%, from EUR 153 thousand in the year ended 31 December 2016 to EUR 178 thousand in the year ended 31 December 2017. The increase was due to increased activity related to new destinations offered by the Group.

Business trips expenses increased by EUR 16 thousand, or 11.68%, from EUR 137 thousand in the year ended 31 December 2015 to EUR 153 thousand in the year ended 31 December 2016. The increase was due to increased activity related to the change of some long-term partners.

Transportation expenses

Transportation expenses increased by EUR 1 thousand, or 0.8%, from EUR 125 thousand in the year ended 31 December 2016 to EUR 126 thousand in the year ended 31 December 2017.

Transportation expenses increased by EUR 10 thousand, or 8.70%, from EUR 115 thousand in the year ended 31 December 2015 to EUR 125 thousand in the year ended 31 December 2016. The increase was due to the increased prices of fuel.

Representation expenses

Representation expenses decreased by EUR 3 thousand, or 2.36%, from EUR 127 thousand in the year ended 31 December 2016 to EUR 124 thousand in the year ended 31 December 2017.

Representation expenses increased by EUR 36 thousand, or 39.56%, from EUR 91 thousand in the year ended 31 December 2015 to EUR 127 thousand in the year ended 31 December 2016. The increase was due to an increased number of events organized by the Company to the partners.

Communication expenses

Communication expenses amounted to EUR 93 thousand in the year ended 31 December 2017 and was the same as in the year ended 31 December 2016.

Communication expenses decreased by EUR 2 thousand, or 2.11%, from EUR 95 thousand in the year ended 31 December 2015 to EUR 93 thousand in the year ended 31 December 2016. The decrease was due to the improved conditions of agreements.

Training expenses

Training expenses increased by EUR 1 thousand, or 7.69%, from EUR 13 thousand in the year ended 31 December 2016 to EUR 14 thousand in the year ended 31 December 2017. The company kept training programmes at a similar level as in the previous year.

Training expenses decreased by EUR 10 thousand, or 43.48%, from EUR 23 thousand in the year ended 31 December 2015 to EUR 13 thousand in the year ended 31 December 2016. The decrease was due to the fact that the Company did not have a major training programme in 2016.

Allowance for and write-off of receivables and prepayments made

Allowance for and write-off of receivables and prepayments made decreased from EUR 18 thousand in the year ended 31 December 2016 to EUR 0 in the year ended 31 December 2017. The decrease was due to the fact that the Company has not made any write-offs in 2017.

Allowance for and write-off of receivables and prepayments made increased from EUR 12 thousand in the year ended 31 December 2015 to EUR 18 in the year ended 31 December 2016. The decrease was due to increased level of receivables.

Other

Other expenses increased by EUR 897 thousand, or 88.64%, from EUR 1,012 thousand in the year ended 31 December 2016 to EUR 1,909 thousand in the year ended 31 December 2017. The increase was related to legal proceedings in Estonia (please see Section “*Business of the Group-Legal proceedings*”).

Other expenses decreased by EUR 154 thousand, or 13.21%, from EUR 1,166 thousand in the year ended 31 December 2015 to EUR 1,012 thousand in the year ended 31 December 2016. The decrease was due to lower bank commission expenses.

Finance income

Total finance income increased by EUR 70 thousand, or 14.17%, from EUR 494 thousand in the year ended 31 December 2016 to EUR 564 thousand in the year ended 31 December 2017. The increase was due to the gains in currency exchange income because of decrease in USD exchange rate.

Total finance income increased by EUR 301 thousand, or 155.96%, from EUR 193 thousand in the year ended 31 December 2015 to EUR 494 thousand in the year ended 31 December 2016. The increase was due to an increase in foreign currency exchange gains and gains from derivative financial instruments.

The following table presents a breakdown of finance income of the Group for the indicated periods:

	Year ended 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	<i>(in thousand EUR)</i>				
	<i>(audited)</i>			<i>(%)</i>	
Interest income	-	-	-	-	-
Foreign currency exchange gain	563	367	186	53.40	97.31
Total financial income	564	494	193	14.17	155.96

Source: Consolidated Financial Statements, the Issuer

Foreign currency exchange gain

Income from foreign currency exchange gains increased by EUR 196 thousand, or 53.41%, from EUR 367 thousand in the year ended 31 December 2016 to EUR 563 thousand in the year ended 31 December 2017. The increase was due to higher USD volatility.

Income from foreign currency exchange gains increased by EUR 181 thousand, or 97.31%, from EUR 186 thousand in the year ended 31 December 2015 to EUR 367 thousand in the year ended 31 December 2016. The increase was due to a favourable change in the USD exchange rate.

Gains from derivative financial instruments

Gain from derivative financial instruments decreased by EUR 127 thousand, from EUR 127 thousand in the year ended 31 December 2016 to EUR 0 in the year ended 31 December 2017. The decrease was due to the fact that all amounts were reported as effective under the cost and sale position.

Gain from derivative financial instruments increased by EUR 127 thousand in the year ended 31 December 2016 from EUR 0 in the year ended 31 December 2015. The increase was due to profit received from the closing of derivative instruments.

Other financial income (including fines)

Other financial income increased by EUR 1 thousand in the year ended 31 December 2017 to EUR 1 thousand.

Other financial income decreased by EUR 7 thousand in the year ended 31 December 2015 to EUR 0 in the year ended 31 December 2016. The decrease was due to the fact that the Company did not receive other financial income during 2016.

Finance cost

Total financial expenses increased by EUR 980 thousand, or 130.67%, from EUR 750 thousand in the year ended 31 December 2016 to EUR 1,730 thousand in the year ended 31 December 2017. The increase was due to an increase in foreign currency exchange loss.

Total financial expenses decreased by EUR 1,886 thousand, or 71.55%, from EUR 2,636 thousand in the year ended 31 December 2015 to EUR 750 thousand in the year ended 31 December 2016. The decrease was due to the high losses from derivatives in the year ended 31 December 2015.

The following table presents a breakdown of the finance costs of the Group for the indicated periods:

	Year ended 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	(in thousand EUR)				
	(audited)			(%)	
Interest expenses	(566)	(482)	(13)	17.43	3,607.69
Loss from derivative financial instruments	(127)	-	(2,274)	-	(100.00)
Foreign currency exchange loss	(1,036)	(267)	(258)	288.01	3.49
Other financial expenses	(1)	(1)	(91)	0.00	(98.90)
Total financial expenses	(1,730)	(750)	(2,636)	130.67	(71.55)

Source: Consolidated Financial Statements, the Issuer

Interest expenses

The cost of interest increased by EUR 84 thousand from EUR 482 thousand in the year ended 31 December 2016 to EUR 566 thousand in the year ended 31 December 2017. The increase was related to an increase in the interest rate and an increased limit for guarantees.

The cost of interest increased by EUR 469 thousand from EUR 13 thousand in the year ended 31 December 2015 to EUR 482 thousand in the year ended 31 December 2016. The increase was related to interest paid by the Company in relation to a loan from Luminor Bank (former name DNB bank) taken in December 2015.

Losses from derivative financial instruments

Losses from derivative financial instruments increased by EUR 127 thousand from EUR 0 as of 31 December 2016 to EUR 127 in the year ended 31 December 2017. The increase was related to change in value of non-effective part of the hedge contracts at the end of each year.

Losses from derivative financial instruments decreased from EUR 2,274 thousand in the year ended 31 December 2015 to EUR 0 in the year ended 31 December 2016. In 2015 the Company optimized its hedging policy as a result of the oil crash. The Group closed all open hedging positions at the end of December 2015 and opened a new one with the new bank. This transaction resulted in the recording of an extraordinary one-off loss.

Foreign currency exchange loss

Foreign currency exchange loss increased by EUR 769 thousand, or 288.01%, from EUR 267 thousand in the year ended 31 December 2016 to EUR 1,036 thousand in the year ended 31 December 2017. The increase was due to the high volatility of USD.

Foreign currency exchange loss increased by EUR 9 thousand, or 3.49%, from EUR 258 thousand in the year ended 31 December 2015 to EUR 267 thousand in the year ended 31 December 2016. The increase was due to the high volatility of exchanges rates.

Other financial expenses

Other financial expenses amounted to EUR 1 thousand the year ended 31 December 2017 and were the same as in the year ended 31 December 2016.

Other financial expenses decreased by EUR 90 thousand, or 98.90%, from EUR 91 thousand in the year ended 31 December 2015 to EUR 1 thousand in the year ended 31 December 2016. The decrease was due to the lack of financial expenses occurring during the year.

Profit before tax

Profit before tax increased by EUR 4,035 thousand, or 79.12%, from EUR 5,100 thousand in the year ended 31 December 2016 to EUR 9,135 thousand in the year ended 31 December 2017. The increase was due to increased sales and improved profitability from sales.

Profit before tax increased by EUR 2,224 thousand, or 77.33%, from EUR 2,876 thousand in the year ended 31 December 2015 to EUR 5,100 thousand in the year ended 31 December 2016. The increase was due to lower financial expenses.

Income tax (expenses)

Income tax expenses increased by EUR 346 thousand, or 54.23%, from EUR 638 thousand in the year ended 31 December 2016 to EUR 984 thousand in the year ended 31 December 2017.

Income tax expenses increased by EUR 7 thousand, or 1.11%, from EUR 631 thousand in the year ended 31 December 2015 to EUR 638 thousand in the year ended 31 December 2016.

The effective tax rate amounted to 10.8%, 12.5% and 21.9% respectively in 2017, 2016 and 2015. On 30 September 2008 Central European Tour Operator UAB merged with the Company. The goodwill, which arose on the acquisition of shares in the Company, was recognized in the financial statements of the Group. For the purposes of measurement of goodwill impairment, the goodwill as of 31 December 2016 and 2015 was allocated to the Company and the Subsidiaries (units generating cash flows from tour organizing and distribution) owned at the time of the business combination. The goodwill is tested for impairment but is not amortized. For tax purposes, however, the goodwill is amortized over a fifteen-year period in accordance with Lithuanian local accounting standards, which provides the Group with a tax shield.

Net profit

Net profit increased by EUR 3,689 thousand, or 82.68%, from EUR 4,462 thousand in the year ended 31 December 2016 to EUR 8,151 thousand in the year ended 31 December 2017. The increase was due to the increase in profitability from operations.

Net profit increased by EUR 2,217 thousand, or 98.75%, from EUR 2,245 thousand in the year ended 31 December 2015 to EUR 4,462 thousand in the year ended 31 December 2016. The increase was due to the decrease of losses from derivatives while maintaining a similar level of profitability from operations.

Statement of financial position

Assets

The table below presents selected information relating to key items of the financial position of the Group for the indicated periods.

	As of 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	<i>(in thousand EUR)</i>			<i>(%)</i>	
	<i>(audited)</i>				
ASSETS					
Non-current assets					
Goodwill	30,327	30,327	30,327	0.00	0.00-
Other intangible assets	448	442	291	1.36	51.89
Property, plant and equipment	297	324	339	(8.33)	(4.42)
Investments into subsidiaries	0	-	-		
Long term receivables	56	342	43	(83.63)	695.35
Deferred income tax asset	6	10	13	(40.00)	(23.08)
Total non-current assets	31,134	31,445	31,013	(0.99)	1.39
Current assets					
Inventories	1	1	1	0.00	0.00
Prepayments and deferred expenses	5,940	2,748	3,825	116.16	(28.16)
Trade accounts receivable	522	433	542	20.55	(20.11)
Accounts receivable from related parties	-	-	-		
Prepaid income tax	101	86	214	17.44	(59.81)
Other receivables	2,202	2,429	269	(9.35)	802.97

Other current financial assets	569	478	10	19.04	4,680.00
Cash and cash equivalents	7,984	6,646	5,861	20.13	13.39
Restricted cash	2,000	-	-		
Total current assets	19,319	12,821	10,722	50.68	19.58
Total assets	50,453	44,266	41,735	13.98	6.06

Source: Consolidated Financial Statements, the Issuer

As of 31 December 2017 the assets increased to EUR 50,453 thousand i.e. by EUR 6,187 thousand, or 13.98%, from EUR 44,266 thousand as of 31 December 2016. The main items of the assets were: (i) goodwill (constituting 60.11% and 68.51% of all assets respectively as of 31 December 2017 and 31 December 2016), (ii) prepayments and deferred expenses (constituting 11.77% and 6.21% of all assets as of respectively 31 December 2017 and 31 December 2016), and (iii) cash and cash equivalents (constituting 15.82% and 15.01% of all assets as of respectively 31 December 2017 and 31 December 2016).

The value of non-current assets constituted 61.71% and 71.04% of all assets as of respectively 31 December 2017 and 31 December 2016. The value of current assets constituted 38.29% and 28.96% of all assets as of respectively 31 December 2017 and 31 December 2016.

As of 31 December 2016 the assets increased to EUR 44,266 thousand i.e. by EUR 2,531 thousand, or 6.06%, from EUR 41,735 thousand as of 31 December 2015. The main items of the assets were: (i) intangible assets (constituting 68.51% and 72.67% of all assets respectively as of 31 December 2016 and 31 December 2015), (ii) prepayments and deferred expenses (constituting 6.21% and 9.16% of all assets as of respectively 31 December 2016 and 31 December 2015), and (iii) cash and cash equivalents (constituting 15.01% and 14.04% of all assets as of respectively 31 December 2016 and 31 December 2015).

The value of non-current assets constituted 71.04% and 74.31% of all assets as of respectively 31 December 2016 and 31 December 2015. The value of current assets constituted 28.96% and 25.69% of all assets as of respectively 31 December 2016 and 31 December 2015.

Intangible assets

Due to change of presentation in financial statements for 2017 intangible assets are divided to: (i) goodwill and (ii) other intangible assets. Total value of intangible assets increased by EUR 6 thousand, or 0.02%, from EUR 30,769 thousand as of 31 December 2016 and was similar as compared to the year ended 31 December 2016 (EUR 30,775 thousand).

Intangible assets increased by EUR 151 thousand, or 0.49%, from EUR 30,618 thousand as of 31 December 2015 to EUR 30,769 thousand as of 31 December 2016. The increase was due to increased investments in software solutions – mainly web solutions directed at e-commerce. Intangible assets are composed mainly of goodwill

Prepayments and deferred expenses

Prepayments and deferred expenses increased by EUR 3,192 thousand, or 116.16%, from EUR 2,748 thousand as of 31 December 2016 to EUR 5,940 thousand as of 31 December 2017. The increase was due to higher level of prepayments to hotels for the upcoming season related to an increase in the early-bookings.

Prepayments and deferred expenses decreased by EUR 1,077 thousand, or 28.16%, from EUR 3,825 thousand as of 31 December 2015 to EUR 2,748 thousand as of 31 December 2016. The decrease was due to the lower level of prepayments to hotels for the upcoming season – mainly in Turkey as contracts with Turkish hotels were signed at more favourable terms.

Cash and cash equivalents

Cash and cash equivalents increased by EUR 1,338 thousand, or 20.13%, from EUR 6,646 thousand as of 31 December 2016 to EUR 7,984 thousand as of 31 December 2017. The increase was due to increased operations and an increase in the early-bookings.

Cash and cash equivalents increased by EUR 785 thousand, or 13.39%, from EUR 5,861 thousand as of 31 December 2015 to EUR 6,646 thousand as of 31 December 2016. The increase was due to profit earned and the decrease of net working capital.

Equity and Liabilities

The table below presents selected information relating to key items of the financial position of the Group for the indicated periods.

	As of 31 December			Change	
	2017	2016	2015	2017/2016	2016/2015
	<i>(in thousand EUR)</i>			<i>(%)</i>	
	<i>(audited)</i>				
Equity					
Share capital	226	226	226	0.00	0.00
Cash flow hedge reserve	484	299	(21)	61.87	(1,523.81)
Legal reserve	29	29	29	0.00	0.00
Foreign currency translation reserve	145	145	145	0.00	0.00
Retained earnings	13,785	15,134	14,672	(8.91)	3.15
Equity attributable to equity holders of the parent	14,669	15,833	15,051	(7.35)	5.20
Non-controlling interests	-	-	-		
Total equity	14,669	15,833	15,051	(7.35)	5.20
Liabilities					
Non-current liabilities					
Grants and subsidies	-	-	3		(100.00)
Non-current borrowings	-	10,842	8,914	(100.00)	21.63
Other non-current liabilities	-	-	-		
Deferred income tax liabilities	2,606	2,033	1,533	28.18	32.62
Total non-current liabilities	2,606	12,875	10,450	(79.76)	23.21
Current liabilities					
Current portion of non-current borrowings	14,000	3,158	3,158	343.32	0.00
Current borrowings	-	-	-		
Trade payables	3,882	3,130	2,620	24.03	19.47
Payables to related parties	-	-	2,928		(100.00)
Advances received	12,102	7,988	6,405	51.50	24.72
Income tax payable	296	-	61		(100.00)
Other current liabilities and accrued expenses	2,898	1,282	1,027	126.05	24.83
Other current financial liabilities	-	-	35		(100.00)
Total current liabilities	33,178	15,558	16,234	113.25	(4.16)
Total equity and liabilities	50,453	44,266	41,735	13.98	6.06

Source: Consolidated Financial Statements, the Issuer

As of 31 December 2017 the equity and liabilities increased to EUR 50,453 thousand i.e. by EUR 6,187 thousand, or 13.98%, from EUR 44,266 thousand as of 31 December 2016. The main items of the total equity and liabilities were: (i) retained earnings (constituting 27.32% and 34.19% of total equity and liabilities in the year ended respectively as of 31 December 2017 and 31 December 2016), (ii) current portion of non-current borrowings (constituting 27.75% and 7.13% of total equity and liabilities as of respectively as of 31 December 2017 and 31 December 2016), and (iii) advances received (constituting 23.99% and 18.05% of total equity and liabilities as of respectively as of 31 December 2017 and 31 December 2016).

As of 31 December 2016 the equity and liabilities increased to EUR 44,266 thousand i.e. by EUR 2,531 thousand, or 6.06%, from EUR 41,735 thousand as of 31 December 2015. The main items of the total equity and liabilities in the years 2015-2016 were: (i) retained earnings (constituting 34.19% and 35.16% of total equity and liabilities as of respectively as of 31 December 2016 and 31 December 2015), (ii) non-current borrowings (constituting 24.49% and

21.36% of total equity and liabilities respectively as of 31 December 2016 and 31 December 2015), and (iii) advances received (constituting 18.05% and 15.35% of total equity and liabilities respectively as of 31 December 2016 and 31 December 2015).

Retained earnings

Retained earnings decreased by EUR 1,349 thousand, or 8.91%, from EUR 15,134 thousand as of 31 December 2016 to EUR 13,785 thousand as of 31 December 2017. The decrease was due to a dividend payment which was higher than the net profit for the year.

Retained earnings increased by EUR 462 thousand, or 3.15%, from EUR 14,672 thousand as of 31 December 2015 to EUR 15,134 thousand as of 31 December 2016. The increase was due to the net effect of earnings during the year and the dividend payment.

Non-current borrowings

Non-current borrowings amounted to EUR 0 thousand as of 31 December 2017 and decreased from EUR 10,842 thousand as of 31 December 2016. The decrease was due to temporary technical breach of bank loan covenant. According to credit and loan agreements of the bank the Group and the Company must comply with financial and non-financial ratios and covenants. As of 31 December 2017, the Company has not met 30% equity ratio financial obligation contained in the loan agreement with Luminor Bank AB with a carrying amount of EUR 14.0 million. The breach arose because of a delay in signing the loan agreement amendment. The lender did not request accelerated repayment of the loan and the waiver was received by the Company in February 2018. As a result, the Company and the Group reclassified long-term portion of the loan to short term as of 31 December 2017. In addition, the loan agreement amendment was signed on 7 February 2018, which reduced such equity ratio to 27% for Q1 2018 and amended the repayment schedule of the loan. Based on the abovementioned amendment the Company has to repay EUR 4 million until June 2018, EUR 2 million until the end of 2018, EUR 2 million until the end of 2019 and EUR 6 million until the end of 2020. Management has strengthened its procedures to monitor compliance with bank's covenants to ensure that such circumstances do not recur.

Non-current borrowings increased by EUR 1,928 thousand, or 21.63%, from EUR 8,914 thousand as of 31 December 2015 to EUR 10,842 thousand as of 31 December 2016. The increase was due to the recalculated part of the current portion of the long-term loan from DNB bank (current name Luminor Bank).

Current portion of non-current borrowings

Current portion of non-current borrowings increased by EUR 10,842 thousand, or 343.32%, from EUR 3,158 thousand as of 31 December 2016 to EUR 14,000 thousand as of 31 December 2017. The increase was due to temporary technical breach of bank loan covenant. According to credit and loan agreements of the bank the Group and the Company must comply with financial and non-financial ratios and covenants. As of 31 December 2017, the Company has not met 30% equity ratio financial obligation contained in the loan agreement with AB Luminor Bank AB with a carrying amount of EUR 14.0 million. The breach arose because of a delay in signing the loan agreement amendment. The lender did not request accelerated repayment of the loan and the waiver was received by the Company in February 2018. As a result, the Company and the Group reclassified long-term portion of the loan to short term as of 31 December 2017. In addition, the loan agreement amendment was signed on 7 February 2018, which reduced such equity ratio to 27% for Q1 2018 and amended the repayment schedule of the loan. Management has strengthened its procedures to monitor compliance with bank's covenants to ensure that such circumstances do not recur.

Current portion of non-current borrowings amounted to EUR 3,158 thousand as of 31 December 2016 and was the same as of 31 December 2015.

Advances received

Advances received increased by EUR 4,114 thousand, or 51.50%, from EUR 7,988 thousand as of 31 December 2016 to EUR 12,102 thousand as of 31 December 2017. The increase was due to the increased amount of advance bookings.

Advances received increased by EUR 1,583 thousand, or 24.72%, from EUR 6,405 thousand as of 31 December 2015 to EUR 7,988 thousand as of 31 December 2016. The increase was due to the increased amount of advance bookings.

Liquidity and sources of funding

The Group's total indebtedness consists primarily of bank loans as shown in the following table as of the dates indicated.

As of 31 December			Change	
2017	2016	2015	2017/2016	2016/2015

	(in thousand EUR)				
	(audited)			(%)	
Liabilities					
Non-current liabilities					
Grants and subsidies	-	-	3		(100.00)
Non-current borrowings	-	10,842	8,914	(100.00)	21.63
Other non-current liabilities	-	-	-		
Deferred income tax liabilities	2,606	2,033	1,533	28.18	32.62
Total non-current liabilities	2,606	12,875	10,450	(79.76)	23.21
Current liabilities					
Current portion of non-current borrowings	14,000	3,158	3,158	343.32	0.00
Current borrowings	-	-	-		
Trade payables	3,882	3,130	2,620	24.03	19.47
Payables to related parties	-	-	2,928		(100.00)
Advances received	12,102	7,988	6,405	51.50	24.72
Income tax payable	296	-	61		(100.00)
Other current liabilities and accrued expenses	2,898	1,282	1,027	126.05	24.83
Other current financial liabilities	-	-	35		(100.00)
Total current liabilities	33,178	15,558	16,234	113.25	(4.16)
Total equity and liabilities	50,453	44,266	41,735	13.98	6.06

Source: Consolidated Financial Statements, the Issuer

Non-current liabilities are those with a remaining term of more than one year. Current liabilities are those with a remaining term of up to one year. The Group has taken-out bank loans provided by Luminor Bank. The obligation of the Company towards Luminor Bank are secured by the pledge of shares of the Subsidiaries, pledge of trademarks owned by the Company, sureties issued by the Subsidiaries and a financial collateral arrangement whereby all present and future funds in the account and any other accounts opened by the Company with the bank, both at the moment of conclusion of the agreement and thereafter, as well as any cash deposits held with the bank and any other funds of the Company transferred to the bank on any grounds serve as financial collateral, with the minimum amount of such collateral being 30% of all guarantees/indemnities issued by Luminor Bank, however in any case not less than EUR 1,500,000. As of 31 December 2017, the Group had bank loans amounting to EUR 14,000 thousand to finance its operations. All the Group's borrowings are at floating interest rates.

The following table shows the Group borrowings from a single Luminor Bank banks as of 31 December 2017 (in thousand EUR).

Bank	Interest rate	Maturity	Total
Luminor Bank AB	EURIBOR 3 month +3.5% margin	31 October 2020	14,000

Source: The Issuer

For more information on the conditions of loans from Luminor Bank please see Section "Material Contracts".

Consolidated statement of Cash Flows

The following table sets forth the Group's cash flows for the periods indicated.

Year ended 31 December			Change	
2017	2016	2015	2017/2016	2016/2015
(in thousand EUR)				
(audited)			(%)	

Cash flows from (to) operating activities					
Net profit	8,151	4,462	2,245	82.68	98.75
Adjustments for non-cash items:					
Depreciation and amortization	310	276	222	12.32	24.32
Allowance for doubtful receivables and prepayments made	-	(18)	3		(700.00)
Change in deferred income tax	568	447	490	27.07	(8.78)
Current income tax expenses	431	192	140	124.48	37.14
Elimination of financial, investment and other non-cash activity results	747	843	1,858	(11.39)	(54.63)
	10,207	6,202	4,958	64.58	25.09
Changes in working capital:					
Decrease in inventories	-	(1)	3	-	(133.33)
(Increase) decrease in trade receivables	(89)	143	(14)	(162.24)	(1,121.43)
(Increase) decrease in other receivables	136	(2,628)	(109)	(105.18)	2,311.01
(Increase) decrease in prepayments and deferred expenses	(2,906)	778	891	(473.52)	(12.68)
Increase (decrease) in trade payables	752	510	512	47.45	(0.39)
Increase in advances received	4,114	1,583	416	159.89	280.53
Income tax paid	(141)	(124)	(291)	13.71	(57.39)
Increase (decrease) in other accounts payable and accrued expenses	1,616	220	243	634.55	(9.47)
Net cash flows from operating activities	13,689	6,683	6,609	104.83	1.12
Cash flows from (to) investing activities					
(Acquisition) of non-current assets (except investments)	(290)	(419)	(435)	(30.79)	(3.68)
Proceeds from sales of non-current assets (except investments)	5	10	-	(50.00)	
Interest received	-	-	-		
Collected loans	-	-	-		
Net cash flows (to) investing activities	(285)	(409)	(435)	(30.32)	(5.98)
Cash flows from financing activities					
Loans received	-	2,928	12,072	(100.00)	(75.75)
(Repayment) of loans	-	(1,000)	-	(100.00)	
Interest (paid)	(566)	(489)	(13)	15.75	3,661.54
Dividends (paid)	(9,500)	(6,928)	(17,072)	37.12	(59.42)
Acquisition of non-controlling interest	-	-	(15)		(100.00)
Net cash flows (to) financing activities	(10,066)	(5,489)	(5,028)	83.38	9.17
Net increase (decrease) in cash flows	3,338	785	1,146	325.22	(31.50)
Cash and cash equivalents at the beginning of the year	6,646	5,861	4,715	13.39	24.31
Cash and cash equivalents at the end of the year	9,984	6,646	5,861	50.23	13.39

Source: Consolidated Financial Statements, the Issuer

Net cash flows from operating activities

Net cash flows from operating activities increased by EUR 7,006 thousand, or 104.83%, from EUR 6,683 thousand in the year ended 31 December 2016 to EUR 13,689 thousand in the year ended 31 December 2017. The increase was due to increased profitability and increased business scale.

Net cash flows from operating activities increased by EUR 74 thousand, or 1.12%, from EUR 6,609 thousand in the year ended 31 December 2015 to EUR 6,683 thousand in the year ended 31 December 2016. The increase was due to the increase in other receivables.

Net cash flows from (to) investing activities

Net Cash flows from (to) investing activities amounted to a cash outflow of EUR 409 thousand in the year ended 31 December 2016 as compared to EUR 285 thousand in the year ended 31 December 2017. The above was due to continued expenditures on software solutions and also investments in company's cars.

Net Cash flows from (to) investing activities amounted to a cash outflow of EUR 435 thousand in the year ended 31 December 2015 as compared to EUR 409 thousand in the year ended 31 December 2016. The above was due to continued expenditures on software solutions.

Net cash flows (to) financing activities

Net cash flows (to) financing activities amounted to a cash outflow of EUR 5,489 thousand in the year ended 31 December 2016 as compared to EUR 10,066 thousand in the year ended 31 December 2017. The above was due to higher amount of dividends paid and also slightly increases interest payments.

Net cash flows (to) financing activities amounted to a cash outflow of EUR 5,028 thousand in the year ended 31 December 2015 as compared to EUR 5,489 thousand in the year ended 31 December 2016. The above was due to interest expenses for the loan from Luminor Bank (former known as DNB bank).

Off-Balance Sheet Arrangements

The Group's contingent liabilities consisted of various type of securities incurred in connection with its activities.

The liabilities towards bank lenders consisted of guaranties used to cover obligations required by law from tour operators.

For a description of the financing secured by such documents, please see Section "*Material Contracts – Financing Agreements*".

Capital expenditures

The Company operates using an asset light model. The above model does not require material capital expenditures. In the years ended 31 December 2017, 2016 and 2015 the Group had incurred capital expenditures in the amount of EUR 0.3 million, EUR 0.4 million and EUR 0.4 million, respectively. In 2017 the majority of these expenditures related to implementation of a new accounting system, web sales platform development and company cars. In 2016 these expenditures consisted primarily of expenditures related to the web sales platform's development, initial expenses of the new accounting system and company cars, and in 2015 primarily to the web sales platform's development and company cars.

The Group plans for capital expenditures in 2018 to amount to EUR 0.4 million and will relate primarily to web sales solutions' further development, and acquiring and renewing company cars.

Critical Accounting Policies, Estimates and Judgments

The Group's financial statements included in the Prospectus have been prepared in accordance with IFRS. The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

A description of the main accounting principles is disclosed in Note 2 of the Consolidated Financial Statements.

BUSINESS OF THE GROUP

Overview

The Company is a tour operator offering a full holiday experience to clients from the stage of planning to booking flights, accommodation, transfers and activities during the stay, as well as round trips by coach and by plane. The Company is headquartered in Lithuania and is the largest tour operator in the Baltic region (i.e. Lithuania, Latvia and Estonia) by turnover and by PAX sold. The above-mentioned countries are the Group's main source markets.

The Group has a leading position in the Baltic region with a total population in 2016 of 6.2 million people (2.9 million in Lithuania, 2.0 million in Latvia and 1.3 million in Estonia). The Group benefits from a favorable macroeconomic situation in the Baltics. Average real GDP growth amounts to 2.7-2.8% y/y in each Baltic country in 2014-2017 (source: IMF). According to the IMF, the average GDP growth rate in the Baltics should be approximately 4% in 2017. The key driver of such growth is domestic demand. The steady increase in disposable income in the Baltics, which is supported among other things by improving labour market conditions, creates a favourable macroeconomic environment. Moreover, the Group started its sales in Belarus which is a prospective market with a 9.5 million population.

The Group has been a market leader in all Baltic countries since 2004. According to the Group's estimations of seats supply, the Group's market share in the Baltics organized charter flights market equals 44% at the end of 2017. The Company has been a leader in the Lithuanian organized charter flights market with a market share of approximately 49% at the end of 2017. In the Latvian and Estonian markets, the Group's market shares at the end of 2017 equal 39% and 39% respectively, making the Group a leader also in those countries.

The Group has a diversified portfolio of products and destinations targeting different market segments which allows it to be well-positioned to withstand potential changes in consumer preferences. The Group offers various types of tours to a broad spectrum of countries throughout the year. It organizes flight package holidays, sightseeing tours by plane and by coach, ski trips and sell other tourism-related products (such as holiday accommodation and flight tickets).

The Group primarily focuses on outgoing tourism and arranges flights both on charter and scheduled operations to more than 30 destinations worldwide. The destination portfolio ranges from all major European destinations to selected holiday spots in the Mediterranean Sea region and North Africa. In addition, the Group offers trips to the Middle East, Asia and Latin America. The majority of destinations are serviced by the Company's on-site representative and each sightseeing tour is accompanied by a Group guide throughout the entire trip. The Group's key countries are Turkey, Greece, Egypt, Bulgaria and Spain (including the Canary Islands), jointly representing 87.8% of the total share in flight packages revenues of the Group in 2017. The Group's holiday flights depart from all capital cities in the Baltics. Moreover, the Group has approximately 120 programmes in Europe related to coach travel and flight round trips.

The Group has well-balanced distribution channels that allow it to offer products to a broader customer base, not only searching for package tours, but also for flight tickets and hotels, and to exploit most market opportunities. The Group sells its holiday packages through four main sales channels: (i) external travel agencies (more than 400), (ii) direct sales in its six offices in Lithuania, Latvia and Estonia, (iii) its online sales platform and (iv) GDS which is used to sell flight tickets. The Group is constantly developing its e-commerce channel and manages one of the largest online shops in the Baltics selling all of the Group's products. The Group's online shops have customized websites in local languages for the Lithuanian, Latvian, Estonian, as well as a version in Russian for the Belarusian markets. The Group is constantly increasing the e-commerce share in the Group's revenues (calculated as revenues from flight packages, roundtrips by plane and coach, sell of flight tickets and accommodation, without other products) that reached 16% in 2017. In 2017 the Group's websites had 3.2 million unique visits.

The Groups' uniqueness is based on reputable and well-recognized brands. In the Baltics, the Group's most important brands are Novaturas (in Lithuania) and Novatours (in Latvia and Estonia). Other brands of the Group include: (i) the budget brand ECO Travel and (ii) a premium brand Novaturas GOLD.

Moreover, the Management team's experience and the Company's know-how accumulated over 17 years on the market allow for the envisaging of market trends and clients' needs, and provide a strong competitive position.

The Group benefits from favourable macro conditions and growth in the overall tourism market. The revenues in 2017 amounted to EUR 141.1 million and its CAGR in the period 2015-2017 is 19.4%.

The number of PAX sold in 2017 amounted to 233.5 thousand and its CAGR for 2015-2017 is 18.6%. With 61.1 thousand PAX sold for the 2018 summer programme as at 31 December 2017, the Group has recorded 84.1% growth as compared to the previous year and has 31% of its following summer programme sold compared to 21% at the end of 2016.

In 2017 the Group's EBITDA amounted to EUR 10.6 million. The Group's business model encompasses strong cash generation with an operational cash flow to EBITDA ratio exceeding 100%. Operational cash flow to EBITDA conversion ratio amounted to 119.3% in 2015, 118.7% in 2016 and 129% in 2017. Finally, the Group maintained also a

high level of dividends paid in 2015 (EUR 20 million for the year 2014), in 2016 (EUR 4 million for the year 2015) and in 2017 (EUR 5 million for the year 2016 and EUR 4.5 million as interim dividends for the year 2017).

Strengths of the Group

The Company believes that the following competitive strengths represent the primary drivers for the Group's business success and set the Group apart from the competitors in the tourism business.

Presence in developing markets with favourable macroeconomic conditions stimulating growth of the tourism sector

The Group's key source markets are the Baltic countries – Lithuania, Latvia and Estonia. The attractive market outlook in these markets represents a foundation for future expansion of the Group's business. The favourable macroeconomic situation will result in the growing penetration of the tourism sector in the Baltics. The Company's leading position in all these markets will enable it to capture this potential. The Baltic countries enjoy a favourable macroeconomic and industry outlook, including strong GDP growth, positive trends in the labour market and wealthier households. According to IMF data, the Baltics are one of the fastest growing regions in Europe with GDP growth forecast for 2017 of approximately 4%. Macroeconomic conditions in the Baltics are improving constantly and rising disposable income allows customers to spend more money on discretionary goods, including holiday travel. Euro adoption in the Baltic countries between 2011 and 2015 further spurred economic development and commercial opportunities. Wages are rising in all three Baltic countries. According to Eurostat, the unemployment rate in 2016 decreased to 6.8% in Estonia, 9.6% in Latvia, 7.9% in Lithuania and continues to decrease further (except of Estonia). Median disposable income per household is expected to grow rapidly in the near term (CAGR 2017-2021 ranging from 8.1% for Lithuania to 7.4% for Latvia and 5.5% for Estonia) (source: Passport GMID – Euromonitor). The favourable economic environment and the improvement of the financial condition of households in recent periods have led to an increase in private consumption which increased 4.9% in Lithuania, 4.4% in Estonia and 3.3% in Latvia (in 2016) (source: Eurostat). There is a positive expectation in the Baltics of further improvement in private consumption growth.

Unique position in growing markets

The Group has a stable leading position in the Baltic countries and has been maintaining its market share successfully, protecting it from both existing competition and newcomers. According to the Group's estimation, it has a significant position in each Baltic country in the organized charter flights market, which has high barriers to entry, with the market share in the Baltic region amounting to 44% in 2017 (based on seats supply). The Group holds the strongest market position in Lithuania (49% market share in the organized charter flights market in 2017); and also, is the leader in Estonia (39%) and Latvia (39%) (Group's estimations). In the past, several foreign and local players attempted to enter the Baltic market organically; however, they failed to build a meaningful scale of business.

Macroeconomic conditions in the Baltics are expected to develop favourably, which could lead to the expansion of tourism in terms of market penetration, frequency of trips and average expenditures per trip in the upcoming years.

The Group's revenues are also affected by increasing travel market in the Baltic states. Due to strong macroeconomic conditions supporting consumption growth, the number of outbound trips for personal purposes with a duration minimum of 4 nights has significantly increased over the past ten years across all Baltic countries. According to Eurostat, the number of trips between 2007 and 2015 has increased in Estonia by 81% (from approximately 300 thousand trips to approximately 543 thousand), in Latvia by 11% (from approximately 559 thousand to approximately 621 thousand), in Lithuania by 45% (from approximately 711 thousand to approximately 1,029 thousand). This proves significant growth in the tourism market in the Baltic countries and demonstrates the high potential of this region.

An additional source market for the Group is Belarus, which currently only makes up approximately 0.5% of sales and where the Group retails its Baltics product portfolio via external partners. With a total population of 9.5 million people, Belarus offers promising opportunities for future expansion. In the Company's opinion the Company has a unique and competitive offer in comparison to other companies present on the Belarusian market. In Belarus the Company is offering the same products as in Lithuania.

The Group's leading market position combined with a differentiated product portfolio and well-balanced distribution network provides it with greater insight into customer behaviour and enables it to detect new market trends and customer preferences as they occur. This means that the Company is able to rapidly respond to these changes by adjusting its offer.

Strong brand recognition and customer loyalty

The strength of the Group's brands in its source markets provides the Company with an important advantage over its competitors. Customers perceive the Company as a high-quality and reliable provider of travel services with a well-balanced price to quality and offer. Additionally, in the Company's view, the Group's brands exhibit very high brand awareness levels compared with the relevant competitor brands in the Company's key Baltic source markets of Latvia, Estonia and Lithuania. Tour operator reliability is considered to be very important for customers and its importance has

been increasing recently. Since 2014 the Group has been implementing a Quality Management system complying with LST EN ISO 9001:2008. The Group thoroughly monitors customers' satisfaction using various research tools. The Company receives on average fewer than 0.6% complaints per total PAX sold in the last year.

The Company believes that the consistent quality of the product offering promotes customer confidence and loyalty.

Diversified offer

The Group has developed a product strategy covering most of the market segments. The Group offers tours to various destinations which allows it to secure steady demand for its products in case of extraordinary events which may result in limited demand for trips to a specific country or region. The Group's destination portfolio is very broad and includes various destinations ranging from all European mainstream destinations to selective holiday spots in the Middle East, North Africa, Asia and Latin America. The Group arranges flights both on charter and scheduled operations to more than 30 destinations worldwide. The Group's holiday flights depart from all capital cities in the Baltics.

Moreover, the Group has a branding and pricing policy covering the low-, mid- and high-end market retail segments which allows it to fully cover customer demand. As a result, the Group is well positioned to withstand any market fluctuations, while in the current market conditions encompassing improved macroeconomics and rising disposable income, it allows customers to upgrade their holidays to a premium option. Moreover, budget charter travel can be used if an urgent need arises to offer lower prices due to changes in market conditions or tightening competition.

Well-balanced multi-channel distribution network with growing share of e-commerce

The Group uses both own retail offices as well as an extensive network of external sales partners. The Group conducts business via four sales channels: (i) external travel agencies, (ii) own retail offices, (iii) own website, and (iv) GDS.

The Group's products are sold by all major travel agencies in the Baltics. The Group's network of travel agencies is well-diversified as the top 10 agencies have only around a 31% share in the Group's total revenues. The Group has an extensive partner network in the Baltic countries comprising 106 travel agencies in Estonia, 140 in Latvia and 133 in Lithuania and an additional 63 partner agencies in Belarus. In 2017, 70.8% of the Group's sales were generated via its retail partners' networks. Additionally, the Group has its own retail offices located in rented premises in the major cities in the three Baltics countries.

The Group is constantly increasing and developing its e-commerce sales. As a result, e-commerce sales as a proportion of the Group's revenues (calculated as revenues from flight packages, roundtrips by plane and coach, sell of flight tickets and accommodation, without other products) has grown rapidly from 7.6% in 2013, through 12.8% in 2014 and 15.6% in 2015, up to 16.3% in 2016 and 16% in 2017. The Company's online shops have customized websites in local languages for the Lithuanian, Latvian and Estonian markets and a version in Russian for the Belarusian market. The Group's websites experienced 3.2 million unique visits in 2017.

The Group keeps its overall distribution channels mix well balanced and at the same time focuses on developing its own e-commerce as a rapidly growing and prospective distribution channel. The sales from own retail, online sales and GDS as a proportion of total sales of the Group are gradually increasing and in 2017 amounts to 29.2% (13.2% own retail, 14.2% online sales and 1.8% GDS).

Flexible and dynamic destination services supply management with minimized obligations and minimized financial risks

The Group primarily contracts hotels on an allotment basis; therefore no obligations are contracted and depending on the situation in the destination country or of the service provider, there is always a possibility to reduce net costs by negotiating special offers and additional discounts (agreed contract rates can be reduced but they can never be increased) which would not be possible in the case of guarantee contracts where the prices are fixed and room nights are prepaid. Considering the fact that guarantee obligations are minimized, financial pre-payments are minimized accordingly (except for early booking pre-payments which are inevitable in order to obtain discounts from hotels).

The ability to generate substantial and stable cash flows and payout of dividend

The Company's sales model encompasses a significant part of the early-bookings in the Group's total sales. Therefore, the Group is able to collect advance payments which are subsequently used as prepayments for hoteliers. The Group's asset light business model allows for generation of substantial cash flows and thank to it the business will remain cash generative going forward. The Company shows very high operating cash flow to EBITDA conversion ratio, which amounted to 119.3% in 2015, 118.7% in 2016 and 129% in 2017. The Group's operating cash flow is driven by the business profitability and working capital profile. Moreover, due to the asset light business model, the Company has very low capital expenditure needs. The total capital expenditure amounted to EUR 0.4 million in 2015, and EUR 0.4 million in 2016 and 0.3 million in 2017.

The Group's business model also enables it to pay out substantial dividends. The Group maintained a high level of dividends paid in 2015, 2016 and in 2017. The Company is constantly delivering substantial net profit and additionally

has a high level of retained earnings, which together with high cash generation may be the basis for dividend payouts. In the future, the Board expects to propose for distribution of 70% - 80% of the Company's profit subject to approval by the General Meeting. The Company is planning to make regular dividend distributions including an interim dividend in 2018 in the amount of ca. EUR 6 million. For more information on this issue please see Section "Dividend and Dividend Policy".

Experienced management with a strong track record and deep understanding of the tourism market

The Board members with extensive knowledge and long-standing experience in the tourism market have deep insights into the Group's offer. The Board is in a position to take quick decisions regarding the Company's operations, including adjusting the Group's offer to the changing customer preferences, negotiating contracts with suppliers and utilizing subsidies from local governments. Among others, Mr. Linas Aldonis – CEO, started his career as the Company's representative and tour guide, and over his 17 years with Novaturas, has ascended through the Group's structures and gained skills and experience along the way to eventually become the Group's General Manager in 2010. Mr. Tomas Staškūnas – CFO, has been responsible primarily for the Group's financial reporting, budgeting, relations with financial institutions and organization of the accounting process. He has been with the Company for more than 8 years. His professional experience includes experience as a CFO and a CEO of companies specialized in consumer discretionary goods.

Strategy of the Group

The Group's strategy, approved by the decision of the Supervisory Council on 9 February 2018, envisages further business growth by concentrating on the following key areas: (i) maintaining its market leader position in the Baltics; (ii) constantly developing the offer to retain existing customers and attract additional ones together with increasing the volumes of products sold; (iii) further geographical expansion to Belarus; (iv) keeping well-balanced distribution channels with growing e-commerce; (v) delivering profitable growth and cash generation; and (vi) paying out dividends to the shareholders regularly.

Maintaining the position of the market leader in the Baltics

As a key element of its strategy, the Group intends to maintain its leading position in the Baltic countries alongside its market share protecting it from existing competitors and from newcomers. The Company is the leader in the Baltic region where the organized charter flights market is consolidated with only a few major players and high barriers to entry. The Company believes that, based on organic growth only, it will be difficult for newcomers to build a reasonable scale of operations and for existing market players to substantially increase their market shares in the Baltics. The Group's leading market position combined with its diversified product portfolio and a strong well-balanced distribution network provide it with insight into customer behaviour. This enables the Group to rapidly respond to market trends by adjusting its offer. The Company believes that this market approach combined with its consistent wide offer, strong brand recognition and broad portfolio of products will allow the Group to secure its market leader position in the Baltic countries in the future.

Constantly developing offer to maintain existing customers and attract additional ones together with increasing volumes of products sold

The Company believes that the attractive market outlook for the Baltic countries will represent foundations for future expansion of the Group's business and will result in a further increase of the Group's revenues. The product portfolio of the Company is very wide and includes, in particular, flight package tours, sightseeing tours and skiing trips. This product portfolio is supported by the sale of other products, e.g. holiday accommodation and flight tickets. The Group plans to continue to constantly develop its offer to attract more customers and increase its volumes of products sold.

Moreover, new destinations will be introduced in the future in order to create demand for the Group's products. The Group is the largest organised charter tour operator active in the Baltic countries. By offering a range of quality travel packages to various destinations in addition, it creates a market demand for new destinations in the Baltics. Moreover, as a market leader, the Group actively educates its customers about available destinations and the advantages of organised travel. The attractive and diversified product portfolio offered by the Group and the best quality of service attract new customers and results in increasing travel market penetration in the Baltics and a growing number of first-time travellers among the Company's customers. The Group believes that by developing a new product and destination portfolio it will support the expansion of tourism in the region and support further market penetration.

The Group monitors new market trends and implements solutions to address customer preferences, as they occur. The Company believes that the Group is capable of adjusting its offer to the market situation and customers' demands.

Further geographical expansion to Belarus

Belarus is a prospective market that currently makes up only approximately 0.5% of sales, but offers an opportunity for future expansion. In the last two years the Company has, observed a need to change the cooperation model in this

market. As a result, the Company now operates through local agencies which retail the Company's Baltic product portfolio. With a population of 9.5 million people and very low market penetration, Belarus offers promising opportunities for the Group's future expansion. In addition, the potential of Belarus for the Group is supported by the short distance of ca. 180 km between Minsk and Vilnius airport. The Company anticipates further substantial development of the organized charter flights market in Belarus which will increase its attractiveness for the Company. For these reasons, the Group intends to accelerate its expansion in Belarus. The Company has a unique and competitive offer in comparison to other companies present on the Belarusian market; therefore, it can be expected that the Company will gain a strong market position in a relatively short period of time.

Keeping well-balanced distribution channels with growing e-commerce

Thanks to its strong market position, the Group was able to establish an extensive and well-balanced distribution network. The Group conducts business via four sales channels: more than 400 external travel agencies, its own retail offices in all main cities in the Baltics, its own website and GDS. At the same time, the Group intends to keep its overall distribution channels mix well-balanced and well-controlled. Balance between the different sales channels is one of the key elements of the Group's strategy which allows it to offer its products to a broader customer base, and to exploit most market opportunities. Additionally, in recent years the Group has observed a visible trend across society in all Baltic countries to purchase more products via the internet. The Company's goal for the future is to continue to constantly develop its e-commerce platform.

Delivering profitable growth and cash generation

The Group's main strategic objective is to maintain profitability and high cash generation in order to pay dividends to its shareholders. The Company monitors the profitability and dynamics of its sales on a daily basis and is constantly searching for improved contract terms throughout the entire season. This translates into the possibility to maintain high margins and deliver profitable growth of the business. The Company operates using an asset-light business model and does not own any major tangible assets. Consequently, the Group does not own the hotels, aircraft or buses that it uses in the trips and packages it offers. The Group does not intend to invest in any major tangible assets as the Management believes that higher returns may be generated from its core business rather than from investing in tangible assets. Furthermore, both offices and retail branch premises are leased. Such model results in negligible capital expenditure needs and a strong cash position. The Group's cash flow is driven by its profitability, working capital profile and low capital expenditures. The Group expects a further increase in the scale of its business and revenues which in combination with its asset light business model will result in maintaining its high profitability and cash generation capacity. The Group's strong capital position provides financial flexibility and financial capacity going forward. The Company is determined and well-positioned to generate strong cash flow and to ensure favourable dividend distribution.

Paying out dividends to the shareholders regularly

Its strong cash position and lack of significant capital expenditure needs will enable the Company to pay out a large portion of its profits. The Group maintained a high level of dividends. The Company paid a EUR 20 million dividend for the year 2014, EUR 4 million dividend for the year 2015, EUR 5 million for the year 2016 and EUR 4.5 as interim dividend for the year 2017. The Company is constantly delivering substantial net profit and additionally the Company has a high level of retained earnings, which together may be the basis for dividend payouts. Retained earnings in 2015 amounted to EUR 14.7 million, EUR 15.1 million in 2016 and EUR 13.8 million in 2017. In the future, the Group intends to maintain a high dividend payout ratio and to share profits gained with its shareholders.

The strategy will be realized through the further use of the Group's key strengths.

History and Development of the Group

The beginnings of the Group go back to 1999 when on 16 December 1999 the Issuer was established in Lithuania as a limited liability company Novaturas UAB. Since that time the Company was consequently developing and implementing its strategy which allowed the Issuer to become one of the leading tourism companies in Lithuania soon. Four years after the establishment, the Company decided to expand its activity abroad and established its first foreign subsidiary. In 2001 in Latvia it established Novatours SIA, an associated company.

2004 was a crucial year in the history of the Group. In that year the Company established a subsidiary, Novatours OÜ, in Estonia. In the same year Novaturas became the largest tour operator in the Baltics.

In 2007 the strategic investor Polish Enterprise Fund VI, L.P. invested in Novaturas via Central European Tour Operator S.à r.l. and became its majority owner. In 2014 the Company changed its legal form to a public limited liability company. The constant growth of the Group and its prudent management was evidenced in 2016 with the Group's turnover exceeding EUR 100 million.

Operations

The Group operates in the organized charter flights market in all Baltic countries – Lithuania, Latvia, Estonia and additionally, in Belarus. The Group offers a full holiday experience to clients from the stage of planning through to booking flights, accommodation, transfers and activities during the stay, and round trips by coach and by plane. The Group offers products in four different segments: (i) flight package tours, (ii) round trips by plane, (iii) round trips by coach, (iv) other products (mainly the sale of flight tickets and accommodation).

The table below presents key performance indicators in the period indicated.

	Group					
	2017	2016	2015	2014	2013	2012
Number of PAX sold (in thousand)	233.5	180.2	165.9	146.5	126.8	110.1
Number of PAX growth (y/y)	29,58%	8,62%	13,24%	15,54%	15,17%	-
Revenues (in EUR thousand) <i>(audited)</i>	141,147	101,525	99,091	90,910	82,742	71,627
Sales profit per PAX (in EUR)*	82.5	71.0	74.4	70.6	78.5	80.7
EBITDA (in thousand EUR)	10,611	5,632	5,541	5,110	4,830	4,467
EBITDA margin (%)	7.5	5.5	5.6	5.6	5.8	6.2
Gross profit margin (%)	19.0	17.5	17.3	16.3	17.3	18.4
Load factor (only sellable seats)(%)**	97.9	97.5	97.6	96.6	95.9	96.1
Cost per seat (CPS) (in EUR)	39.6	40.9	42.7	40.5	43.5	42.3

Source: The Issuer

* sales profit = gross profit – commissions

** load factor is calculated as sold seats in the plane divided by total seats in the plane. To get only load on sellable seats we exclude empty leg flights seats from total seats calculation.

The Group is steadily increasing the number of PAX sold. The table below presents the Group's PAX sales split by product category in respective periods.

	Group					
	2017		2016		2015	
	<i>(in thousand)</i>	<i>(%)</i>	<i>(in thousand)</i>	<i>(%)</i>	<i>(in thousand)</i>	<i>(%)</i>
	<i>(unaudited)</i>					
Package travel	185.7	79.53	144.8	80.36	138.3	83.36
Round trips by plane	1.4	0.60	1.3	0.72	1.3	0.78
Round trips by coach	11.8	5.05	10.3	5.72	8.2	4.94
Other products	34.6	14.82	23.8	13.21	18.1	10.91
Total	233.5	100.00	180.2	100.00	165.9	100.00

Source: The Issuer

The table below presents the Group's PAX sales by source market in the period indicated.

	Group					
	2017		2016		2015	
	<i>(in thousand)</i>	<i>(%)</i>	<i>(in thousand)</i>	<i>(%)</i>	<i>(in thousand)</i>	<i>(%)</i>
	<i>(unaudited)</i>					
Lithuania	126.3	54.09	101.9	56.55	91.7	55.27
Estonia	61.6	26.38	45.4	25.19	42.4	25.56
Latvia	44.3	18.97	31.9	17.70	31.6	19.05
Other	1.3	0.55	1.0	0.55	0.2	0.12
Total	233.5	100.00	180.2	100.00	165.9	100.00

Source: The Issuer

The table below presents the Group's PAX sales by programs in the period indicated.

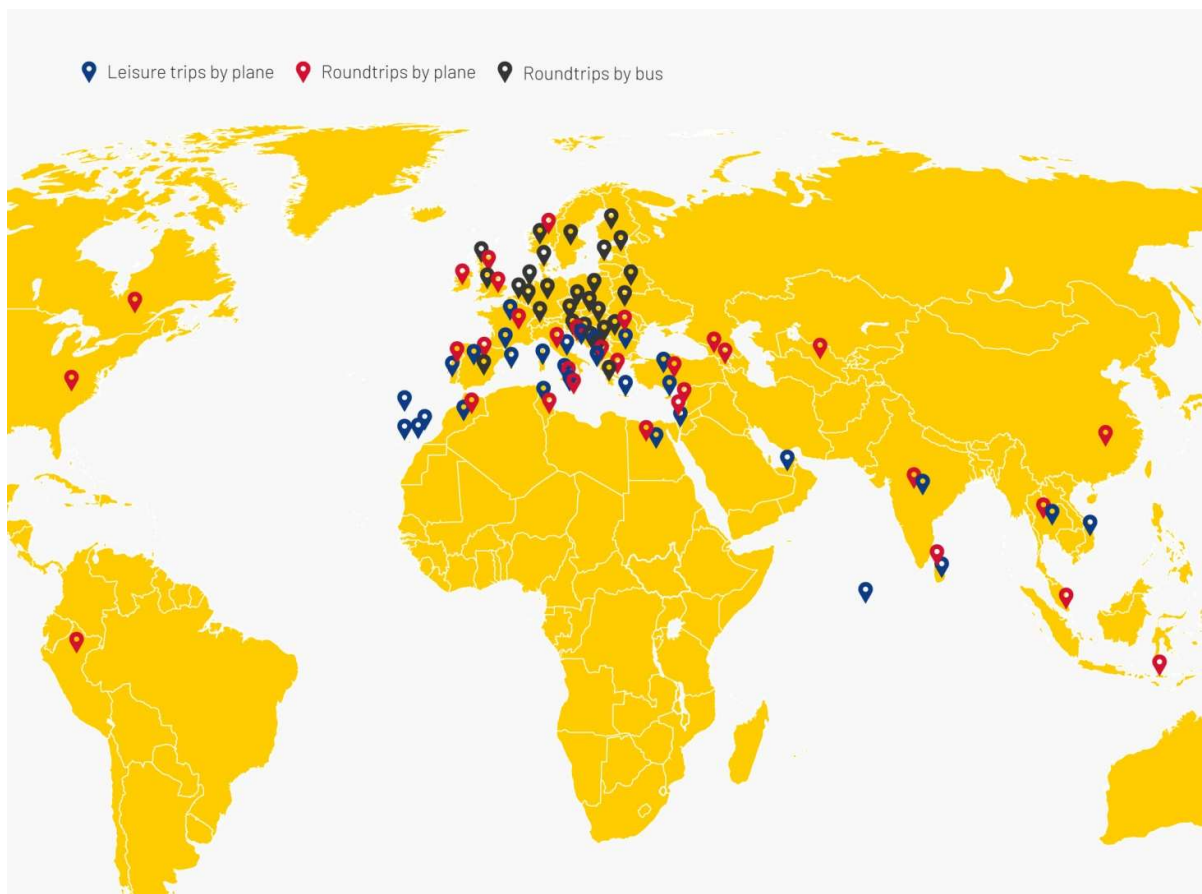
	2017	2016	2015	2014	2013	2012
Summer	175,166	142,045	127,439	115,644	98,404	84,233
Winter	58,383	38,130	38,416	30,827	28,402	25,903

Source: The Issuer

Destinations

The Company has a diversified portfolio of both summer and winter holiday destinations. The Company has relations with partners in most of the holiday destinations in the Mediterranean Sea area, Black Sea area and North Africa.

The map below presents destinations operated by the Group.



Source: The Issuer

The key destinations of the Group are the most common destinations for European customers, namely: Turkey, Greece, Bulgaria, Egypt and Spain. In 2017, the share of Turkey in the Group's total sales was 31.1%, making it the most popular destination. The next most popular destination operated by the Group is Greece with a share of 19.3% in the Group's 2017 sales.

The table below presents the split of Group's revenues from flight package tours into the key destination.

	Group		
	2017	2016	2015
	(%) (unaudited)		
Turkey	31.1	27.7	38.8
Greece	19.3	22.4	15.8

Egypt	14.8	9.2	15.0
Bulgaria	10.4	12.9	8.8
Spain (without Canary Islands)	3.7	4.2	3.8
Canary Islands	8.5	9.5	6.1
Skiing	2.2	3.1	2.7
Long haul	3.1	3.1	1.7
Other destinations	6.9	7.9	7.3
Total	100.0	100.0	100.0

Source: *The Issuer*

In 2016, the Group experienced a strong growth of sales of holidays in two summer destinations – Greece and Bulgaria, as well as one winter destination - Tenerife. This illustrates the Group’s successful reallocation of demand to destinations other than the most popular, i.e. Turkey in summer and Egypt in winter, which experienced reduced demand in 2016. Long haul destinations are a growing category and currently one of the best developing categories in the Company due to the fact that with the growing disposable income of consumers, the Company is actively creating demand for long haul trips.

The share of sales to other destinations is made up by holidays other than the main summer ones in destinations such as Croatia, Portugal, Tunisia and Morocco. The Group’s sales of trips to the above-mentioned destinations represented 6.9% of the total sales in 2017. Skiing holidays in Italy, France and Andorra offered by the Group represented 2.2% of total sales in 2017. Long-haul trips to such destinations as Thailand, Vietnam or Sri Lanka offered by the Group represented 3.1% of total sales in 2017.

Product portfolio

Flight package tours

The Group’s main focus is the organization of flight package tours. The Group offers fully optioned package tours by plane to popular destinations in Europe, North Africa and Asia both during the summer and winter season, as well as, skiing trips to upscale destinations in Europe.

The holiday packages include flights departing from Tallinn, Riga and Vilnius to the destination chosen by the tourist, as well as group transfers between the airport and the place of accommodation. The packages include also the full scope of additional services, the Company’s representative welcomes tourists at the airport, provides them with all necessary information, ensures regular updates and provides 24 hour assistance in case of any information or assistance that may be needed. In majority of the destinations the clients can book optional excursions which are organized by the supplier and in many cases accompanied by the Company's representative.

Apart from the standard tour packages, the Group also offers budget flight package tours under the brand name “ECO Travel”, as well as premium holiday packages named “Novaturas Gold”. The division of brands and product lines contributes to the ability of the Group to capture demand not only from the largest mid-market segment, but also from the low-end and high-end segments.

As a result, the Group is well-positioned to address the customers’ demand from various price segments. In the event of changing market conditions or increased competition, the Group’s low-cost brand allows willing customers to choose cheaper holiday options, while in the current market conditions encompassing improved macroeconomics and rising disposable income, it enables customers to upgrade their holidays to a premium option.

The Group has also developed a convenient hub system for smaller mainstream destinations. In practice, by using the hub system, the Group’s customers are directed to three less popular destinations from Estonia (plane 1) and Latvia (plane 2) travelling together to the Lithuanian hub in Vilnius where plane 3 to the chosen holiday destination is waiting. The hub system supports optimization of the Group’s flight operations as well as broadens the portfolio of destinations to Estonian and Latvian customers maximizing the customer base. The hub system is not used at the moment, as the Company has achieved sufficient scale to be able to have separate flights from Lithuania, Latvia and Estonia, but there is a possibility to use this solution in the future for promoting some new destinations.

In addition, the Company organizes skiing tours by plane to upscale destinations in European countries including Italy, France and Andorra. This offer encompasses arranging flights to the chosen destination, hotel accommodation, group transfer to the hotel and 24 hour assistance of the Company’s representative.

The major advantages of organized tour operators over self-organized trips as seen by the Group’s clients are: (i) organized tours are more convenient – customers are choosing organized tours because everything is taken care of by a tour operator and customers do not need to be concerned about organizing and coordinating all elements of their travel (flight, transfer from and to the airport, accommodation, excursions, etc.) on their own. The Group’s representative

provides the customers with all information and 24 hour assistance, which is of great help especially to those customers not familiar with the local language. Also, in case of any unexpected events during the travel, any changes to the schedule are dealt with by the tour operator and are not the customer's concern; (ii) self-organized trips may be more expensive than packages offered by tour operators because tour operators benefit from substantial discounts from their suppliers that are not available to individual customers due to the scale of purchases and extensive history of cooperation.

Round trips by plane

The Company organizes round trips by charter flights or scheduled flights. Round trips by plane (on charter flights and also regular flights) depart from Tallinn, Riga and Vilnius (whereas Vilnius is also a hub for less popular destinations). Moreover, round trips by plane may include also overnight arrangements as well as sightseeing tours by coach in the destination country. Additionally, the Company's services include travel guides, who accompany tourists on the entire trip and provide comprehensive information about the country, culture and sightseeing points, etc.

Round trips by coach

Round trips by coach are organized from Lithuania and are fully arranged including overnight stays as well as coach transport to destinations chosen by the customers. Trips almost always includes roundtrip sightseeing in the country, supported by the Group's travel guides who accompany tourists on the entire trip and provide comprehensive information about the country, culture, sightseeing points and others.

Other products

The Group retails holiday accommodation and flight tickets as a separate product. The Group sells block seats for mainstream charter travel destinations to other tour operators in case it needs to share plane seats. In order to sell flight tickets, the Company uses a GDS, agencies and its own website. In Lithuania, the Group also sells additional services – cruises insurance policies and visas.

Sale strategy

The Group has a core base of regular customers who prefer to book their holidays in advance in order to secure a place at the hotels in the desired destination. The Group has a high share of early bookings in the total programme, which makes future revenues more predictable assuring the stability of the Company's business. According to the market practice, early-booking consists of trips that are sold from October to the end of March for the summer season and all trips which are sold from May to the end of September for the winter season.

In the Group's case, early-bookings usually constitute approximately 40% of the total programme sales. The remaining part of the programme sales is being sold until the date of the trip. The Group has a high share of early bookings, with further increases of this share observed in the 2018 summer programme (based on current sales).

The table below presents early-bookings as a percentage of the total summer program for the period of 2016-2018 as of 31 December of the previous year.

	Early bookings as % of summer programme (as of Dec 31)		
	2018	2017	2016
	(%)		
	(unaudited)		
Estonia	27	27	21
Lithuania	31	18	13
Latvia	37	24	17
Total for the Group	31	21	16

Source: The Issuer

The Group is systematically increasing the volumes of products sold as well as the business scale. The Group has already significantly increased the size of its summer programme compared to the size of the programme in the same period a year ago, and despite that, the share of early bookings reached an average of 31%, which is promising result for the Company.

Additionally, the Group's strong potential and prospects for 2018 are reflected in the dynamically growing order book which confirms the increasing demand for travel products in source markets.

The table below presents summer programme growth by seats supplied for the period of 2016-2018 as of 31 December of the previous year (previous programme = 100%).

	Summer programme for the year*		
	2018	2017	2016
	(%) (unaudited)		
Estonia	26	27	8
Lithuania	29	20	14
Latvia	22	20	1
Total for the Group	26	22	10

Source: The Issuer

* Summer programme growth in % from previous year summer programme

The Company defines the initial size of the programme based on an analysis of historical sales and expected demand for the following season/year. Based on real demand and daily monitoring of the sales speed the Company is able to adjust the size of its programme. Initial size is the programme volume (seats supplied to the market) announced just before start of early bookings for the upcoming season (summer or winter) while final size is measured after season ends (after numerous changes during the year).

The table below presents the initial and final size of the programme and initial and final size of the following year's summer programme for the period of 2015-2017 (charter seats in thousand).

	Calendar year		
	2017	2016	2015
	(charter seats in thousand)		
Initial size of programme	187	181	157
Final size of programme	214	167	155

Source: The Issuer

* Covering entire offer for the year

The table below presents the initial and final size of the following year's summer programme for the period of 2016-2018 (charter seats in thousand).

	Calendar year		
	2018	2017	2016
	(charter seats in thousand)		
Initial size of summer programme**	192	142	139
Final size of summer programme**	199*	157	129

Source: The Issuer

* numbers announced as at 31 December 2017 - the final numbers may change

** covering only summer offer

The table below presents early bookings for the summer season as of 31 December of the previous year.

	Summer programme for		
	2018	2017	2016
	(number of PAX in thousand)		
Estonia	13,644	10,764	6,695
Lithuania	34,875	15,833	9,603
Latvia	12,591	6,598	3,837
Total	61,110	33,195	20,135

Source: The Issuer

Distribution channels

The Group uses both its own retail offices as well as an extensive network of external sales partners. The Group conducts business through four sales channels: (i) external travel agencies, (ii) own retail offices, (iii) own website, and (iv) GDS.

Diversification of sales channels allows the Group to offer its products to a broader customer base, not only searching for package tours, but also for tickets and to exploit most market opportunities.

The table below presents the Group's revenues division by distribution channels.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
		(%)	
		(unaudited)	
Travel agencies	70.8	69.5	69.2
Own retail offices	13.2	14.2	15.2
Own website	14.2	14.9	14.7
GDS	1.8	1.4	0.9
Total	100.0	100.0	100.0

Source: The Issuer

External travel agencies

The Group's network travel agencies is well-diversified as the top 10 agencies have less than a 31% share in the Group's total revenues and none of the agencies exceeds a 10% share in 2017. The Group has an extensive partner network in the Baltic countries comprising 106 travel agencies in Estonia, 140 in Latvia and 133 in Lithuania and an additional 63 partner agencies in Belarus. Due to the Company's strong market position, numerous partners and travel agencies in the Baltics intend to cooperate with the Company and the Company's products are sold in all major travel agencies in the Baltics. The largest share of sales amounting to 70.8% in 2017 is made via the network of retail partners.

The Group carefully selects its retail partners in order to maximize its sales. For this purpose, the Group evaluates whether a prospective retailer is capable of reaching the required sales level and providing the required quality of service.

The Group has standardized contracts with the travel agencies for each country. Please refer to Section "Material Contracts" below for a brief description of the provisions of these contracts.

The remuneration of the travel agencies consists of commission of approximately of 8-12% of the package price. The level of commission varies depending on the type of product and sales volume of the agency. The agreed commission amount is included in the package price. Customer discounts provided by the agencies are subtracted from their commission, which is reduced accordingly by the amount of the customer discount. Therefore, the customer discounts do not affect the Company's profits. In consequence, the final level of commissions in the audited reports is ca. 5% of total sales – lower than contractual, due to the fact that customer discounts are incurred by the retailers' commission discount and own retail commission is consolidated.

Please refer to the Section "Material Contracts" below for a brief description of the payment arrangements with the agencies.

Retail offices

The Group has six own retail offices located in rented premises in main cities of the Baltic countries.

E-commerce sale

The e-commerce sales of the Group are done through the website and GDS.

The Group is constantly developing its e-commerce channel and manages one of the largest online shops in the Baltics. As a result, e-commerce sales as a proportion of the Group's revenues (calculated as revenues from flight packages, roundtrips by plane and coach, sell of flight tickets and accommodation, without other products) has grown rapidly from 7.6% in 2013, through 12.8% in 2014 and 15.6% in 2015, up to 16.3% in 2016, 16% in 2017.

The Company's online shops have customized websites for the Lithuanian, Latvian, Estonian and Belarusian markets and the Group sells all of its products online.

The Group is using key GDS to sell flight tickets, e.g. Amadeus and Skyscanner.

Main suppliers

Usually contracts with suppliers are negotiated each year for one season at the Group level for all three Baltic countries. Although there is a contract with air carrier Small Planet Airlines UAB concluded for a period of three years, contracts with other main air carrier SmatLynx are concluded for one season. The Group is concluding one contract for all Group companies, which allows the Group to have higher leverage in the negotiations and to obtain improved contractual terms for individual companies than if they had acted alone.

The negotiation of contracts covers numerous items: (i) negotiation of general pricing, payment terms, early booking discounts and the commitment level on the part of the Group; (ii) contributions (marketing support, free rooms, support for the Group's events); (iii) guiding services support from the destination management company partners and the commission level for a sold excursion. Negotiation of contracts usually takes place during the year; in the meantime, the Company is constantly collecting relevant information and data from the market and the destinations to ensure a strong negotiating position and to guarantee the best conditions for the contracts. The Group also conducts active yield actions after a contract is signed and depending on the situation of the market and destination, re-negotiates the prices and conditions in favour of the Group.

Transportation suppliers

The Group mainly uses the services of two key Baltic aviation companies – Small Planet Airlines and SmartLynx Airlines. Apart of the above-mentioned airlines the Group is also cooperating with four other airlines. The Company is constantly looking for and negotiating new offers with transport suppliers to ensure maximum efficiency.

The standard terms of contracts that are being concluded by the Company with airlines provide mainly pre-defined flight hours, and the possibility to change the number of block hours bought by a given percentage. The contract with Small Planet is concluded for a period of three years and with SmartLynx for a period of one year. The final choice of flight destinations is flexible and the Company may take a decision based on real demand. The Company covers fuel price and airport taxes changes; however, the Company hedges against fuel price changes for all early-bookings by using future and forward contracts.

Please refer to the Section “*Material Contracts*” below for a brief description of the provisions of this contract.

Although the Group is working with several companies from which it rents coaches on a seasonal basis, it has a main partner who is buying new coaches and branding those coaches with Novaturas logos, while the Company has priority to use those coaches most of the year. Rental of coaches is arranged by the manager of the round trips department. The transportation procurement strategy is decided before each season by the CEO and country directors. Flight arrangements and negotiation of commercial terms for the Company are the responsibility of the Group's CEO. The Group's General Manager may also advise the Latvian and Estonian country managers, who are responsible for this process in their respective countries.

Please refer to the Section “*Material Contracts*” below for a brief description of the provisions of this contract.

Accommodation suppliers

The Group does not have its own hotels as renting hotel rooms is more profitable, safer and allows the Company to maintain flexibility as compared to buying such hotels. Accommodation arrangements are mainly managed by the respective destination management company partners. An exception is skiing destinations, where the Group has direct contracts with hoteliers in addition to local suppliers' agreements. The Group closely monitors the selection and contracting process, based on which usually one or two accommodation suppliers per destination are chosen. In some countries, one supplier covers more than one destination.

The Group contracts accommodation primarily on an allotment basis, meaning that a certain number of rooms are contracted without any obligation by the Group to use them. As a result, the Group pays only for the actual number of rooms used. Standard contracts are concluded for a period of one season. In certain cases, the Group contracts rooms on a hard-bloc basis, in which case a guarantee applies. Guarantees are used only in destinations with high volume and demand and for hotels that are in demand in the source markets and might experience a shortage of availability during peak periods. Guarantees amount to ca. 1-10% of the total costs of hotels yearly. The share of guaranteed rooms is relatively low because of the high number of early bookings in the Group's programmes. Prices for hotels are agreed and fixed before the season – there is no risk of price increases during the sales period and the season. Due to the Group's active yield control, prices can be reduced by special offers and early bookings. The Company hedges against currency risk for hotel expenses for hoteliers demanding payment in other currencies than EUR.

Please refer to the Section “*Material Contracts*” below for a brief description of the provisions of the contracts with accommodation suppliers.

Cooperation with local suppliers

Local suppliers are partners providing ordinary destination services such as: (i) transfers from and to the airport, (ii) excursions, (iii) hotel contracts/capacities, (iv) representative's support.

The Company concludes annual or seasonal contracts with the local suppliers, and has not concluded long term agreements. Usually one destination management company partner covers one country, which allows for the streamlining of communication and resources. In some of the most in-demand countries a second destination management company partner provides additional accommodation options. As a rule, the Group retrospectively pays the local suppliers after the arrival of clients at the destination, except for early-booking prepayments.

Hedging policy

The Group uses hedging in order to manage foreign exchange risk and risk of fluctuations in jet fuel prices and USD exchange rate fluctuations. The Group hedges against fuel price changes for all early-booking sales in the upcoming season (summer or winter) using future and forward contracts. Thus, hedging is performed one year ahead. The Group hedges against the aviation fuel price fluctuations by entering into Brent crude future agreements which are denominated in USD. As a result of the above, USD forwards for the same amount are bought as well.

The Company tests the effectiveness of its hedging for the purpose of hedge accounting: (i) on a prospective basis in order to determine whether the hedge is expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated, (ii) on a retrospective basis in order to determine whether the hedge was actually highly effective throughout the entire reporting period.

At most of the airports that the Group flies from, the price of fuel and airport taxes are fixed at the beginning of the month for the entire month. Effectively, the main part of revenues is hedged and with respect to another part there is no significant risk of price changes. Therefore, only a small part of the revenue can be influenced by market fluctuations.

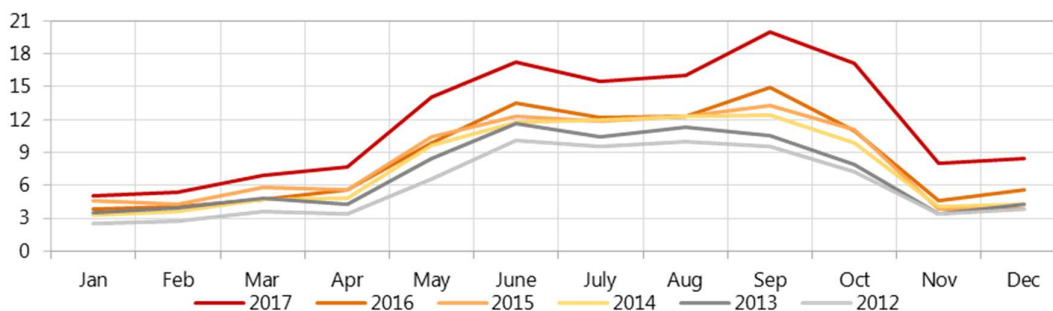
The Group purchases hedging instruments before the start of early booking sales in accordance with the sales target during the given early booking season. After purchasing all hedge positions, the prices of aviation fuel and USD are used to calculate the pricing policy for the corresponding early booking sales. The hedge positions are closed and reflected in the accounting each month, i.e. in the same period as the hedged costs are borne by the Group.

The effective part of the hedging results related to the operating activities of the Group is reflected in the income statement as cost of sales, while the ineffective part is reported as financial income/expenses.

Seasonality of business and working capital fluctuations

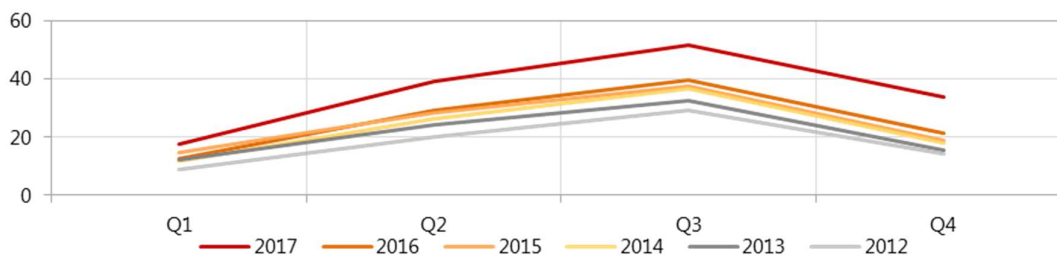
The Group's business and therefore its revenues are subject to seasonality. Monthly and quarterly revenues distribution is better balanced throughout the year because the Group has very a strong shoulder season - before and after the main summer months.

The graph below presents monthly revenues in the period indicated (in EUR million).



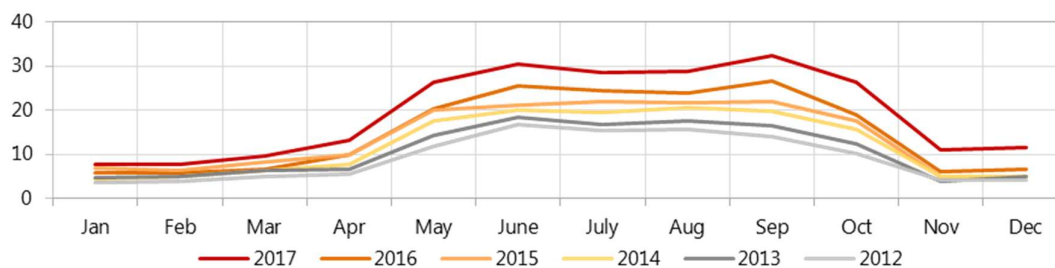
Source: The Issuer

The graph below presents quarterly revenues in the period indicated (in EUR million).



Source: The Issuer

In the case of PAX there is also visible seasonality with a long period of very strong sales. The graph below presents the monthly number of PAX sold in the indicated period (in thousand).



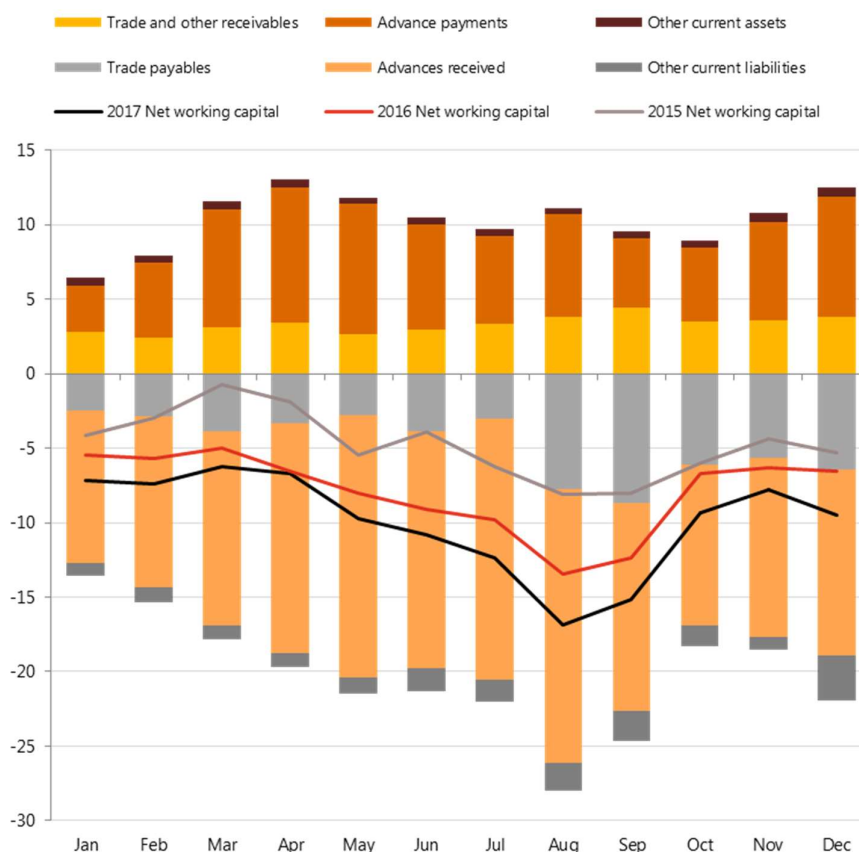
Source: The Issuer

Moreover, the Group's working capital cycle is characterized by significant seasonal changes, which is typical for the travel industry.

The Group's working capital is the highest in March and April, when the Company makes prepayments to hotel suppliers while receiving a moderate amount of advance payments from customers (the Group is increasing prepayments from the beginning of the year until April due to early booking prepayments and then prepayments to hotels which starts the decrease in prepayments). Beginning in May and throughout the summer season, the Group's working capital is the lowest, as the Group already has prepaid services for the season and is receiving an increased volume of remaining payments from customers for the summer holidays.

Towards the end of the year, the Group's working capital starts to increase due to the launch of early-booking sales for the next season, but remains negative.

The table below presents the Group's monthly development of working capital for the period of 2015-2017.



Source: The Issuer

Marketing

The Company follows a proactive and rational marketing approach relying on its brand strength, leading market position and nationwide recognition. Activities related to sales and marketing are conducted by teams concentrated under the two departments of the Group – Production and Sales & Marketing.

The Group uses marketing resources according to the needs observed at a given time. Management believes that thanks to the Group’s position and Baltic market characteristics, the Group does not have to incur significant spending on marketing. The share of advertising costs in revenue has been decreasing in recent years, from 1.1% in 2015, 0.8% in 2016 and 0.7% in 2017. Marketing costs per seat have been also decreasing, from EUR 6.5 in 2015, to EUR 4.7 in 2016 and EUR 4.2 in 2017.

The Group uses a variety of marketing activities with a focus on presenting the offer through catalogues and websites. Catalogues and brochures presenting the Group’s offer are available in all major travel agencies in the Baltics.

Branding and pricing

The Company owns brand names covering the low, mid and high-end market retail segment.

“Novaturas”/“Novatours” products represent the largest portion of the Group’s portfolio and are mainly purchased by middle class holidaymakers. The average sales price is slightly below the average salary in the core markets, which enables the Group to capture the entire spectrum of the market from the low to high end.

“ECO Travel” serves the needs of the low-end market. Its average tour price is significantly below the average monthly gross salary in all core markets, thus assuring affordability for target customers. In the event of changing market conditions or increased competition, “ECO Travel” as a low-cost brand allows willing customers to choose cheaper holiday options and therefore enables the Group to withstand unfavourable market fluctuations or to compete with potential newcomers or with the aggressive pricing policy of the existing competition.

The Group also offers exclusive packages under the “Novaturas Gold” product line, which are priced slightly above the average salary. This captures the high-end market demand and also enables the higher mid-market customers to purchase “Novaturas Gold” products.

The division of brands contributes to the ability of the Group to capture demand not only from the largest mid-market segment, but also from the low-end and high-end segment. As a result, the Group is well-positioned to withstand any market fluctuations – in case of changing market conditions, the Group’s low-cost brand allows willing customers to choose a cheaper holiday option, while in the current market conditions with improved macroeconomics and rising disposable income, it allows customers to upgrade their holidays to a premium option.

Customer profile and target group

The Group is well positioned in the most prospective target group. The Group’s customers belong to different age groups; however, the main group of customers is between the ages of 25-54.

The table below presents the Group’s customers division by age groups in the period of 2015-2017.

	Group		
	2017	2016	2015
	(%)		
	(unaudited)		
0-2	5.0	5.0	4.6
3-12	14.7	12.6	12.4
13-24	9.7	10.1	10.0
25-34	16.8	17.5	18.1
35-44	17.7	18.0	18.7
45-54	17.1	17.6	17.9
55-64	13.6	13.8	13.4
65+	5.6	5.4	5.0

Source: The Issuer

Additionally, the majority of the Group’s customers travel without children. The table below presents the customers division by travelling with and without children.

	2017	2016	2015
	(%)		
	(unaudited)		
Travelling with children	25	23	24
Travelling without children	75	77	76

Source: The Issuer

The table below presents the Group's customers main data in the period of 2015-2017.

	Group		
	2017	2016	2015
	(unaudited)		
Average customer age	35.5	37.1	38.0
Frequency of travel (number of trips)	1.4	1.3	1.2
Average travel duration (days)	7.7	7.6	7.7
Average days reservation to travel	100	85	88

Source: The Issuer

Material Contracts

In the two years preceding the date of this Prospectus neither the Company nor any Subsidiary has entered into a material contract other than contracts entered into in the ordinary course of business. Furthermore, there are no other agreements entered into by any of the Group companies (except being entered into in the ordinary course of business), which contains any provision under which any Group company has any obligation or entitlement which is material to the Group as at the date of the Prospectus. Below are the described material contracts entered into in the ordinary course of business which are valid as at the date of the Prospectus, i.e. (i) agreements with local service providers in the travel destinations, (ii) agreements with agencies selling travel services on behalf of the Group Companies, (iii) agreements with carriers (air transport) and (iv) financing agreements.

Agreements with local service providers

For the purpose of arranging services for the clients in destination countries, the Group enters into destination management contracts with local service providers ("**Local Supplier Agreement**"). As a rule, the Group enters into one Local Supplier Agreement per destination country or area served by one destination airport. The majority of the Local Supplier Agreements are concluded using a standard form prepared by the Group, with additional appendixes defying any special terms and commercial conditions applicable to the relevant supplier. Under the agreements, local suppliers undertake to provide transportation, accommodation and excursion (sightseeing) services to the Group's clients. Local Supplier Agreements specify the level, content and commercial conditions of services to be supplied to the Group and the standard of services expected.

With only a few exceptions, the Local Supplier Agreements are concluded on an exclusive basis, whereby the local supplier is appointed as an exclusive service provider at the destination for the Group's clients, on the one hand, and the supplier undertakes not to provide services to other tour operators from Lithuania, Latvia or Estonia.

Pricing

As a rule, group transfer (transportation) prices are agreed in advance, based on price per PAX, which apply regardless of the number of passengers in a vehicle.

The Group contracts accommodation primarily on an allotment basis, meaning that a certain number of rooms are contracted without any obligation by the Group to materialize them. As a result, the Group only pays for the actual number of rooms used. In certain cases, the Group contracts rooms on a hard-bloc basis, in which case a guarantee applies. Accommodation is booked at the rates set by hotels or the supplier.

The rates for excursions are also agreed in advance, but can be changed with prior notice. The excursions are paid directly by the clients to the supplier or to the Group's representatives, in which case the funds are transferred to the supplier within an agreed period of days after deducting the commission fees payable to the Group.

All rates for services agreed in Local Supplier Agreements include all tips, baggage handling charges, transportation insurance and local and any other taxes, duties, levies, road tolls, fees or commissions, as well as possible additional transfer costs deriving from flight delays.

Commission fees

The Group charges local suppliers a commission for excursions sold to the Group's clients, guiding fees for excursions guided by the Group's representatives, as well as receives commissions for guests staying at some of the hotels, as well as contributions from the suppliers for marketing support.

Payment terms

The invoices must be paid for within the agreed period of time, ranging from 7 to 30 days after receipt of a given pro forma invoice. Some Local Supply Agreements foresee a maximum level of credit granted to the Group, ranging from EUR 21,000 to EUR 1,000,000.

Indemnification

Suppliers undertake to indemnify and keep indemnified the Group against all claims, liabilities, losses, damages and costs which the Group may become liable to pay for due to any act or omission of the supplier or of any employee, sub-contractor or third-party supplier.

Term

Local Supplier Agreements in most cases cover a period of one year and are automatically renewed for an additional year, unless one of the two contracting parties notifies the other party in writing about its non-extension within the term defined in the agreement.

Applicable law and dispute resolution

As a rule, Local Supply Agreements are governed by Lithuanian law, while the venue for dispute resolution is the Lithuanian court.

Agreements with travel agencies

The Group has an extensive network of agencies, and has agreements with 133 travel agencies in Lithuania, 140 travel agencies in Latvia and 106 travel agencies in Estonia.

The Group uses standard form agency agreements (the "**Agency Agreements**") for entering into a relationship with travel agencies.

An Agency Agreement between the Group and a travel agent sets out the terms and conditions for the transaction of business by the travel agent with and on behalf of the Group. Agency Agreements are commission agreements, where the agents sell tours and other services offered by the Group at the rack rate or retail rate directly to customers, and the Group calculates and pays a commission for sales made by the agent during a specific period and pays them an agreed commission fee. The commission fees are applied universally and range from 4% to 14% depending on the product sold although the factual level of commission paid ranges between 8%-12%. Additional commission fees are payable upon achieving turnover levels, which are also established and applied universally.

Agency agreements are concluded for a period of one year and each time are automatically renewed for an additional one year term if after expiration of the agreement the parties continue to perform their rights and obligations.

In Estonia and Latvia, Agency Agreements are concluded for an unspecified term, and can be terminated by either party with 30 days' prior notice. The commission fee is agreed on an annual basis.

Charter flight agreements

Agreement with Small Planet Airlines UAB

The Company entered into a Charter Flight Agreement with Small Planet Airlines UAB, dated 14 June 2016 (the "**SPA Agreement**"). The currently valid agreement covers all charter flights from Vilnius airport by the Company for the period from 1 November 2016 to 31 October 2019. Small Planet Airlines UAB is an exclusive charter flight provider to the Company from Vilnius airport to destinations defined in the SPA Agreement.

Pricing

The SPA Agreement establishes prices for flights to each destination. Flight prices are calculated on the basis of a pre-agreed price per block hour and the number of block hours needed for each flight. Depending on the block hours utilized during the summer season, the Company is entitled to a maximum 9% discount from the pre-agreed price per block hour. A block hour price includes aircraft lease, maintenance and refurbishments, administrative fees, crew and mandatory insurance costs.

In addition, the Company compensates Small Planet Airlines UAB for the actual fuel costs, airport fees (being not only airport passenger fees as flight control and similar charges are included in the block hour price), CO₂ emission tax, de-icing, and other direct costs (not covered by the block hour price) required for operating the flight.

The SPA Agreement contains a most favourable client clause, whereby the Company is assured financial conditions that are not worse than comparable customers would experience of Small Planet Airlines UAB.

Payment terms

Payment for flights is made five business days prior to the flights, and direct costs are compensated within three business days following the issuance of an invoice by Small Planet Airlines UAB.

For the purposes of securing the Company's obligations towards Small Planet Airlines UAB, the Company deposits EUR 231,700 prior to each summer season, and EUR 144,800 prior to each winter season. If not otherwise used, the deposit is utilized by setting off the last payments of the particular season.

Minimum number of flights and cancellation

The SPA Agreement foresees a minimum amount of block hours that must be utilized by the Company during the term of validity of the SPA Agreement. The Company has a right to cancel flights by informing Small Planet Airlines UAB at least 15 days in advance, provided that the Company retains the minimum flight programme, which is agreed 6-8 months prior to each season. In case the Company does not fulfil the minimum flight programme, the Company is liable for payment of a EUR 2,030 penalty for each block hour that has not been utilized.

Additional flights

The priority to fulfil additional flights is always given to Small Planet Airlines UAB, and the Company may use other air carriers only in case Small Planet Airlines UAB is not able to fulfil the required flights.

Liability

Small Planet Airlines UAB undertakes to indemnify the Company for all direct losses suffered by the Company due to reasons attributable to Small Planet Airlines UAB, after presenting evidence of the Company's expenses for compensation to passengers and/or freight owners. Limitations of liability of air carriers, as defined in Montreal Convention of 28 May 1999, which is implemented in the EU by Regulation (EC) No 2027/97 (as amended by Regulation (EC) No 889/2002), and Regulation (EC) No 261/2004 apply to the liability of Small Planet Airlines UAB.

Agreements with Smart Lynx

Latvia

Novatours SIA has entered into two charter flight agreements:

- (i) together with ALIDA TÛRS AS and TEZ TOUR AS, as charterers, have entered into Air Charter Agreement No. 01/17L, dated 13 April 2017, with SMARTLYNX AIRLINES AS, as the carrier;
- (ii) Air Charter Agreement No 58/16 E, dated 3 October 2016, with SmartLynx Airlines Estonia OÜ.

The main terms and conditions of both contracts are identical.

Pricing

The charter fee consists of payment of the aircraft (inclusive of all expenses concerning exploitation of the aircraft and flight execution), payment of the fuel, all applicable taxes, supplement airport taxes, passenger-related levies and fees, and catering.

The agreements establish a fixed fee for each charterer per flight in the framework of one chain flight depending on the aircraft. The said fixed fee consists of two payments – a fee in euros for the aircraft and a fee in US dollars for fuel, which is subject to change in case the fuel price changes.

Charterers are obliged to pay a guarantee deposit (or supply a bank guarantee from a respectable EU bank). The Air Charter Agreement establishes a fixed amount of the guarantee deposit for each charterer.

Payment terms

The flight fee and fuel expenses payments must be made by 12:00 noon two days before the respective flight in the currency in which it is invoiced. Payments of passenger-related taxes must be made by 12:00 noon two days after the respective flight. All payments must be performed by bank transfers.

Minimum number of flights and cancellation

Charterers may: (a) cancel up to four flights in one flight chain by giving a four-week prior notice in writing; (b) cancel one flight chain within the flight programme by giving notice in writing 13 weeks prior to the first flight of the flight chain. SmartLynx may: (a) unilaterally postpone or cancel flights in case of delayed payments by charterers; (b) reschedule departure hours of not more than four flights within one chain of flights by giving a notice in writing four

weeks prior to the respective flight. Otherwise rescheduling of flights may result in an obligation to cover additional costs by the faulty party of the Air Charter Agreement.

Termination and amendments

The agreements provide unilateral termination rights to both SmartLynx and the charterers. SmartLynx may unilaterally terminate the Air Charter agreement by way of written notice if: (a) charterers delay their payments; (b) charterers do not observe their obligation to inform passengers before and during the flight about the formal requirements of the country where landing is foreseen related to migration, customs, sanitary and other such matters; (c) charterers do not observe the limit for decreasing the size of the flight programme and reducing it by more than 10%.

Charterers may unilaterally terminate the agreements if: (a) SmartLynx changes the flight schedule without agreeing with charterers; (b) SmartLynx without written confirmation by charterers limits the number of available passenger seats or the commercial payload of the aircraft without ascertaining transportation of the excess sold passengers (with several exceptions); (c) the price of a flight increases by more than 10%; (d) SmartLynx or charterers repeatedly fail to perform their obligations under the Air Charter agreement.

Liability

Charterers are jointly liable for breach of any clause of the Air Charter Agreement as well as for consequences for the carrier by such breach (including expenses caused). If the immigration authorities levy an administrative penalty on SMARTLYNX LATVIA due to incorrect documents of passengers of carriers, then SMARTLYNX LATVIA covers 50% of such fine, with the remaining sum being covered by charterers. In case of delayed payments any party may apply a contractual payment of 0.2% of the due amount for each overdue day. If charterers do not observe the permitted limit of flight chain cancellation (or the term thereof), the charterers must pay a contractual penalty in the amount of 5% - 30% from the total value of the flight chain (excluding fuel) depending on the term within which the cancellation was made. If charters do not observe the allowed limit of flight cancellations (or the term thereof) within a flight chain, charterers must pay a contractual penalty in the amount of 10% - 35% of the cancelled flight price (excluding fuel) depending on the term within which the cancellation was made.

Estonia

Novatours OÜ has signed three separate framework air charter agreements with SmartLynx Airlines Estonia OÜ. The framework agreements are concluded on a standard form. The framework agreements lay down the material provisions of the legal relationship, whereas flight and destination specific agreements are concluded as annexes to the framework agreements. Novatours OÜ has signed the following framework air charter agreements (hereinafter all together “**SLAE Agreements**”):

- (i) a tripartite charter flight agreement, dated 5 November 2013. The agreement covers the destinations specified in the annexes of the agreement from Tallinn airport until the end of the winter season 2018/2019;
- (ii) a bipartite charter flight agreement No 70/2016E, dated 7 October 2016. The agreement covers destinations specified in annexes of the agreement from Tallinn airport until the end of the summer season 2018;
- (iii) a quadripartite charter flight agreement No 07/2013E, dated 11 February 2013.

With minor variations SLAE Agreements and annexes thereto include the following material arrangements:

Pricing

Annexes to the SLAE Agreements establish prices for flights to each destination. The price for each flight consists of payments for aircraft and DOCs, payment for fuel in actual tons at the estimated value recalculated at factual rates 21 days prior to the flight, and passenger-related taxes and fees for full aircraft seat capacity, reconciled as per actual number of transported passengers.

Payment terms

Payment for flights is made four business days prior to the flights, and if any invoices are presented after the flight, they are settled within four business days following the issuance of such invoices by SmartLynx Airlines Estonia OÜ.

Pursuant to annexes of the SLAE Agreements, Novatours OÜ undertakes to provide deposits to guarantee performance of its obligations under the SLAE Agreements and annexes thereto. The sum of deposits is agreed in every annex to the SLAE Agreements and depends on the amount of flights provided under a specific annex. A separate deposit is provided for both the winter and summer season. If not otherwise used, the deposit is utilized by setting off the last payments of the last flight under a specific annex.

Cancellation of flights

The annexes to the SLAE Agreements prescribe the number of agreed flights. Pursuant to the SLAE Agreements, Novatours OÜ has a right to cancel up to three flights for every twenty flights booked, or a proportional part thereof without any sanctions, by providing a respective notice in writing to SmartLynx Airlines Estonia OÜ no less than 14 days prior to the given flight.

In the event Novatours OÜ does not observe the limit of flight chain cancellations without sanctions, Novatours OÜ undertakes to pay a contractual penalty of 10-30% of the cancelled flight payments for the aircraft depending on the time of prior notification to SmartLynx Airlines Estonia OÜ of the cancellation.

If Novatours OÜ does not observe the limit of flight cancellations within a flight chain (defined in SLAE Agreements as the conjunction of certain chain flights for a specific period) without sanctions, Novatours OÜ undertakes to pay a contractual penalty of 20-50% of payment per aircraft depending on the time of prior notification to SmartLynx Airlines Estonia OÜ of the cancellation.

Liability

SmartLynx Airlines Estonia OÜ is liable for direct losses borne by Novatours OÜ in case of non-fulfilment of its obligations under the SLAE Agreements or annexes thereto, except in cases when exemption from liability is explicitly stated in the SLAE Agreements or in the annexes thereto. Limitations of liability of air carriers, as defined in the Montreal Convention of 28 May 1999, which is implemented in the EU by Regulation (EC) No 2027/97 (as amended by Regulation (EC) No 889/2002), and Regulation (EC) No 261/2004 apply to the liability of SmartLynx Airlines Estonia OÜ.

Financing agreements

The Company has entered into two agreements with Luminor Bank:

- (i) **Credit Line in Bank Account Agreement No 340-TV**, dated 25 November 2015 (the “**Credit Line Agreement**”). The limit of financial liabilities under the Credit Line Agreement is equal to EUR 12,000,000, which may be utilized for funding working capital and issuance of guarantees/indemnities by the Company. The Company pays a commitment fee of 1.00% per annum for funds reserved for working capital credits (EUR 4,000,000 from 1 January 2018 until 30 April 2018, and EUR 2,000,000 from 1 May 2018 until 30 June 2018) and a commitment fee of 0.4% per annum for the amount reserved for issuance of guarantees/indemnities (EUR 8,000,000). The interest rate for drawn credits is the three month EURIBOR (not less than 0) plus a margin of 2.5% per annum. The last day of repayment – 31 December 2018;
- (ii) **Credit Agreement No. 341-IV**, dated 25 November 2015 (the “**Credit Agreement**”). Credit amount – EUR 10,000,000. Interest rate – 3 month EURIBOR (not less than 0) plus a margin of 3.5% per annum. The term of repayment 31 October 2020. Early repayment fee – 2%.

The liabilities of the Company towards Luminor Bank are secured by a pledge of shares of the Subsidiaries, pledge of trademarks owned by the Company, sureties issued by the Subsidiaries and a financial collateral arrangement whereby all present and future funds in the account and any other accounts opened by the Company with the bank, both at the moment of conclusion of the agreement and thereafter, as well as any cash deposits held with the bank and any other funds of the Company transferred to the bank on any grounds serve as security financial collateral, with the minimum amount of such collateral being 30% of all guarantees/indemnities issued by Luminor Bank, however in any event not less than EUR 1,500,000.

The financing agreements with Luminor Bank provide for the following financial covenants: (i) the equity ratio of the Group shall be a minimum 30% for 4Q 2017, 27% 1Q 2018 and 30% from 2Q 2018 until full repayment of the loans; (ii) the net financial debt to EBITDA ratio of the Group each quarter from 4Q 2017 until full repayment of the loans shall not be more than 2.00.

The financing agreements contain a change of control clause, allowing Luminor Bank to terminate the agreements in case the direct or indirect control of the Company is transferred without the prior approval of Luminor Bank. This requirement is not applied in the case of the Offering. In addition, the current majority shareholder of the Company, Central European Tour Operator S.à r.l., has issued a comfort letter to Luminor Bank undertaking not to transfer any of its shares without the prior consent of Luminor Bank.

Pursuant to the agreements the loan can be used for the financing of the operation of the Group including payment of dividends.

Research and development

Currently, the Group does not carry out any significant research and development activities. Furthermore, it does not have and did not apply research and development policies.

Legal proceedings

Neither the Company nor any of its Subsidiaries have, during the 12 months preceding the date of this Prospectus, been or are currently involved in any material governmental, legal or arbitral proceedings (including any such proceedings which are pending or threatening of which the Company is aware) or material disputes which may have or have had a significant adverse effect on the business, results of operations or the financial position or profitability of the Company and/or the Group as a whole, except for the following legal proceedings:

In September 2017, the Group discovered from the accounting systems that several payments for hotel services, flights, fuel, airport taxes, visas, commission expenses, etc. were made by Novatours OÜ to unknown companies. Following additional checks, it was established that these companies were related to three former employees of Novatours OÜ.

Due to the suspicion of embezzlement and fraud, one of the former employees was recalled from his position held in this Subsidiary and the employment contracts with two other employees were suspended. In parallel, three initial statements of claims together with interim measures were submitted to the civil court against these employees and the companies related to them.

During the internal investigation in October 2017, more abuses were discovered, such as payments without any legal basis and without any services provided to the related companies, larger salaries and bonuses than agreed and/or approved by the shareholder, expenses and payments in relation to personal consumption. The total amount of the damage discovered is equal to EUR 3,832,590.37.

Based on the findings, the following cases have already been initiated:

- (i) **Civil case No 2-17-13890:** *Novatours OÜ claim against one of the former employees, FinExpo osaühing and Rafira osaühing* (amount of the claim is EUR 181,137.60 together with late payment interest). The amount of the statement of claim will be increased in the following months by EUR 90,560. Currently the proceeding is in the first court instance and the parties are submitting written submissions. The court has secured an action for the benefit of Novatours OÜ in the amount of EUR 25,000 against Rafira osaühing and in the amount of EUR 15,000 against the former employee;
- (ii) **Civil case No 2-17-13898:** *Novatours OÜ claim against two former employees, TKA Consulting, Alber Tech, J.RE Advisory* (amount of the claim is EUR 678,942 together with late payment interest). Currently the proceeding is in the first court instance and the parties are submitting written submissions. The court has secured an action for the benefit of Novatours OÜ in the amount of EUR 42,000 against Alber Tech, in the amount of EUR 77,400 against J.RE Advisory, in the amount of EUR 18,000 against TKA Consulting and in the amount of EUR 74,500 against one of the employees. In addition, the securities account of his has been seized in the amount of EUR 223,444;
- (iii) **Civil case No 2-17-13899:** *Novatours OÜ claim against Gabriell OÜ, Triocrew, LR Vokof Group, and two former employees* (amount of the claim is EUR 465,353.64 together with late payment interest). The amount of the statement of claim will be increased in the following months by EUR 168,210.91. Currently the proceeding is in the first court instance, the parties are submitting written submissions. The court has secured an action for the benefit of Novatours OÜ in the amount of EUR 37,824 against Gabriell OÜ, in the amount of EUR 31,529 against Triocrew, in the amount of EUR 170,000 against LR Vokof Group and in the amount of EUR 37,550 against one of the former employees. In addition, a judicial mortgage has been entered in the Land Register with regard to real estate belonging to this employee in the amount of EUR 95,000.

Furthermore, Novatours OÜ plans to file additional claims against the former employee totalling EUR 449,770 (plus late payment interest) and requested for this claim to be joined with civil case no 2-17-13890. On 29 January 2018 Novatours OÜ has sent written claims to the former employees for the full amount of accounted damages equal to EUR 3,832,590.37.

In addition, Novatours OÜ is also considering filing a criminal report against all three former employees based on the following criminal offences: embezzlement (Penal Code § 201), abuse of trust (Penal Code § 217-2) and violation of the obligation to maintain accounting records (Penal Code § 381-1).

Novatours OÜ has already sustained monetary damage due to the actions of these former employees as indicated above. Restoration of this incurred damage depends on whether the civil claims presented are successful. There is a possibility that even if all civil claims are successful, not all litigation costs suffered will be awarded by the court. Furthermore, in case the civil claims are unsuccessful Novatours OÜ will have to pay for the defendants' litigation costs.










In addition, there is a risk of tax liability related to the payments made to the companies of the former employees and for other payments and expenses. The Estonian Tax Board could consider the payments as expenses and payments not related to business activities. In addition, some payments could also be qualified as payments for salaries, and therefore resulting in tax liability. The general position of Novatours OÜ is that the payments constitute criminal offences





(embezzlement, abuse of trust) and according to previous court practice and the practice of the Estonian Tax Board, in the case of criminal offences under certain circumstances no tax liability will be created.

Intellectual Property

The trademarks “Novaturas”, “Novaturas Gold”, “Novatours”, “Novaturo šeimos klubas”, “Eco Travel”, “Eco Travel Mažų kainų specialistas”, “Sofa Travel”, “Travel on Spot” and “DMC Baltic Experts” are registered in the name of the Company. The Subsidiary Aviaturas ir partneriai UAB also registered the respective trademark. However, this trademark expired on 12 December 2013. The Company is not dependent on any patents or licenses.

The below table presents the trademarks of the Group.

No	Trade mark	Type	Application No.	Application Date	Registration No.	Expiry Date	Classes (international classification)	Territory	Status	Comments
1.		Fig.	2014 2228	13.11.2014	71530	13.11.2024	39	LT	Registered	Mark is put in pledges*
2.		Fig.	2011 0781	28.04.2011	64738	28.04.2021	35; 39	LT	Registered	Mark is put in pledges*
3.		Fig.	2011 0779	28.04.2011	64737	28.04.2021	35; 39	LT	Registered	Mark is put in pledges*
4.		Fig.	2010 0874	21.05.2010	62926	21.05.2020	39; 41	LT	Registered	Mark is put in pledges*
5.		Fig.	2010 0242	17.02.2010	62411	17.02.2020	39	LT	Registered	Mark is put in pledges*
6.		Fig.	2010 0241	17.02.2010	62410	17.02.2020	39	LT	Registered	Mark is put in pledges*
7.	NOVATURAS	Word	2009 1126	17.07.2009	61328	17.07.2019	39	LT	Registered	Mark is put in pledges*
8.		Fig.	2008 0997	30.04.2008	58731	30.04.2018	39	LT	Registered	Registration is about to lapse
9.		Fig.	2008 0996	30.04.2008	58730	30.04.2018	39	LT	Registered	Registration is about to lapse
10.	SOFA TRAVEL	Word	2007 1859	14.09.2007	57384	14.09.2027	39	LT	Registered	Mark is put in pledges*
11.		Fig.	99-2755	21.12.1999	41517	21.12.2019	39	LT	Registered	Mark is put in pledges*

No	Trade mark	Type	Application No.	Application Date	Registration No.	Expiry Date	Classes (international classification)	Territory	Status	Comments
12.		Fig.	008252884	28.04.2009	008252884	28.04.2019	39	EU	Registered	
13.		Fig.	011292547	25.10.2012	011292547	25.10.2022	39	EU	Registered	
14.		Fig.	1247218	24.02.2015	1247218	24.02.2025	39	CN, EU	Registered	
15.		Fig.	965658	16.05.2008	965658	16.05.2018	Nice cl. 39, Vienna cl. 01.05., 27.03, 29.01	AT, BG, BY, CZ, EE, GR, HR, HU, IT, LV, MK, PL, RS, SI, SK, UA	Registered	

Source: The Issuer

*Pledged to secure obligations under (i) Credit Agreement No 341-IV, dated 25 November 2015, and (ii) Credit Line in Bank Account Agreement No 340-TV, dated 25 November 2015. For more information on these agreements please see Section "Material Contracts".

The Group has no registered patents or industrial designs.

The Group does not hold any licenses as the activities it performs are not subject to licensing. Disregarding this, the Company and its Subsidiary Aviaturas ir partneriai UAB must possess a Travel Organization Certificate issued by the State Tourism Department of Lithuania, whereas Novatours SIA and Novatours OÜ must be registered with the respective Latvian and Estonian databases. For more information on this issue, please see Section "Legal Overview". All the Group companies currently fulfil the above legal requirements. Information on this issue is found in the table below.

Company	No and issue date of the Certificate/date of registration	Type of the Certificate/registration database	Issued by
Novaturas AB	No. 14275, issued on 10 February 2015	Inbound, outbound and domestic	State Tourism Department of Lithuania
Novatours SIA	Registration No. TATO-2010-28, registered as of 7 July 2010	Travel Agent and Tour Operator database, maintained by Latvian Ministry of Economics	-
Novatours OÜ	No. TRE000096, registered on 5 August 2004	Estonian Register of Economic Activities	-
Aviaturas ir partneriai UAB	No. 013237, issued on 17 January 2013	Outbound	State Tourism Department of Lithuania

Source: The Issuer

Real property and leases

The table below contains basic information on the book value of the fixed assets of the Group.

	As of 31 December 2017	As of 31 December 2016	As of 31 December 2015
		(in thousand EUR)	
Machinery and equipment	34	25	36
Vehicles	210	217	174

Source: Consolidated Financial Information

As at the date of the Prospectus the above-mentioned assets are not pledged, except of trademarks (see Section “Business of the Group-Intellectual Property”). The Group operates using an asset light model. The Group does not hold any real property. As at the date of the Prospectus the Group does not plan to purchase material tangible fixed assets.

Environmental matters

As of the date of this Prospectus no specific obligations or duties are imposed on the Group in regard to environmental matters. Thus, there are no environmental issues that may affect the Issuer’s utilization of the tangible fixed assets.

Employees

Employees are offered a fixed and variable salary. The variable part is made up by employee bonuses, creating a significant motivating factor for the employees to work towards the Company turnover and profitability growth. In general, the variable portion of the salary is created through the following scheme: (i) a monthly bonus if the given subsidiary reached the targeted financial results, (ii) end-year bonus based on targeted sales and other financial results.

Number of Employees

On 31 December 2017, the Group had 240 full-time employees. A breakdown of full-time employees of the Group by companies as well as the non-guide employees, representatives abroad and guides of the Group is presented in the tables below. These breakdowns exclude secondary employment in case an employee is employed in several companies of the Group at the same time.

The table below presents the breakdown of employees of the Group by companies.

	As at 31 December		
	2017	2016	2015
	<i>(audited)</i>		
Novaturas AB	124	119	113
Novatours SIA	70	54	49
Novatours OU	21	23	25
Aviaturas ir partneriai UAB	25	26	26
Number of all full-time employees at the end of the period	240	222	213

Source: The Issuer

The table below presents the breakdown of non-guide employees of the Group comparing their number to the representatives abroad and guides of the Group.

	As at 31 December		
	2017	2016	2015
	<i>(audited)</i>		
Non-guides of the Group	186	186	183
Representatives and guides of the Group	54	36	30
<i>Employed in Lithuania</i>	<i>11</i>	<i>10</i>	<i>10</i>
<i>Employed in Latvia</i>	<i>43</i>	<i>26</i>	<i>20</i>
Number of all full-time employees at the end of the period	240	222	213

Source: The Issuer

Rotation rate amounted to 15% in 2015, 16% in 2016 and 14% in 2017.

Collective Bargaining

No collective agreements are in effect in the Group and the Group does not anticipate any collective bargaining initiatives in any of its companies in the near future.

Shareholdings and Stock Options

On 9 February 2018 the General Meeting approved the Rules on Granting Shares to the Management of the Company.

Following the Regulation, the management of the Company will be entitled to receive shares of the Company comprising up to 1.5% of the share capital of the Company on a fully diluted basis (the “**Granted Shares**”). The Granted Shares will be granted to management employees free of charge in three annual tranches (i.e. up to 0.5% of the share capital of the Company each year, on a fully diluted basis) during the financial years 2019-2021, provided that: (i) the annual growth of the Company’s EBITDA during the financial years 2018, 2019 and 2020 is equal to or exceeds 7.5% (the “**EBITDA Target**”) compared to the previous financial year; and (ii) the eligible management employee is employed by the Company at the time The Supervisory Council grants the shares.

The Supervisory Council may decide to prolong the term of granting by one year, without increasing the total amount of the Granted Shares, in case the Granted Shares are not fully allocated during the financial years 2019-2021. The Supervisory Council may also decide to grant all or a part of the Granted Shares even if the EBITDA Target is not met in any of the financial years 2018, 2019 or 2020, however the compound growth of EBITDA over the years 2018-2020 is equal or exceeds 7.5% per annum. Moreover, the Supervisory Council, taking into account the prevailing economic, competitive and other conditions, input of each eligible employee into the Company’s financial results and other relevant circumstances, may decide to grant all or part of the Granted Shares to the employee(s) elected at Supervisory Council’s discretion even if the EBITDA Target is not met.

Eligible management employees entitled to receive Granted Shares: (i) CEO of the Company – up to 40% of the Granted Shares; (ii) CFO of the Company – up to 20% of the Granted Shares; (iii) Purchasing Director the Company – up to 10% of the Granted Shares; (iv) Production Director of the Company – up to 10% of the Granted Shares; (v) other management employees elected at the discretion of the Supervisory Council all together – up to 20% of the Granted Shares.

The Granted Shares may be either (i) own shares purchased by the Company on the market; or (ii) new shares issued by the Company.

The following restrictions to sell (or otherwise transfer) Granted Shares shall apply to each tranche of the Granted Shares individually: (i) during the first 12 months after granting of the shares, the employees will be prohibited from selling (or otherwise transferring) any of the Granted Shares; (ii) during the period between the 13th and 24th month after granting of the shares, the employees will have a right to sell (or otherwise transfer) up to 1/3 of their part of the Granted Shares; (iii) during the period between the 25th and 36th month after granting of the shares, the employees will have a right to sell (or otherwise transfer) up to 1/3 of their part of the Granted Shares plus the Granted Shares not sold under point (ii) above (if any); and (iv) after the expiry of 36 months after granting of shares, the employees will have a right to sell (or otherwise transfer) the remaining Granted Shares.

Information about implementation of the Regulation will be provided to shareholders at every annual General Meeting.

Arrangements for Involving the Employees in the Capital of the Issuer

Apart from the arrangement, described above, no such other arrangements exist.

Median disposable income per household is expected to grow rapidly in the mid-run, CAGR 2017-2021 ranging from 8.1% for Lithuania to 7.4% for Latvia and 5.5% for Estonia) (source: Passport GMID (Euromonitor).

Analysts conclude that the capacity of Baltic households to spend on discretionary goods is poised to improve significantly through to 2030 as a result of growing disposable income, decreasing unemployment and rising wages. The 30-34 age group constitutes the top income earners, while simultaneously being one of the main tourism market target groups (source: Euromonitor International). This holds promising prospects for the travel industry, as frequent holidays are one of the most common discretionary spending items among the Baltic population.

Consumer situation

Improving the wealth of the Baltic States translates into increased consumption, which is reflected in private consumption growth and consumer confidence indicators.

The favourable economic environment and the improvement of the financial condition of households in recent periods has led to an increase in consumer confidence and a positive expectation of further improvement in the financial situation (both current and anticipated consumer confidence is above zero, and therefore which means that consumers are more optimistic).

The below table presents private consumption growth in Estonia, Latvia and Lithuania between 2014-2016 as well as forecasts for 2017-2019 (y/y).

	2014	2015	2016	2017F	2018F	2019F
	(%)					
Estonia	3.4	4.6	4.4	2.2	3.6	2.5
Latvia	1.4	2.5	3.3	4.3	4.0	3.9
Lithuania	4.0	4.0	4.9	3.9	3.4	3.1

Source: Eurostat, European Commission (Autumn 2017 Economic Forecast)

The growing consumer confidence indicator and private consumption have a positive impact on consumer expenditure on package holidays in the Baltics. Euromonitor estimates consumer expenditure on package holidays in the Baltics for 2017-2021 at CAGR of +7.4% compared to the historical CAGR of 5.6% for 2014-2016, which implies very positive forecasts of market growth. An important driver of the fast-growing consumer expenditure on package holidays in the Baltics will be increasing volumes (number of outbound trips) due to more frequent trips and higher participation in tourism activities among the population of the Baltic countries.

The below table presents consumer expenditure on package holidays in the Baltics in 2014-2016 as well as its forecast in 2017-2021.

	2014	2015	2016	2017F	2018F	2019F	2020F	2021F	CAGR 2014-21
	(in million EUR)								%
The Baltics	422	436	471	512	554	596	638	681	7,1

Source: Passport GMID (Euromonitor)

Tourism market in the Baltic countries

The Group's main source market are the countries in the Baltic region – Lithuania, Latvia and Estonia – offering a base of more than 1.2 million holidaymakers (the number of holidaymakers is equal to the total market penetration multiplied by the population in each Baltic country) at the given level of tourism market penetration. Macroeconomic conditions in the Baltics are expected to develop favourably, which will support further expansion of tourism in the upcoming years. Market penetration will grow due to the number of people who can make foreign trips, the number of trips per person and the higher average expenditure per trip.

Belarus is a high-growth prospective market, which currently makes up ca. 0.5% of sales, where the Group retails its Baltic product portfolio via external partners. With a population of 9.5 million, Belarus offers opportunities for future expansion.

The below table presents the market penetration in 2016.

Population	Market penetration*	GDP nominal	GDP per capita
(in million)	(%)	(in billion EUR)	(in EUR)

Estonia	1.3	20	21.1	16,084
Latvia	2.0	18	25.0	12,708
Lithuania	2.9	21	38.6	13,458
The Baltics	6.2	20	84.8	14,083
Belarus	9.5	n.a.	42.0	4,426

Source: IMF; The Baltics: population (sum), GDP nominal (sum); market penetration (average), GDP per capita (average)

* Participation in tourism for personal purposes, % of total population, outbound trips, 4 nights or over, 2013 (Eurostat)

Macroeconomic conditions in the Baltics are improving rapidly and rising disposable income allows customers to spend increasing amounts of money on discretionary goods, including holiday travel. As a result of the improvement of the economic situation, foreign tourist trips are becoming an increasingly popular way of spending leisure time by the inhabitants of the Baltic Countries (i.e. Lithuania, Latvia and Estonia). The Baltic states are one of the top growing region in terms of the number of outbound trips for personal purposes (four nights or more) among CEE countries (2007-2016 growth: Estonia +81%, Latvia +11%, Lithuania +45%, the Baltics +40% in comparison to Slovakia -30%, Czech Republic -7%, Slovenia +4% and Romania +18%). The year 2015 compared to 2007 shows a visible increase in the number of trips for personal purposes in Estonia, Latvia and Lithuania.

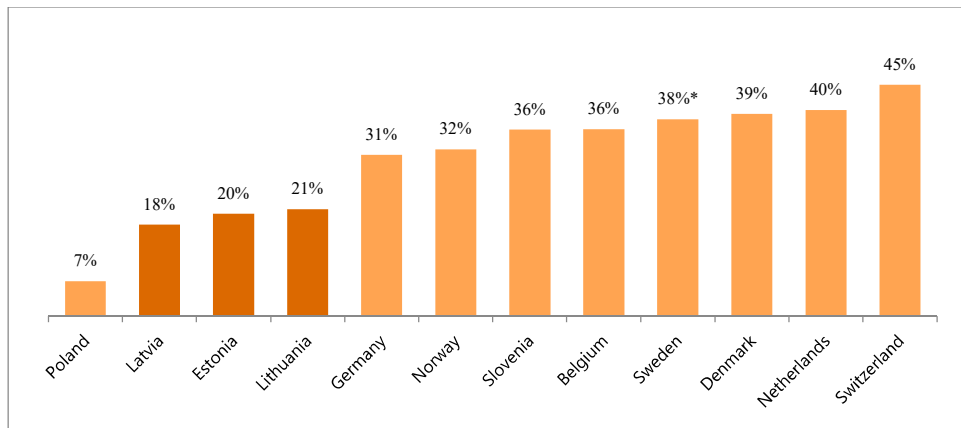
The below table shows the increase in the number of trips in the Baltic countries.

	2007	2015	2007-2015 growth
	<i>(in thousand)</i>		<i>%</i>
Estonia	300	543	+81
Latvia	559	621	+11
Lithuania	711	1,029	+45

Source: Eurostat; number of trips for personal purpose, 4 nights or over, outbound trips

The Baltic countries are located at the lower end of the European tourism market penetration curve, illustrating the potential for strong growth in travel demand in these countries. A country such as Poland is endowed with numerous attractive locations, thus its tourism market demand is channelled towards domestic tourism resulting in a lower penetration rate for outbound tourism (four nights or over). In Denmark, Sweden and the Netherlands, tourism demand is driven by outbound travel. The Baltic countries are quite similar to the other relatively small and open economies such as Belgium, Denmark and the Netherlands where tourism market penetration is much higher, suggesting room for improvement in the Baltics as the living standards continue to grow.

The below chart presents participation in tourism for personal purposes of the total population in specific European countries.

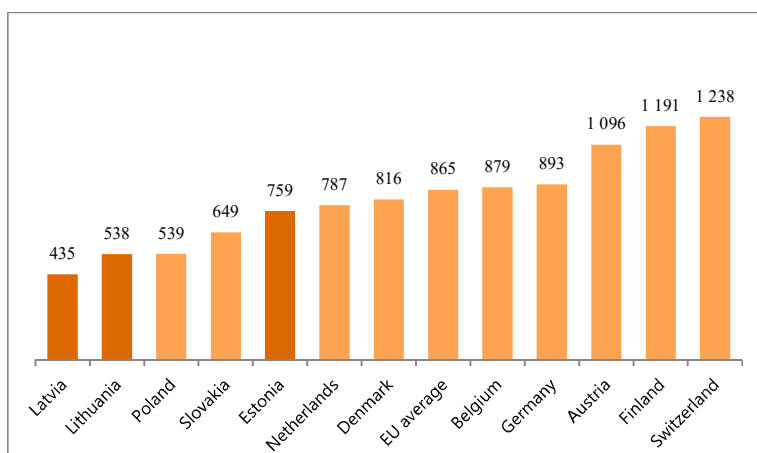


Source: Eurostat; 4 nights or over; outbound trips; percentage of total population, 2013; *2012

Average expenditure per trip in each Baltic country is still behind the European Union average which amounts to 865 EUR. High GDP growth in the Baltic states (significantly higher than the EU average), the strong labour market supported by the low unemployment rate and fast-growing gross average monthly salaries provide opportunities for the

Baltic states to progressively catch-up, with the EU average expenditure per trip. Because of the significant lower average expenditure per trip in Latvia and Lithuania (79% of the population of the Baltics) in comparison to Estonia, potential growth in these countries could be even faster.

The below chart presents the average expenditure per trip for personal purposes in specific European countries.



Source: Eurostat; 4 nights or over; outbound trips, 2015, EUR

Exposure to increase of e-commerce sector in tourist industry

According to Eurostat there is significant growth of retail purchases made through the internet in all three Baltic countries. In 2012-2016 there was increase of the number of purchases of goods and services on the internet (e-commerce, e-shopping) for private use via various devices (desktop, portable or handheld, including mobile or smart phone). It concerns both type of orders – via websites and apps.

The below table presents the percentage of individuals who purchased goods and services online in the last 12 months.

	2012	2013	2014	2015	2016
	(%)				
Estonia	23	23	49(b)	59	56
Latvia	27	32	34	38	44(b)
Lithuania	20	26	26	32	33

(b) – break in time series

Purchase for private purposes. Purchases refer to the ordering of goods or services for which payment is required; however the payment does not have to be made online. Orders via manually typed e-mails, SMS or MMS are excluded.

Source: Eurostat

The share of e-commerce in the Group's revenues (calculated as revenues from flight packages, roundtrips by plane and coach, sell of flight tickets and accommodation, without other products) grew from 4.1% in 2012 to 16% in 2017.

Further e-commerce development in the Baltic countries is expected to be boosted by an increase in the number of tourist trips purchased online by consumers. There is visible exposure to the fast-growing e-commerce sector in the Baltic countries supported by increasing internet purchases by individuals (change 2010-2016: in Estonia +39 pp, in Latvia +27pp, in Lithuania +22pp).

The table below shows the historical increase in the number of internet purchases by individuals.

Country	2010	2011	2012	2013	2014	2015	2016	Change (percentage point)
	(%)							
Estonia	17	20	23	23	49	59	56	+39
Lithuania	11	16	20	26	26	32	33	+22
Latvia	17	20	27	32	34	38	44	+27

Source: Eurostat

Seasonality of tourist trips

Seasonality is one of the most characteristic features of the tourism market affecting its global shape. This phenomenon affects all elements of the tourism market, both in respect of demand and supply. It is influenced by many factors of natural-climatic, social and economic nature. These factors affect the intensity of tourist traffic during the year and encourage or limit participation in certain forms of tourism and recreation. Changes in the intensity of tourist traffic are also caused by factors such as the schedule of days off work and holidays. These periods create the possibility of additional tourist activity, especially short-term activity.

The below table presents historical overview of the number of outbound trips for personal purposes (four nights or more)*.

	Q1			Q2			Q3			Q4		
	<i>(in thousand)</i>											
	Lithuania	Latvia	Estonia	Lithuania	Latvia	Estonia	Lithuania	Latvia	Estonia	Lithuania	Latvia	Estonia
2013	283.06	202.90 (u)	243.13	485.55	349.88	318.47	623.57	385.10 (u)	359.12	371.97	308.26	232.31
2014	301.58	229.86 (u)	310.00	511.82	342.68 (u)	367.56	608.14	434.17 (u)	408.42	359.96	355.40	321.76
2015	313.06	225.53 (u)	267.64	503.81	300.31 (u)	299.06	635.88	398.18 (u)	379.83	393.37	317.72	290.10

Source: Eurostat, the Company

Available flags:

(u) low reliability

Special value:

n/a not available

* The table presents the number of outbound trips for personal purposes of four nights or more in the Baltic. The data in the table may vary from the data presented in other parts of this Section due to a different approach to the data. The table is presented only to demonstrate the seasonality of the Baltic states.

The above numbers indicate outbound trips for personal purposes of four nights or more in the Baltic. The data in the table may vary from the data presented in other parts of this Section due to a different approach to the data. The table is presented only to demonstrate the seasonality of the Baltic states.

Competitive environment

The Baltics' travel market is highly correlated with the Group's leading position. The number of seats sold in the Baltic market has been growing with the CAGR of 11.2% (2013–2017). The Group has secured a stable, leading position on the market and has been steadily increasing its market share. The main competitors of the Group are the following: Tez Tour; Kidy Tour and Aurinko.

The below table presents organized chartered flights market in the Baltic (seats supply*).

	Novaturas	Tez Tour	Kidy Tour**	GoAdventure***	Aurinko	Other	
	<i>(in thousand)</i>						
2013		124	107	-	48	16	22
2014		139	126	-	48	18	57
2015		155	139	-	38	18	30
2016		164	149	29	-	17	36
2017		213	189	32	-	19	34

Source: The Issuer's estimations

* Seat supply – the total number of offered seats (available for sale). Some numbers, of seats are not sellable due to programmes during the year and due to arising from empty leg seats from discontinued programmes (almost all destinations are seasonal and not operated throughout the year so ending of the programme always means empty leg seats)

** Kidy Tour has started operations in Lithuania in 2016 and will start operations from scratch in Latvia in 2018

*** Go.Adventure (operating in Estonia) was acquired and rebranded by Kidy Tour in 2016

The below table presents the organized chartered flights market in the Baltic (market share based on seats supply).

	Novaturas	Tez Tour	Kidy Tour	GoAdventure	Aurinko	Other
	%					
2013	39	34	-	15	5	7
2014	36	33	-	12	5	15
2015	41	37	-	10	5	8
2016	41	38	7	-	4	9
2017	44	39	7	-	4	7

Source: The Issuer's estimations

The Group is a leader in the Baltics. The below table presents the market share by seats supply of the Group in the Baltics separately in 2017.

Lithuania		Latvia		Estonia	
Company	Market share (%)	Company	Market share (%)	Company	Market share (%)
Novaturas	49	Novatours	39	Novatours	39
Tez Tour	46	Tez Tour	33	Tez Tour	32
Kidy Tour	5	Alida	16	Kidy Tour	13
-	-	Mouzenidis	9	Aurinko	13
-	-	Others	3	Others (under 5%)	3

Source: The Issuer's estimations

LEGAL OVERVIEW

Lithuania

The Company is active in formation and sale or offering for sale of travel services packages, and is considered to be a travel organizer. The Company holds a travel organizer's certificate for activities related to inbound, outbound and domestic tourism services No 14275, dated 10 February 2015 issued by State Tourism Department of Lithuania.

The principal requirements for activities of travel organizers are established in the Law of the Republic of Lithuania on Tourism, implementing the Directive 90/314 (the "**Lithuanian Law on Tourism**").

According to the Lithuanian Law on Tourism, travel organizers must hold a certificate, verifying the organizer's right to carry out travel organizer's activities. In order to obtain and hold a valid certificate, a travel organizer must meet the following requirements:

- (i) it must hold a security for fulfilment of obligations in the amount established by the Lithuanian Law on Tourism. There are several alternative criteria of establishing the amount of security needed. It must be not less than 7% of the amount from the planned sales of organized trips in the next four quarters, however not less than from the annual income for the sale of organized trips according to all outbound tourism contracts. In any case, the amount of security of the Company must not be less than EUR 200,000, and not be less than the amount of the commitments undertaken by the Company in accordance with all contracts concluded by the travel organizer, including those not yet executed;
- (ii) the shareholders of the travel organizer, having more than a quarter of voting rights in the organizer, and travel organizer's management must be of impeccable reputation (management includes the general manager, members of the collegial management body as well as other employees of the organizer, who are entitled to make decisions as established by the Lithuanian Law on Tourism). The criteria of impeccable reputation are established by the Lithuanian Law on Tourism, e.g. persons shall not be considered of impeccable reputation in cases where they have been convicted of an act of intentional criminal offense and have a valid conviction or during the period of the last five years have been punished for administrative violations of law in the area of property, commerce, finance, accounting or statistics.

The Company's activities must also meet other strict requirements established by the Lithuanian Law on Tourism, e.g.:

- (i) the travel organizer's equity must remain not less than 1/2 of the authorised capital;
- (ii) the travel organizer must submit quarterly reports on its activities to the State Tourism Department, including information on its financial status (based on this report, risks of the organizer are being evaluated);
- (iii) the travel organizer must inform the State Tourism Department about changes in the travel organizer's management, as well as inform about the establishment of branches of the organizer, in which they intend to perform or have ceased to perform the activities indicated in the certificate, inform on changes in the form of activities, legal form, legal status, place of residence or other place of activities of the organizer;
- (iv) agreements on provision of tourism services with customers must be concluded on the basis of standard terms approved by the State Tourism Department. Standard terms of agreements with costumers must include information on travel organizers' security for fulfilment of its obligations, type of services provided based on agreement, payment terms, customer's right to withdraw from agreement, liability of the parties, the procedure for handling the disputes, etc.;
- (v) when advertising its services and / or before agreements with customers are concluded, travel organizers must provide mandatory information to the customers, such as the type of accommodation, food services, information on intermediate stations and stopping times, location and information on the passenger's place in the vehicle, information on the epidemiological situation of the host countries, etc.

In case the travel organizer fails to meet requirements established by the Lithuanian Law on Tourism, the certificate of the organizer may be suspended or revoked, in addition, penalties, amounting up to EUR 850 may be imposed on the organizer.

A Subsidiary of the Company, Aviaturas ir partneriai UAB, performs activities of the travel agent. Currently, travel agents are required to insure their civil liability against possible damage which, as a result of their activities, may be incurred by the principal or the third persons. Also, travel agents, when concluding agreements on provision of tourism services, must follow requirements of travel organizers in relation to provision of information to customers and standard terms of agreements, as indicated in paragraph above.

Currently, the new draft of the Lithuanian Law on Tourism is under consideration, which introduces new requirements for activities of the travel agents, e.g. obligation to ensure that travel agent's equity is not less than 1/2 of the authorized capital; obligation to submit financial statements of the agent to the State Tourism Department, etc.

Drafts of national laws implementing the Directive 2015/2302 are also currently under consideration. For example, a draft of law amending Civil Code of Republic of Lithuania has been drawn up, which provides for additional rights to customers in relation to provision of tourism services, e.g. right to terminate agreement with no additional fees in cases established by the law; right to reduce price for services, etc.

If adopted, the drafts of laws shall come into force as of 1 July 2018.

Latvia

Novatours SIA is active in formation and sale or offering for sale of travel services packages. Under Latvian laws Novatours SIA is considered a tour operator and travel agent. Novatours SIA is registered accordingly with the Travel Agent and Tour Operator data base (the "**TATO database**") maintained by Latvian Ministry of Economics (the "**Ministry**") under registration No TATO-2010-28 as of 7 July 2010.

The principal requirements for activities of tour operators and travel agents are established in the Tourism Law of the Republic of Latvia, implementing the Directive 90/314 (the "**Latvian Law on Tourism**") and the 13 April 2010 Cabinet Regulations No 353 "Regulations Regarding the Rights and Duties of Tourism Operators, Tourism Agents and Clients, the Procedures for the Preparation and Implementation of a Package Tourism Service, the Information to be Provided to a Client and the Procedures for Deposition of Security Guarantee of Money" (the "**Regulations**").

According to the Latvian Law on Tourism services of a travel agent and a tour operator may be provided only by a merchant which is registered with the TATO database. To obtain registration with the TATO database a tour operator and a travel agent must submit a standard registration application to the Ministry (the "**Registration application**").

Additionally, tour operators must have a security guarantee for the money deposited by consumers (the "**Guarantee**"). Information about the issued Guarantee must be submitted together with the Registration application. Under the Latvian Law on Tourism, the Guarantee is either insurance or a bank guarantee. Tour operator can be excluded from the TATO base if it did not ensure (or failed to inform the Ministry about) the new Guarantee after termination of the previous one. The Guarantee must be valid for a period of time, which is not less than one year. The amount of the Guarantee must be sufficient to ensure repayment of the money deposited by the client and delivering of the client to the country where the journey began, but not less than EUR 28,457.44.

In addition to that, travel agents must submit either a copy of the agreement concluded between the respective travel agent and tour operator or a written acknowledgement from the tour operator on the rights of the travel agent to act on behalf of the tour operator. Travel agent can be excluded from the TATO database if it failed to submit the said agreement or acknowledgement to the Ministry. A travel agent may offer or sell only such package tourism service, which is ensured with the Guarantee.

Under the Regulations, before conclusion of the agreement with the client, tour operators and travel agents are obliged to provide them with certain information (in writing or other way acceptable to the client, e.g. via e-mail). This information includes:

- (i) the passport and visa requirements in the countries which the provision of the service is related to, and the time period for the receipt of the visas;
- (ii) health formalities related to the journey and the stay in the relevant country;
- (iii) the expenditure that arises if the client withdraws the service;
- (iv) information about the Guarantee for repayment of the money deposited by the client and delivering of the client to the country where the journey began in case the tour operator is unable to fulfil its obligations and provide the services.

Regulations also establish other types of information that must be provided to the client under certain circumstances.

Administrative fine for the breach of obligations under the Latvian Law on Tourism and Regulations can reach up to EUR 4,300.

Amendments of the Latvian Law on Tourism, which came into force on 1 January 2018, establish additional requirements, which will apply as of 1 July 2018:

- (i) tour operators and travel agents will need to obtain a licence with the CRPC. The licence will be issued for an indefinite period of time. Tour operators and travel agents will have to pay stamp duty annually to maintain the licence. Tour operators and travel agents that commenced provision of services before 30 June 2018 may continue provision of services without this license only until 30 June 2019;

- (ii) the CRPC will maintain the database on tour operators and travel agents instead of the Ministry (registration with the TATO database will take place till 30 June 2018, the Ministry will maintain the TATO database till 30 June 2019). Tour operators and travel agents will have to make a new registration with the CRPC maintained database (i.e., re-registration will not take place automatically). Tour operators and travel agents which have registered with TATO database before 30 June 2018 may provide services without re-registration with CRPS data base only until 30 June 2019;
- (iii) tour operators will need to have a security guarantee for re-payment of all payments made by or on behalf of the tourist in cases the tour operator is unable to comply with its obligations and provide the services (the “**Security Guarantee**”). The Security Guarantee is either an insurance policy issued by an insurer or a guarantee issued by a credit institution.

Further provisions on the procedure on receiving the licence with CRPC, amounts of stamp duties, etc. will be established by the Cabinet, presumably by 1 July 2018.

Estonia

Novatours OÜ is operating as a tour operator, organizing, offering for sale, and selling travel services packages. Novatours OÜ also operates as a travel agent offering for sale and selling travel services packages organised by other travel companies. Pursuant to the Estonian Register of Economic Activities Novatours OÜ has submitted a notice of economic activities No TRE000096 for operating as a tour operator, which is valid for an unspecified term.

Principal requirements for activities of tour operators and travel agents are established in the Tourism Act of Republic of Estonia, implementing the Directive 90/314 and Council Directive 95/57/EC of 23 November 1995 on the collection of statistical information in the field of tourism (the “**Estonian Tourism Act**”). Tour operators and travel agents are both defined as travel undertakings and are subject to the Estonian Tourism Act.

Pursuant to the Estonian Tourism Act, a travel undertaking has an obligation to submit a notice of economic activities to the Estonian Register of Economic Activities. A travel undertaking must present the following information in the notice of economic activities:

- (i) the area/areas of activity of the travel undertaking pursuant to the Estonian Tourism Act;
- (ii) if a travel undertaking has also granted the right to offer for sale and sell packages organized by them to another travel undertaking/ undertakings, information concerning the travel undertaking/ undertakings who have received the corresponding right, including the name, the registration number of economic activities, address and other contact details;
- (iii) if a travel undertaking offers for sale and sells packages organized by another travel undertaking, information concerning the travel undertaking who organized the package, including the name, the registration number of economic activities, the address and other contact details. Upon the offer for sale and sale of packages organized by a travel undertaking from a state outside of the European Economic Area or from another state within the European Economic Area, the registration number of economic activities shall be replaced by a relevant designation of the country of location of the travel undertaking (the registry code and the name of the corresponding register);
- (iv) the trademark used by travel undertaking, if such a trademark exists;
- (v) the address of the place of business or the addresses of the place of business and other contact details, and website address in the case of e-commerce.

A travel undertaking is required to certify the existence of a security by financial resources. A security may also be an obligation assumed by an insurance company or credit institution located in Estonia or another state within the European Economic Area to guarantee the existence of financial resources for satisfaction of the customers’ claims. The security of a travel undertaking, operating in the fields Novatours OÜ is active in, must be at least 7 per cent of the total annual sales of packages planned by a travel undertaking but no less than EUR 32,000. A travel undertaking is required to assess the amount of the security and, if necessary, increase the size of the security.

A travel undertaking must submit to the Estonian Consumer Protection Board:

- (i) a report on the total sales of packages and the updated total sales of packages planned for the following quarter, once a quarter by the 20th day of the month following the accounting quarter;
- (ii) the planned annual total sales of packages which is the basis for the calculation of a security, including the sale of packages, every quarter, upon commencement of activities and henceforward every year together with the report on the total sales of packages of the IV quarter of the previous year.

In case a travel undertaking offers for sale or sells travel services packages without a requisite security, the travel undertaking is punishable by a fine of up to EUR 1,200 and in case committed by a legal person, punishable by a fine of up to EUR 50,000.

On 6 December 2017 a package of amendments to the Estonian Tourism Act, the Law of Obligations Act and the Consumer Protection Act was adopted by the Estonian legislator, which will come into force as of July 2018. The new law transposes the Directive 2015/2302 to Estonian national law. The amendments increase customers' rights in concluding travel agreements and provide better legal remedies, including better terms for terminating agreements as well as prescribe obligations for the travel undertakings to provide prior information regarding the provision of travel services and regulate the grounds and limits for changing the cost of travel services.

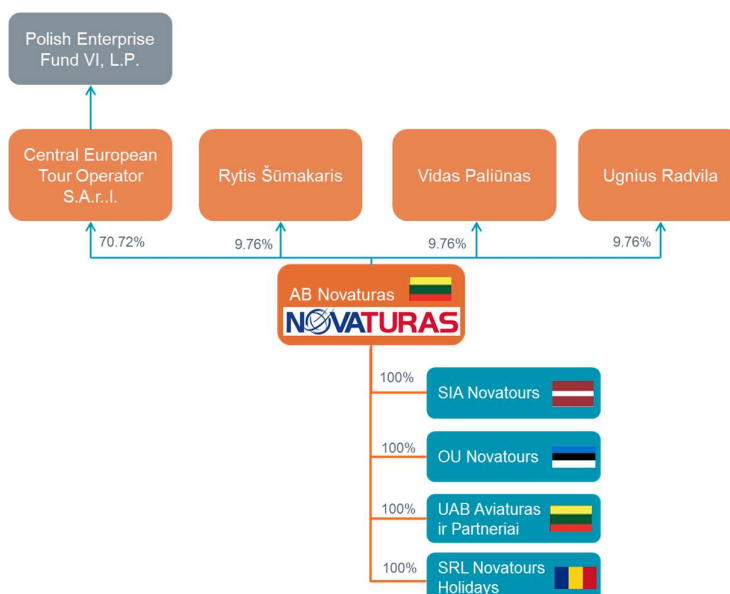
STRUCTURE OF THE GROUP

General information on the Company

Legal name of the Issuer	public limited liability company “Novaturas”
Commercial name of the Issuer	Novaturas AB
Place of registration of the Issuer (registered office)	A. Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania, registered office of Vilnius branch of the Issuer, J. Jasinskio str. 16, LT-03163 Vilnius, Lithuania
Corporate ID code of the Issuer	135567698, code of Vilnius branch of the Issuer 125142371
Legal form of the Issuer	public limited liability company
Legislation under which the Issuer operates	Lithuanian
Country of incorporation of the Issuer	Republic of Lithuania
Date of incorporation of the Issuer	16 December 1999
Telephone number	+370 37 321 264
Fax number	+370 37 321 130
Email	info@novaturas.lt
Internet address	www.novaturagroup.com
Share capital	EUR 234,210 (7,807,000 shares with a par value of EUR 0,03 each)

Corporate Structure

The chart below presents the structure of the Group as of the date of this Prospectus. For the shareholding structure following the completion of the Offering please see Sections “*The Selling Shareholder—Shareholding Structure Following the Offering and Dilution*”.



Source: The Issuer

SRL Novatours Holidays is inactive, i.e. it has not performed any operational activity yet.

The Company operates as a holding company and also as an operational company, and runs its activities itself and through the Subsidiaries, forming the Group. Information on the ownership of Subsidiaries and effective shareholdings of the Group, as at the date of the Prospectus, are presented in the tables below.

Information on the Subsidiaries

As of the date of this Prospectus the Group comprises of the Company and 4 Subsidiaries. A complete list of such Subsidiaries in which shares are held by the Company directly is presented in the tables below.

<u>Company</u>	<u>Status</u>	<u>Country of incorporation</u>	<u>Effective share of the Company</u>
Novatours SIA	Subsidiary	Latvia	100%
Novatours OÜ	Subsidiary	Estonia	100%
Aviaturas ir partneriai UAB	Subsidiary	Lithuania	100%
SRL Novatours Holidays*	Subsidiary	Romania	100%

Source: The Issuer

* SRL Novatours Holidays is inactive, i.e. it has not performed any operational activity yet.

The main registration data of the Subsidiaries is given below:

Legal name	Novatours SIA
Legal form	Private Limited Liability Company (in Latvian: <i>sabiedrība ar ierobežotu atbildību</i>)
Country of registration	Republic of Latvia
Registration authority	Register of Enterprises of the Republic of Latvia
Legislation under which the company operates	The laws of the Republic of Latvia
Corporate ID code	40003525782
Date of incorporation	29 December 2000
Registration address	Krišjāņa Valdemāra iela 100, LV-1013 Riga, LATVIA
Share capital	EUR 176,435
Legal name	Novatours OÜ
Legal form	Private Limited Liability Company (in Estonian: <i>osäühing</i>)
Country of registration	Republic of Estonia
Registration authority	Commercial Register of the Republic of Estonia
Legislation under which the company operates	The laws of the Republic of Estonia
Corporate ID code	11013879
Date of incorporation	4 February 2004
Registration address	Rävala pst 6-201a, Tallinn city, Harju county, 10143, ESTONIA
Share capital	EUR 102,258
Legal and commercial name	Aviaturas ir partneriai UAB
Legal form	Private Limited Liability Company (in Lithuanian: <i>uždaroji akcinė bendrovė</i>)
Country of registration	Republic of Lithuania
Registration authority	Register of Legal Entities of the Republic of Lithuania
Legislation under which the company operates	The laws of the Republic of Lithuania
Country of incorporation of the company	Republic of Lithuania
Corporate ID code	124266117
Date of incorporation	4 December 1997
Registration address	Konstitucijos ave. 15, Vilnius, LITHUANIA
Share capital	EUR 36,202.50
Legal and commercial name	S.C. Novatours Holidays S.R.L

Legal form	Limited liability company
Country of registration	Republic of Romania
Registration authority	Bucharest Trade Register
Legislation under which the company operates	The laws of the Republic of Romania
Country of incorporation of the company	Republic of Romania
Corporate ID code	22801786
Date of incorporation	26 November 2007
Registration address	Sos. Alexandria No. 84, block L23, 1 st entrance, floor 5, apt. 17, sector 5, Bucharest, ROMANIA
Share capital	Lei 2,000

Source: The Issuer

MANAGEMENT

Management Structure

The Company has a three-tier management system, i.e. the Supervisory Council, the Management Board and the Manager of the Company (the “General Manager” or “CEO”).

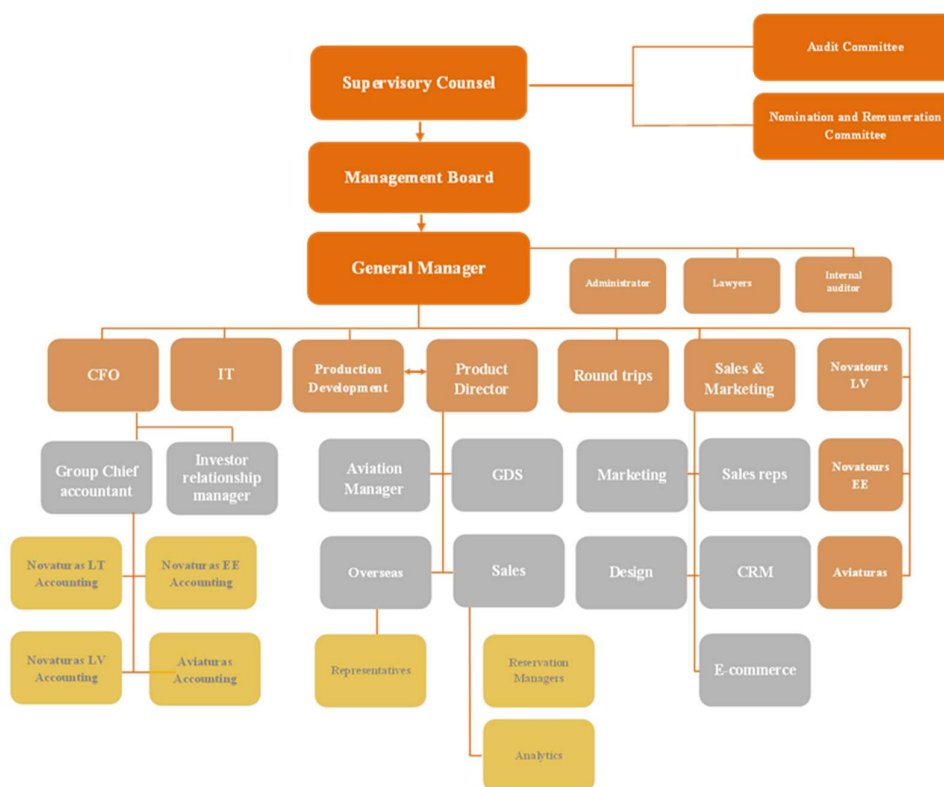
The Supervisory Council is a collegial supervisory body, which is responsible for supervising the activities of the Company and its management bodies, the appointment and removal of the members of the Management Board, submitting its comments and proposals to the General Meeting on the Company’s operating strategy, sets of financial statements, drafts of profit/loss appropriation, the reports of the Company, the activities of the Management Board and the General Manager, submitting proposals to revoke decisions of the Management Board or the General Manager, etc.

The Management Board is a collegial management body, which is responsible for the strategic management of the Company, the appointment and removal of the Manager of the Company (the General Manager), after receipt of the prior approval from the Supervisory Council, calling the General Meetings, adoption of other corporate decisions which are economically feasible for the Company, etc.

The General Manager is responsible for the day-to-day management of the Company. Under the Articles of Association, a quantitative representation rule is foreseen in the Company, according to which transactions of the Company shall be signed jointly by the Manager and any member of the Board of the Company.

In addition, the Company employs several Key Executives: CEO (General Manager), CFO, Production Director and Purchasing Director, who all currently also serve as members of the Management Board. All the employees of the Company are directly subordinated and report to the General Manager.

The internal management structure of the Company is indicated below.



Source: The Issuer

Members of the Supervisory Council, the Management Board, Key Executives

Supervisory Council

In accordance with the Articles of Association the Supervisory Council comprises of five members elected for the tenure of three years.

Based on the decisions of the General Meeting, dated 16 January 2018 and 9 February 2018, currently only 3 (three) members of the Supervisory Council are elected. This was done on purpose, to ensure the direct participation of the

Company's Investors in the Supervisory Council by appointing 2 (two) independent members in this body (both of such independent members will also be appointed to the Audit Committee of the Company). Consequently, the Selling Shareholders agree and undertake to include in the agenda of the first General Meeting after the successful Offering and Admission the issue regarding election of 2 (two) independent Supervisory Council members. In case the Investors will propose their candidates to the Supervisory Council with the required experience and expertise under the applicable Lithuanian and Polish laws to hold this position and to also be appointed to the Audit Committee, the Selling Shareholders will vote "for" such candidates with their votes. If the Investors propose more than 2 (two) candidates, the Selling Shareholders (each one of them separately and not necessarily choosing the same candidates) will at their own discretion select any 2 (two) candidates and vote "for" them. If the Institutional Investors do not propose their candidates to the Supervisory Council, this will be done by the Selling Shareholders in order to ensure that the Company meets the applicable legal requirements.

The Supervisory Council has a Chairman, elected by the Supervisory Council from among its members. The business address for all members of the Supervisory Council is Novaturas AB, A. Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania.

A list of the members of the Supervisory Council is presented below.

Name	Position in the Company
Sebastian Janusz Król	Chairman of the Supervisory Council
Ugnius Radvila	Member of the Supervisory Council
Vidas Paliūnas	Member of the Supervisory Council

Source: *The Issuer*

Sebastian Janusz Król. Sebastian Janusz Król (born in 1972) acquired university education by graduating from the University of Lodz and holds a Masters in Economics. From 2000 until 2001 he was the Business Development Manager at Hachette Distribution Services, Poland, from 2001 he worked with Enterprise Investors. Currently Sebastian Janusz Król is a Partner, serving as member and chairman of the supervisory boards and management boards of portfolio companies of the funds, managed by Enterprise Investors, as well as director of the funds managed by Enterprise Investors. From 2009 until 2015 he also served as a director in Enterprise Investors Corporation.

Ugnius Radvila. Ugnius Radvila (born in 1971) acquired university education in 2002 by graduating from the Vilnius University, Faculty of Communications, where he gained a Masters in Communication and Information (International communication programme). Starting from the year 1999 until 2011 he was the Manager of Vilnius Branch of the Company. In addition to that, between the years 1995 and 2004 he was the tourism director at Interservis kelionių agentūra UAB.

Ugnius Radvila holds 9.76% of shares in the Company. Apart from that he holds no shares in other companies.

Vidas Paliūnas. Vidas Paliūnas (born in 1967) acquired university education by graduating in Computer Science at from Technical University of Chemnitz, Germany. From 1993 until 1999 he was a managing director of the newly founded Informacija turistams UAB, which was working under the brand name "DELTA Travel Agency". This company started the first regular charter flights from Lithuania. In 1999 Vidas Paliūnas participated in creating Novaturas UAB, which was founded by merging 3 travel agencies. "DELTA travel agency" was one of them. From the foundation of the Company he was its General Manager until his resignation in 2009. From 2009 until 2018 Vidas Paliūnas served as a member of the Management Board and starting from January 2018 he serves as a member of the Supervisory Council.

Vidas Paliūnas holds 9.76% of shares in the Company. In addition to that he also holds 50% of shares in Deholda UAB and is also the Chairman of the Board of this company, which mainly focuses on real estate business.

Management Board and Key Executives

The Company's Management Board comprises of four members elected for a tenure of three years. The Management Board has the Chairman elected by the Management Board from among its members. The business address for all members of the Management Board is Novaturas AB, A. Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania.

The list of the members of the Management Board, who currently are all also the Key Executives is presented below.

Name	Position in the Company
Linus Aldonis	Chairman of the Management Board, CEO

Tomas Staškūnas	Member of the Management Board, CFO
Birutė Čepanskienė	Member of the Management Board, Production Director
Audronė Keinytė	Member of the Management Board, Purchasing Director

Linus Aldonis. Linus Aldonis (born in 1979) acquired university education by graduating from Lithuanian Academy of Physical Education, gaining a Bachelor of Tourism and Sport Management. Linus started his career as a “Novaturas” representative and tour guide. Over his 17 years with “Novaturas” he ascended through the Group’s structures, including three years as the director of Aviaturas ir partneriai UAB (from 2007 until 2010). He gained skills and experience along the way to eventually become the Group’s General Manager in 2010.

Tomas Staškūnas. Tomas Staškūnas (born in 1975) acquired university education by graduating from Vytautas Magnus University, Faculty of Business and Management, Master degree in finance and banking, Bachelor degree in business and administration. For the past 8 years, Tomas has been responsible primarily for the Group’s financial reporting, budgeting, relations with financial institutions and organisation of the accounting process. His professional past includes experience as a CFO and a CEO of companies specialized in consumer discretionary goods, including Finance Director at Naujoji Ringuva UAB (from 03 1998 until 04 2001), Finance Manager at Litfarma ir partneriai UAB (from 04 2001 until 04 2003), at Tamro UAB (from 01 2003 until 02 2004), CFO at Premia KPC UAB (from 03 2004 until 06 2009), CEO at Kalba.lt UAB (from 08 2006 until 06 2009). Tomas Staškūnas holds 100% of shares in Staškūnas ir partneriai UAB.

Birutė Čepanskienė. Birutė Čepanskienė (born in 1978) acquired university education by graduating Vytautas Magnus University, Master degree in Sales, Distribution and Marketing Operations. Before that she obtained Bachelor degree in Tourism and Hotel Management from Kaunas College and completed English Language and Literature courses at the Nottingham Trent University. Birutė Čepanskienė started her professional career with the Company, where she held the position of Sales and Reservation Manager (from 10 2001 until 02 2007), Sales and Reservations Coordinator (from 03 2007 until 01 2008), Sales and Reservations director (from 01 2008 until 03 2011) and Production Director (since 11 2011).

Audronė Keinytė. Audronė Keinytė (born in 1979) acquired university education by from graduating Vilnius University, Faculty of Philosophy and holds Master and Bachelor degrees in Sociology. Audronė joined the Group in 2006 as a representative abroad, from 2009 until 2010 she held the position of Chief Manager of the Services Abroad and for the last 8 years (since 2010) she is primarily responsible for the Group’s product development and purchasing. Audronė’s professional career includes experience in the hospitality and international education industries – from 2001 until 2003 she was Front Office Manager at Hotel Centro Kubas and from 2003 until 2006 Audronė worked as a Study Abroad Coordinator at American English School.

Principal Activities Outside the Company of Members of the Management and Supervisory Bodies

Information on participation of the members of the Supervisory Council, Management Board and the Key Executives of the Company in the administration, management or supervision of other entities during the last five years (since 2012) is provided below.

The table below does not include the positions held within the Company*.

Name	Legal person	Position	Since	Until	Holds currently
Sebastian Janusz Król	Other Entities:				
	Enterprise Corporation	Investors Director	2009	2015	No
	Polish Enterprise VII, GP Ltd	Investors Director	2010	2015	No
	Enterprise Venture Partners I, GP	Director	2010	2015	No
	Rilixou Investments Ltd.	Director	2011	-	Yes
	XTB DM S.A	Chairman and member of the Supervisory Board	2011	2015	No
	Skarbiec	Vice Chairman and member of the Supervisory Board	2007	2017	No
	Profi	Chairman of the Supervisory Board	2010	2017	No
	Danwood S.A.	Chairman of the Supervisory Board	2014	-	Yes

	Danwood Holdings sp. z o.o.	Chairman of the Supervisory Board	2017		Yes
	Janton S.A.	Chairman of the Supervisory Board	2017	-	Yes
	Zevin Investments Sp. z o.o.	Member of the Board	2017	-	Yes
	Daphnee Investments Sp. z o.o.	Member of the Board	2017	-	Yes
	Enterprise Investors Sp zo.o.	Partner and Vice President	2009	-	Yes
	Magellan S.A	member of the Supervisory Board	2003	2013	No
	Stowarzyszenie Lipków –Eko	President	2012	-	Yes

<u>Name</u>	<u>Legal person</u>	<u>Position</u>	<u>Since</u>	<u>Until</u>	<u>Holds currently</u>
<u>Vidas Paliūnas</u>	<u>Group Company:</u>				
	Central European Tour Operator, UAB	Manager	11 2007	09 2008	No
	<u>Other Entities:</u>				
	Gyvenamųjų namų savininkų bendrija “Trušelių būstas”	Member of the Board	10 2012	-	Yes
	Asociacija Kauno teniso klubas (in English: Association the Tennis Club of Kaunas)	Member of the Council	10 2012	-	Yes
	Verslo centras 32, UAB	Member of the Board	04 2004	-	Yes
	AAA Wrislit, UAB	Member of the Board	02 2012	06 2013	No
	“DELTA” TURIZMO CENTRAS, UAB	Member of the Board	02 2012	06 2013	No
	Informacija turistams, UAB	Manager	04 1995	01 2000	No
	Vestekspress, UAB	Member of the Board	02 2012	06 2013	No

<u>Name</u>	<u>Legal person</u>	<u>Position</u>	<u>Since</u>	<u>Until</u>	<u>Holds currently</u>
<u>Linus Aldonis</u>	<u>Group Company:</u>				
	Novatours OÜ	Member of the Management Board	11 2010	-	Yes
	<u>Other Entities:</u>				
	Garbės konsulų asociacija (in English: Association of Honorary Consulars)	Chairman of the Council and President	03 2017	-	Yes
	Lietuvos turizmo asociacija (in English: Association of Lithuanian Tourism)	Member of the Council	08 2011	04 2012	No
	Aviaturas ir partneriai, UAB	Manager	11 2007 08 2012	11 2010 11 2012	No

<u>Name</u>	<u>Legal person</u>	<u>Position</u>	<u>Since</u>	<u>Until</u>	<u>Holds currently</u>
<u>Tomas Staškūnas</u>	<u>Group Company:</u>				
	Novatours OÜ	Member of the Management Board	09 2010	-	Yes
	<u>Other Entity:</u>				
	Staškūnas ir partneriai UAB	Manager and owner	05 2008 Owner since 10 2010	-	Yes

* Members of the Board Birutė Čepanskienė and Audronė Keinytė had not held and currently does not hold any positions outside the Company. Member of the Supervisory Council Ugnius Radvila had not held for the last five years and currently does not hold any positions outside the Company.

Declarations

To the best knowledge of the Company, for the last five years has neither any member of the Supervisory Council, Management Board nor any Key Executive of the Company (i) been convicted of any fraud offences, (ii) been associated with any bankruptcies, receiverships or liquidations in their capacity as members of the administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers, or (iii) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or have been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of the Company or from acting in the management or conducting of the affairs of any entity.

Conflicts of interest

The Selling Shareholder 3 and Minority Shareholder 3 (members of the Supervisory Council) are direct shareholders of the Company, holding 9.6% of Shares in the Company each. Furthermore, Key Executives and Management Board members Mr. Linas Aldonis, Mr. Tomas Staškūnas, Mrs. Birutė Čepanskienė and Mrs. Audronė Keinytė may become direct shareholders of the Company (collectively holding 1.5% of Shares), if the Rules on Granting of Shares to the Management, dated 9 February 2018 are fully implemented. For more information on this please see Section “Shareholdings and Stock Options”. In addition, on the 2nd business day following the Listing Date, the Selling Shareholders will sell to the CEO and the CFO of the Company 208,761 Shares. For more information on this please see Section “Shareholding Structure Following the Offering”.

Thus, it is possible that the direct and indirect shareholders of the Company (including the above shareholders) may favour their own interests rather than those of the Company.

Apart from the above, the Company is not aware of any potential conflict of interests between any duties to the Company of the members of the Supervisory Council, the Management Board or the Key Executives of the Company.

Furthermore, none of the members of the Management Board is related to any other member of this body as well as to any other member of the Supervisory Council and/ or the Key Executives by blood or marriage.

Remuneration and benefits

During 2017 the amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to the Management by the Company and its Subsidiaries for services in all capacities to the Company and its Subsidiaries amounted to EUR 807,520.

The information on the amounts indicated is provided in the table below. The gross amounts which include social security, income and other taxes applicable under legal acts are shown below.

Name	Position in the Company	Amount of remuneration and bonus (in EUR)	Amount paid to the III pillar pension fund (in EUR)
Linas Aldonis	General Manager, Chairman of the Management Board*	292,112	104,250
Tomas Staškūnas	CFO, member of the Management Board*	196,226	34,000
Birutė Čepanskienė	Production Director, member of the Management Board*	58,689	-
Audronė Keinytė	Purchasing Director, member of the Board*	57,643	-
Vidas Paliūnas	Member of the Supervisory Council**	9,600	-
Ugnius Radvila	Member of the Supervisory Council**	55,000	-
Total:		669,270	138,250

Source: The Issuer, unaudited

* During the year 2017 these persons did not serve as members of the Management Board. They were appointed to the Board based on the decision of the Supervisory Council, dated 9 February 2018.

** During the year 2017 Vidas Paliūnas served as a member of the Management Board and Ugnius Radvila as the consultant of the Company. They were appointed as the members of the Supervisory Council by the decision of the General Meeting, dated 16 January 2018 and started these function as from the registration of the new wording of Articles of Association with the Register of Legal Entities (8 February 2018).

The Company has an approved top management motivation system for the financial years 2018-2020. The motivation system is based on the Group EBITDA target with the minimum consolidated annual Group EBITDA to trigger motivation in the financial years 2018, 2019 and 2020 of EUR 9,000,000.

An annual bonus for each eligible management employee entitled to receive an annual bonus is calculated in accordance with the following formulas:

- CEO of the Company – gross bonus amount is equal to 2.072% x Consolidated Group EBITDA for the relevant financial year;
- CFO of the Company – gross bonus amount is equal to 1.554% x Consolidated Group EBITDA for the relevant financial year, however not more than EUR 180,000;
- Purchasing Director – gross bonus amount is equal to 0.375% x Consolidated Group EBITDA for the relevant financial year;
- Production Director of the Company – gross bonus amount is equal to 0.375% x Consolidated Group EBITDA for the relevant financial year.

75% of the annual bonus shall be calculated and paid by 31 December of the current year according to the data available at that time. The remaining part of the annual bonus will be adjusted, calculated and paid on the basis of the final data within 30 days after the approval of the annual financial statements. When paying the remaining part of the annual bonus, the Company shall also pay 10% annual interest on this amount, which is calculated for the period from 1 January of the current year until the pay-out of the remainder of the annual bonus. The bonus is paid in cash or as a contribution to the pension fund selected by the respective employee. Other members of the Management Board and the Supervisory Council did not receive any payments from the Company or the Subsidiaries. Furthermore, apart from the above, the Group has not set aside or accrued any amounts to provide pension, retirement or similar benefits to any member of the Supervisory Council or Management Board of the Company.

There are no loans granted by the Group to the members of the Supervisory Council, Management Board or the Key Executives of the Company.

Term of office

The term of office of the Supervisory Council, the Management Board and the Key Executives of the Company as well as the period during which respective persons hold positions are provided herein below.

Name	Position within the Company	In the position	
		Since	Until
<u>Supervisory Council</u>			
Sebastian Janusz Król	Chairman of the Supervisory Council	9 February 2018	Until 8 February 2021, but not longer than until the annual General Meeting, to be held in 2021
Ugnius Radvila	Member of the Supervisory Council	9 February 2018	
Vidas Paliūnas	Member of the Supervisory Council	8 February 2018	
<u>Management Board</u>			
Linas Aldonis	Chairman of the Management Board	9 February 2018	Until 9 February 2021, but not longer than until the annual General Meeting, to be held in 2021
Tomas Staškūnas	Member of the Management Board	9 February 2018	
Birutė Čepanskienė	Member of the Management Board	9 February 2018	
Audronė Keinytė	Member of the Management Board	9 February 2018	
<u>Key Executives</u>			
Linas Aldonis	General Manager	19 October 2010	Indefinite
Tomas Staškūnas	CFO	29 June 2009	Indefinite
Birutė Čepanskienė	Production Director	14 November 2011	Indefinite
Audronė Keinytė	Purchasing Director	01 October 2010	Indefinite

Source: *The Issuer*

In accordance with the Law on Companies, the tenure of the Supervisory Council and Management Board may not last longer than until the annual General Meeting convened in the last year of the tenure of the respective Supervisory Council or Management Board. There is no limitation on the number of terms of office a member of the Supervisory Council and Management Board may serve.

The Key Executives have employment relations with the Company which are of an unlimited duration. Under the Law on Companies and the Labour Code of the Republic of Lithuania the General Manager may be revoked and dismissed from the position by the Management Board of the Company without any early notice for any cause. Other Key

Executives may be dismissed from the Company only on the grounds and following the procedure indicated in the Labour Code of the Republic of Lithuania.

Severance payments

In accordance with the Labour Code of the Republic of Lithuania, those who are employed in any Group company under an employment agreement are 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 employee's fault, etc.). Apart from such statutory payments, the employment agreements entered into between the members of the Supervisory Council, Management Board and/or Key Executives and respective Group Companies do not provide for any other severance payments or benefits upon termination of such agreements.

Audit Committee and Nomination and Remuneration Committee

The Audit Committee and the Nomination and Remuneration Committee (the "**Committees**") were formed in the Company according to a decision of the Supervisory Council, dated 9 February 2018. According to the same decision the work regulations of the Committees were approved and their current members were elected.

In accordance with the Regulations of the Audit Committee the main functions of this committee are as follows:

- to inform the Manager of the Company about the results of audit of financial statements and explain how this audit contributed to the reliability of financial statements and what the role of the Audit Committee was in performing it;
- to monitor the financial reporting process and to submit recommendations on ensuring the liability of it;
- to monitor the effectiveness of the Company's internal quality control and risk management systems, having impact on the Company's financial statements, and an internal audit, without prejudice to the independence of the internal audit;
- to monitor the audit of annual financial statements and consolidated financial statements, especially paying attention to its performance, considering the established deficiencies of audit of financial statements during inspection of the Company and conclusions reached;
- to review and monitor the independence of the auditors and audit companies seeking to avoid conflict of interests, as provided by the Regulation (EU) No. 537/2014 of the European Parliament of the Council of 16 April 2014 on specific requirements regarding statutory audit of public interest entities and repealing Commission decision 2005/909/EC and the Law of the Republic of Lithuania on Financial Audit;
- to be responsible for the execution of the selection of the auditors' or audit companies' procedure and provision of recommendations, which auditors or audit companies should be chosen, etc.

The Regulations of the Nomination and Remuneration Committee foresee that the Committee shall provide assistance to the Supervisory Council in all matters relating to the appointment of candidates to the Management Board members, directors or senior management positions. Specifically, the Committee shall *inter alia*:

- in cases provided by the Articles of Association or upon request from the bodies of the Company, provide recommendations regarding the appointment of the members of the Board and (or) the Manager and terms of their contracts;
- evaluate the balance of skills, knowledge and experience on the relevant body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected, while assisting with the selection of the candidates;
- assess the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes on a regular basis;
- evaluate the skills, knowledge and experience of the members of the Board, the Manager and (or) members of other important positions and report on this to the Supervisory Council;
- review the policy of the management bodies for selection and appointment of the managing employees;
- provide proposals and recommendations to the Supervisory Council in all matters relating to the establishment of remuneration of the members of management bodies and senior management, etc.

The members of the Committees as well as their Chairmen are appointed by the Supervisory Council, based on the recommendations of (i) the Nomination and Remuneration Committee (in case of the Audit Committee) and (ii) the elected members of the Nomination and Remuneration Committee (in case of the Nomination and Remuneration Committee). The Committees shall consist of a number of members established by the Supervisory Council, but in any

event of not less than 3 (three) members. The members of the Committees may receive remuneration for work in the Committees which shall be established by the General Meeting. The Supervisory Council has the right to withdraw the entire Committees in corpore or their individual members and to appoint a new Committees or individual members of the Committees.

The Committees must organise their meetings at least two times per year.

The Committees may adopt the decisions and their meetings shall be considered valid if they are attended by 2/3 or more members. The members of the Committees who vote in advance shall be considered as participating in the meeting. The Committees' decisions shall be deemed adopted if they receive more votes in favour than against. In the event of a tie, the Chairman of the Committees shall have the casting vote.

The Audit Committee has to report to the Supervisory Council on the activities of the Audit Committee, providing its activity reports at least once every 6 months.

The table below indicates the elected members of the Committees.

Name	Position within the Company
Audit Committee	
Vidas Paliūnas	Member of the Audit Committee
2 (two) independent members of the Audit Committee shall be elected after the successful Offering and Admission from the independent Supervisory Council members, when they are elected*	
Nomination and Remuneration Committee	
Vidas Paliūnas	Member of the Nomination and Remuneration Committee
Ugnius Radvila	Member of the Nomination and Remuneration Committee
1 (one) independent member of the Nomination and Remuneration Committee shall be elected after the successful Offering and Admission from the independent Supervisory Council members, when they are elected*	

** For more information on this issue please see Section "Supervisory Council" above.*

THE SELLING SHAREHOLDERS

Selling Shareholders

As of the date of this Prospectus the shareholders of the Company are:

- Central European Tour Operator S.à r.l. with registered office at 1, rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg (the “**CETO**” or the “**Selling Shareholder 1**”), holding 5,521,000 Shares constituting 70.72% of the Issuer’s share capital, enabling it to exercise 70.72% of the overall number of votes at the General Meeting;
- Rytis Šūmakaris (the “**Selling Shareholder 2**” or the “**Minority Shareholder 1**”), holding 762,000 Shares constituting 9.76% of the Issuer’s share capital, enabling him to exercise 9.76% of the overall number of votes at the General Meeting;
- Vidas Paliūnas (the “**Selling Shareholder 3**” or the “**Minority Shareholder 2**”), holding 762,000 Shares constituting 9.76% of the Issuer’s share capital, enabling him to exercise 9.76% of the overall number of votes at the General Meeting;
- Ugnius Radvila (the “**Minority Shareholder 3**”), holding 762,000 Shares constituting 9.76% of the Issuer’s share capital, enabling him to exercise 9.76% of the overall number of votes at the General Meeting;

(Selling Shareholder 1, Selling Shareholder 2 and Selling Shareholder 3 together “**Selling Shareholders**”).

Besides those stated above, the Selling Shareholders do not hold any other voting rights in the Issuer and are not entitled to any preferences regarding such voting rights.

Control over the Issuer

As of the date of this Prospectus, the Issuer is directly controlled by the Selling Shareholders. The major shareholder is CETO, which is directly and wholly owned and controlled by Polish Enterprise Fund VI, L.P. with the registered office in Cayman Islands. Polish Enterprise Fund VI LP has no dominant entity. Polish Enterprise Fund VI, L.P. has a stable financial position and as a private equity fund is a sole or majority shareholder in a several companies.

Following the Offering, assuming that the Selling Shareholders will sell all the Offer Shares (excluding the Additional Shares) to the Investors, the Selling Shareholder 1 will hold 2,379,500 of the Shares of the Issuer, representing 30.48% of the total number of votes at the General Meeting, the Selling Shareholder 2 will hold 381,000 of the Shares of the Issuer, representing 4.88% of the total number of votes at the General Meeting, the Selling Shareholder 3 will hold 381,000 of the Shares of the Issuer, representing 4.88% of the total number of votes at the General Meeting and the Minority Shareholder 3 will hold 762,000 of the Shares of the Issuer, representing 9.76% of the total number of votes at the General Meeting.

Assuming that the Selling Shareholders sells all the Offer Shares and the Selling Shareholder 1 sells Additional Shares to the Investors, the Selling Shareholder 1 will hold 1,130,380 of the Shares of the Issuer, representing 14.48% of the total number of votes at the General Meeting, the Selling Shareholder 2 will hold 381,000 of the Shares of the Issuer, representing 4.88% of the total number of votes at the General Meeting, the Selling Shareholder 3 will hold 381,000 of the Shares of the Issuer, representing 4.88% of the total number of votes at the General Meeting, and the Minority Shareholder 3 will hold 762,000 of the Shares of the Issuer, representing 9.76% of the total number of votes at the General Meeting.

For other rights accruing to the holders of the Shares, please see Section “*Description of Share Capital and Corporate Governance—Share capital*”.

The Issuer is not aware of any agreements, whose operation may at a subsequent date result in a change in control of the Issuer. After the Offering there will be no agreements between the shareholders of the Company.

The chart below presents the shareholding structure of the Company.



Source: The Issuer

Shareholding Structure Following the Offering

The table below presents the Issuer's shareholding structure as of the date of this Prospectus and the anticipated shareholding structure after the completion of the Offering.

Shareholder	Status as of the date of this Prospectus		Status after the Offering assuming sale of 3,903,500 Sale Shares offered in the Offering by the Selling Shareholders		Status after the Offering assuming sale of all 5,152,620 Shares (including Additional Shares) offered in the Offering by the Selling Shareholders	
	Number of shares	% votes at the GM	Number of shares	% votes at the GM	Number of shares	% votes at the GM
Selling Shareholder 1	5,521,000	70.72	2,379,500	30.48	1,130,380	14.48
Selling Shareholder 2	762,000	9.76	381,000	4.88	381,000	4.88
Selling Shareholder 3	762,000	9.76	381,000	4.88	381,000	4.88
Minority Shareholder 3	762,000	9.76	762,000	9.76	762,000	9.76
Public shareholders	-	-	3,903,500	50.00	5,152,620	66.00
Total	7,807,000	100	7,807,000	100	7,807,000	100

Source: The Issuer

Exit scheme

In addition, on the 2nd business day following the Listing Date, the Selling Shareholders and the Minority Shareholder 3 will sell to the CEO and the CFO of the Company a number of Shares (“**Exit Scheme**”), which will be calculated in accordance with the following formulas: (i) number of Shares to be sold to the CEO = $(1.5\% * (14,047,689 + \text{Offer Price for the Institutional Investors} * 5,521,000)) / 0.7072 / \text{Offer Price}$; (ii) number of Shares to be sold to the CFO = $(0.75\% * (14,047,689 + \text{Offer Price} * 5,521,000)) / 0.7072 / \text{Offer Price for the Institutional Investors}$. Shares will be sold to the CEO and the CFO at a total price of EUR 1.

The Selling Shareholders and the Minority Shareholder 3 will sell Shares to the CEO and the CFO pro rata to their shareholdings in the Company prior to the Offering. The Shares acquired by the CEO and the CFO shall be subject to a lock up period of 2 (two) years following the Listing Date, except for the permitted sale of up to 20% of the Shares, which the CEO and the CFO will be allowed to sell: (i) back to the Selling Shareholders, by selling to them the same number of Shares as acquired from each Selling Shareholder, within the first 7 (seven) business days after the Listing Date at the Offer Prices; or (ii) on WSE and/or Nasdaq, within a period of 3 (three) months after the Listing Date.

The table below presents the Issuer's shareholding structure as of the date of this Prospectus and the anticipated shareholding structure after the completion of the Offering including Exit Scheme (calculated at the Maximum Price).

Shareholder	Status as of the date of this Prospectus		Status after the Offering assuming sale of 3,903,500 Sale Shares offered in the Offering by the Selling Shareholders		Status after the Offering assuming sale of all 5,152,620 Shares (including Additional Shares) offered in the Offering by the Selling Shareholders	
	Number of shares	% votes at the GM	Number of shares	% votes at the GM	Number of shares	% votes at the GM
Selling Shareholder 1	5,521,000	70.72	2,231,867	28.59	982,747	12.59
Selling Shareholder 2	762,000	9.76	360,624	4.62	360,624	4.62
Selling Shareholder 3	762,000	9.76	360,624	4.62	360,624	4.62
Ugnius Radvila	762,000	9.76	741,624	9.50	741,624	9.50
CEO	-	-	139,174	1.78	139,174	1.78
CFO	-	-	69,587	0.89	69,587	0.89
Public shareholders	-	-	3,903,500	50.00	5,152,620	66.00
Total	7,807,000	100	7,807,000	100	7,807,000	100

Source: The Issuer

RELATED PARTY TRANSACTIONS

In accordance with International Accounting Standard 24 (IAS 24), entities and persons are considered to be related to a company if the entity or a close relative of the person:

- controls the company or is involved in its joint management, exercises significant influence over this company or holds a key position in the management of the company or a parent entity;
- is a member of the same group of companies;
- is associated with the company within the meaning of IAS 28, or a joint venture in which the company is a partner within the meaning of IAS 31;
- to the same extent as the company is a joint venture of the same third parties;
- is a company that is controlled by a related party, is significantly influenced by it or is subject to joint management, in which a related party of that company is involved or in which such a person holds a key position in the management; or
- is a pension fund established for the benefit of the employees of the company or for the benefit of an entity related to that company for payments after termination of the employment relationship.

Transactions with Related Parties of the Company include purchases and sales of travel packages and commissions. The conditions of the loans from Subsidiaries are disclosed in Note 11 of the Consolidated Financial Statements. The loans to the Company were granted by the Subsidiaries to concentrate free cash on the Group's level.

The Company believes that all arrangements between the Related Parties are entered into an arm's length basis. The Company believes that there are no arrangements between the Related Parties influencing the main business of the Group either directly or indirectly.

The Related Parties of the Group on 31 December 2017, 2016 and 2015 were the shareholders of the Company, the Management, and the Subsidiaries. Transactions of the Company with the Related Parties are disclosed in the Consolidated Financial Statements (Note 20 and 21 of the Consolidated Financial Statements).

The table below presents the Related Parties' transaction in the period indicated (in thousand EUR).

	Year ended			As of
	31 December			31 January
Related entity	2017	2016	2015	2018
	<i>(audited)</i>			<i>(unaudited)</i>
The shareholders of the Company				
Purchases	-	-	-	-
Sales	-	-	-	-
Receivable amounts (including loans)	-	-	-	-
Payable amounts (including loans)	-	-	2,928	-
Subsidiaries				
Purchases	1,257	2,283	1,489	245
Sales	3,531	3,941	5,537	81
Receivable amounts (including loans)	11,508	2,411	1,742	11,753
Payable amounts (including loans)	24,543	12,612	11,409	24,460

Source: Consolidated Financial Statements, the Issuer

DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

Description of Shares

Description of the Shares (including the Offer Shares)

Type of the Shares:	ordinary registered shares
ISIN number:	LT0000131872
Currency of the Shares:	EUR
Number of Shares:	7,807,000
Number of Offer Shares:	3,903,500 of Offer Shares and 780,700 of Additional Shares
Nominal value of the Share:	EUR 0.03
Form of the Shares:	Registered shares in book-entry form. Entity currently in charge of keeping the records is Orion Securities UAB FMI, corporate ID code 122033915, registered at Antano Tumėno str. 4, B block, Vilnius, the Republic of Lithuania
Stock exchange:	Currently the Shares are not admitted to trading on any regulated market. However, following closing of the Offering all the Shares (including the Offer Shares) will be applied to WSE and Nasdaq regarding Admission to trading on the indicated stock exchanges

Legislation under which the Shares have been created

Legislation, under which the Shares have been created, includes the Civil Code of the Republic of Lithuania, the Law on Companies, the Law on Securities and other related legal acts.

Decision by which the Offer Shares shall be offered and all the Shares applied for Admission

The Offering of the Offer Shares shall be executed and all the Shares will be applied for Admission by the resolution of the General Meeting of 16 January 2018.

Transfer restrictions

There are no restrictions on transfer of Shares (including the Offer Shares) as they are described in the applicable laws.

The Offering includes only the offer of the existing Sale Shares, held by the Selling Shareholders, i. e. there will be no issue and offering of the new Shares of the Company.

Rights and obligations granted by the Shares

All the Shares, including the Offer Shares, are *pari passu* (at an equal pace without preference) with regard to property and non-property rights they grant to shareholders.

Exercise of rights granted by Shares of the Company may be limited only on the grounds and under the procedure prescribed by laws. The Articles of Association do not provide for any exceptions to this rule.

The record date of the property rights of shareholders is the tenth business day after the General Meeting that took a relevant decision, i.e. the property rights determined by a decision of the General Meeting are held by the persons who were shareholders of the Company at the close of the tenth business day after the General Meeting that took a relevant decision.

The list of the shareholders' rights indicated in the Articles of Association is provided in Section "*Description of Share Capital and Corporate Governance*". Below is the brief description of certain material rights of the Company's shareholders.

Dividend and other distributions

Pursuant to the Law on Companies, the Issuer may distribute its profits or assets to shareholders only (i) by paying dividend; (ii) in case of liquidation of the Issuer; or (iii) in case of reduction of the authorised capital of the Issuer. The persons, who were shareholders of the Company at the close of the tenth business day (the record date) after the General Meeting that took a relevant decision, shall have a right to receive the respective amounts.

Dividend

A dividend is a share of profit allocated to a shareholder in proportion to the nominal value of shares owned by him/her/it. If a share is not fully paid-up and the time limit for the payment has not yet expired, a dividend will be reduced in proportion to the unpaid amount of the share price. If the share is not fully paid-up and the time limit for the payment has expired, no dividend is paid.

Dividend can be declared by a decision of the General Meeting. The Issuer can declare dividend from the profit available for appropriation, which consists of the new profit of the accounting year, plus or minus, respectively, the profit (loss) brought forward from the previous year and reserves that the shareholders, following the procedure established by laws, decide to distribute, and minus any sums that the General Meeting decides to allocate for other purposes pursuant to the requirements of the Law on Companies.

Dividend is paid to shareholders pro rata to the aggregate nominal value of shares held by them. Dividend is not cumulative as the Issuer has not issued any preference shares with cumulative dividend, owners of which would be guaranteed the right to dividend in the amount indicated in such shares.

The General Meeting may not adopt a decision to allocate and pay dividend if: (i) the Issuer has outstanding obligations which became due before the decision of the General Meeting; (ii) the Issuer's result of the reporting financial year available for distribution is negative (i. e. losses have been incurred); (iii) the equity of the Issuer is lower or upon payment of dividend would become lower than the aggregate amount of the authorised capital, the mandatory reserve, the revaluation reserve and the reserve for redemption of own shares.

The Issuer must pay the allocated dividend within one month from the day of adoption of a decision by the General Meeting on allocation and payment of dividend. The term of limitations with respect to filing a dividend payment claim with the court expires 10 years after the date the dividend had to be paid, in which case the unpaid dividend amount goes to the Issuer.

The Law on Companies also provides with a possibility to pay dividend to shareholders for a period shorter than a financial year (interim dividend). The following conditions for distribution of interim dividend are established:

- the right to initiate distribution of dividend lies with shareholders, shares held by which carry at least 1/3 of all the votes, unless the Articles of Association of the company establish a higher majority (currently valid wording of Articles of Association of the Company do not foresee higher majority with this respect);
- the distribution of dividend must be preceded by the preparation and audit of the set of interim financial statements, the interim report and a draft of the decision on distribution of dividend for a period shorter than a financial year;
- interim dividend is allocated by a decision of the General Meeting (the General Meeting must be held within 3 months after the end of the period, for which distribution of dividend is proposed, but, in any case, no earlier than the approval of the set of annual financial statements and distribution of the Company's profit (loss) for the earlier financial year and no later than the end of the financial year);
- interim dividend can be distributed if all the following conditions are met: (a) an audited set of interim financial statements has been approved; (b) the profit (loss) amount for a period shorter than a financial year is positive (there is no loss); (c) the amount distributed for payment of dividend does not exceed the aggregate amount of profit (loss) for the period shorter than a financial year, the amount of the retained earnings (loss) for the previous financial years carried forward to the current financial year, upon deduction of the share of profit earned during the period shorter than a financial year, which must be appropriated to reserves according to the law or according to the Articles of Association; (d) the company must not have outstanding obligations, which matured before taking of the decision, and upon payment of dividend it would be capable of fulfilling its obligations for the current financial year;
- upon distribution of interim dividend, it is allowed to allocate dividend for another period shorter than a financial year no earlier than 3 months later.

Both residents and non-residents of Lithuania are subject to the same dividend payment rules, except for the taxation matters described in the Section "*Taxation*".

For more information on dividends of the Company please also see Section "*Dividend and Dividend Policy*".

Dividend payments and other payments made by the Issuer to Polish Investors, the Shares by which will be held through the CSDP system, will be conducted through Nasdaq CSD acting as primary depository of Shares. The Issuer shall transfer via Nasdaq CSD system to the CSDP the amount due to the shareholders. The CSDP shall redistribute the dividend and other payments among its participants (e. g. brokerage houses) and the CSDP participants shall credit the respective Investors' accounts. As the dividend will be paid in EUR, CSDP will redistribute the dividend to the CSDP participants' accounts kept in EUR. The participants will either convert EUR into Polish zloty and transfer it to the shareholder account run by them or directly transfer dividend in EUR to the shareholder account run by them in EUR. In case of the conversion CSDP participants may charge conversion fee for such operation. This mechanism may be subject to changes after Nasdaq CSD and CSDP further arrangements.

Distribution of the Issuer's assets in case of liquidation

In case of liquidation of the Issuer, the Issuer's assets remaining after settlement of accounts with creditors are distributed to shareholders pro rata to the aggregate nominal value of shares held by them. In case of voluntary liquidation of the Issuer, the Issuer's assets can be distributed among shareholders only after the Issuer settles accounts with its creditors and upon a lapse of two months after a public notice about liquidation made pursuant to requirements of the laws. In case of disputes in court regarding fulfilment of the Issuer's debt obligations, the Issuer's assets are distributed among shareholders only upon final resolution of the disputes and settlement of accounts with creditors.

Other cases of distribution of the Issuer's capital

The Issuer may distribute funds to its shareholders by reducing its authorised capital in accordance with the procedure set by the Law on Companies. The authorised capital may be reduced by way of annulment of shares or reduction of the nominal value of shares, but the reduced authorised capital of the Issuer may not be less than the minimum amount of the authorised capital provided for in the Law on Companies to public limited liability companies (i. e. EUR 25,000).

Only the annual General Meeting may adopt the decision to reduce the share capital with the purpose of paying funds to the shareholders, provided that all of the following conditions are met: (i) the set of annual financial statements and the profit distribution account have been approved; (ii) following the reduction of the share capital the legal reserve of the Company will not be lower than 1/10 of the Company's share capital; and (iii) no undistributed loss and long-term liabilities are recorded in the set of annual financial statements of the Company. The requirement regarding long-term liabilities shall not apply in the presence of a written consent of all the creditors to which the Company has the long-term liabilities.

The decision to reduce the share capital with the purpose of paying out the funds to its shareholders may not be adopted if on the date of the decision the Company is insolvent or after the payment of funds would become insolvent. The funds must be paid within one month from the registration of the amended Articles of Association with the Register of Legal Entities. The funds are paid pro rata to the nominal value of shares held by each shareholder as at the close of the record date (tenth business day after the General Meeting that took a respective decision) and may only be paid in cash.

Further Capital Calls by the Company

If the Company's distributable result, as approved by the annual General Meeting, is negative and the meeting adopts a decision to cover the Company's losses or part thereof by additional contributions of the shareholders, according to the Law on Companies, the shareholders who voted in favour of such decision are obliged to pay the contributions to the Company. The shareholders who did not participate at the General Meeting or voted against such decision are entitled not to pay any additional contributions to the Company.

Modification of Shareholders' Rights

The Articles of Association do not provide for any specific conditions regarding modification of shareholders' rights. Shareholders' rights may be modified only pursuant to the provisions of Lithuanian laws.

Conditions of Conversion

Currently, the Issuer has not issued any convertible securities.

Conditions of Redemption

Pursuant to the Law on Companies, the Issuer has the right to redeem its own shares. The total nominal value of shares redeemed by the Issuer cannot be more than 1/10 of the authorised capital. If the aggregate number of the repurchased shares exceeds 10% of the share capital of the Company, it must transfer the excess shares to other persons within 12 months after exceeding the threshold. Upon redemption of its own shares, the Issuer has no right to exercise property and non-property rights conferred by such shares.

A detailed procedure of redemption of own shares is provided for in the Law on Companies. The Issuer can redeem its own shares only after it has formed a reserve for redemption of own shares, which may not be less than the total purchase price of all the redeemed shares. Furthermore, the Company may not acquire own shares if this would result in the equity capital falling below the aggregate amount of the paid-up authorised capital, mandatory reserve and reserve for own shares. As a general rule, the Company may not acquire its shares which are not fully paid-up. In order to acquire its shares, the Company must submit a voluntary takeover bid and when redeeming its own shares, the Company must ensure equal opportunities for all the shareholders to sell shares of the Company to the Company.

Voting rights

Pursuant to the Law on Companies and the Articles of Association, each Share of the Company confers one vote in the General Meeting. Only shareholders who have fully paid-up their shares are entitled to vote at the General Meeting. Persons, who were shareholders of the Company at the close of the record date of the General Meeting, are entitled to

attend and vote at the General Meeting or repeated General Meeting. The record date of the General Meeting of the Company is the fifth business day before the General Meeting or repeat General Meeting.

The shareholders may vote personally or through their proxies or persons with whom a voting rights transfer agreement is concluded. The shareholders may also vote in writing (by filling in the general ballot paper).

The shareholder does not have the right to vote on the decision regarding the withdrawal of the pre-emptive right to acquire securities newly issued by the Company, if according to the agenda of the General Meeting the right to acquire such securities is to be granted to him or persons related to him.

Pre-emptive rights

Pursuant to the Law on Companies, the Company's share capital may be increased by a decision of the General Meeting and may be effected by (i) issuing additional shares; (ii) increasing the nominal value of existing shares; or (iii) issuing convertible bonds.

Increases in share capital by way of issuance of additional shares may be affected through one or a combination of the following: (i) in consideration for cash; (ii) in consideration for assets contributed in kind; (iii) by conversion of bonds previously issued; (iv) from the Company's own funds (i. e. by capitalisation of profits or share premiums), etc.

If the Company issues additional shares or convertible bonds other than from the Company's own funds, current shareholders will have a pre-emptive right to subscribe for such securities on a pro rata basis. The pre-emptive right requires that the Company give priority treatment to current shareholders. The Company must announce the proposal to exercise the pre-emptive rights as well as the period of such exercising in the electronic publication for public notifications administered by the manager of the Register of Legal Entities. If and when the Company is listed on the WSE and on Nasdaq, the relevant Polish and Lithuanian regulatory provisions regarding publication of the respective information shall also be applicable to the Company. The time limit for a shareholder to acquire the securities on a pre-emptive basis may not be less than 14 days after the public announcement thereof by the Register of Legal Entities.

The pre-emptive right to subscribe for shares or convertible bonds of a certain issue can be withdrawn by a decision of the General Meeting, which has to be adopted by a $\frac{3}{4}$ majority of votes present in the meeting. The pre-emptive right can be withdrawn only in respect of all the shareholders of the Company. A written proposal to withdraw the pre-emptive right to subscribe for securities must be given by the Management Board, indicating reasons and causes for such withdrawal, substantiation of the issue price of the securities to be issued, as well as persons who would be offered to acquire the newly issued securities, including the number of the securities which may be acquired by each of the aforementioned persons. The General Meeting, taking a decision on withdrawal of the pre-emptive right, must justify the necessity to withdraw such a right and specify the person or persons who are given the right to subscribe for newly issued securities (including the number of the securities which may be acquired by each of the aforementioned persons), save for cases when the pre-emptive right is withdrawn because of the intention to make a public offering of securities of the Company under the procedure set by the Law on Securities.

The Company's share capital may be increased from the Company's own funds. In such case the current shareholders are entitled to receive the new additional shares free of charge on a pro rata basis. Furthermore, the par value of all the Company's shares may be increased.

The pre-emptive right to acquire the shares or convertible bonds issued by the Company as well as the right to receive shares free of charge in the case of the increase of the share capital from the Company's own funds is granted to the persons who were shareholders of the Company at the end of the rights record date (i. e. the tenth business day following the day the respective decision was adopted by the General Meeting).

Furthermore, under the applicable Lithuanian laws the shareholders are entitled under the procedure, established by the BoL, to transfer to other persons the pre-emptive right to acquire the Company's shares or convertible bonds to be newly issued.

Right to receive information

According to the legal acts of the Republic of Lithuania, the Company must, at a shareholder's written request and within 7 days from the receipt of the request, provide the shareholder with access to and / or present to the shareholder the Articles of Association, annual and interim financial statements, annual and interim reports, auditor's reports and audit reports of the financial statements, minutes of the General Meeting or other documents, which constitute the decisions of the General Meeting, comments and proposals of the Supervisory Council to the General Meetings, list of shareholders, lists of members of the Management Board and of the Supervisory Council, other Company's documents, which under the applicable laws must be public, also, copies of other documents, specified in the Articles of Association.

Only shareholder of the Company, to whom the information and documents are necessary for the fulfilment of the statutory requirements, may get acquainted with other information of the Company and (or) to receive copies of

documents, including information and documents, related to commercial (industrial) secret and confidential information.

Information and documents, related to the commercial (industrial) secret and confidential information may be provided to the shareholder, only if the shareholder ensures the confidentiality of such information and documents.

The Company may refuse to provide information and documents to the shareholder if they are necessary for the fulfilment of the statutory requirements, if there is a possibility to provide such information and (or) documents directly to the persons (institutions), to whom such information and (or) documents would have to be provided, while fulfilling the statutory requirements. The Company shall refuse to provide copies of documents to the shareholder if the identity of the shareholder requesting the documents cannot be determined.

The refusal to provide the shareholder with access to get acquainted and / or provide copies of documents has to be formalized in written, if it requested by the shareholder.

Disputes concerning the shareholder's right to information are resolved in the court.

Company's documents, copies or other information are provided to shareholders free of charge, except if the Company incurs expenses for provision of documents or other information. In this case, the shareholder shall reimburse the costs incurred by the Company for the provision of documents and other information under the tariffs, approved by the Manager of the Company.

Challenging of Decisions

Decisions of bodies of the Company may be invalidated in court if they are in conflict with imperative rules of law, incorporation documents of the Company or the principles of reasonability or fairness. A statement of claim may be filed by creditors of the Company if the decision violates their rights or interests, a member of the Management Board or Supervisory Council of the Company, a shareholder or other persons specified in the law. Such claim may be filed in a competent court of Lithuania within 30 days as of the day on which a relevant person learnt or should have learnt about the challenged decision.

In addition, a shareholder may apply to the court for the compensation of damages caused by the members of the Management Board or the Manager by non-performance or improper performance of their duties prescribed by the laws of the Republic of Lithuania and the Articles of Association, as well as in other cases provided by laws.

Share capital of the Issuer

Share capital of the Company as of the date of this Prospectus is as follows.

Name of securities	Number of securities	Nominal value, EUR	Total nominal value, EUR	Part in the share capital, %
Ordinary registered shares	7,807,000	0.03	234,210	100

Source: The Issuer

There were no amendments to share capital of the Issuer within 3 last years, except that based on the decision of the General Meeting, dated 16 January 2018 the nominal value of the Shares of the Company was changed from EUR 28.96 to EUR 0.03 and the share capital of the Company was increased from EUR 226,090.72 till EUR 234,210.

Information on shares, not representing capital

The Issuer has not issued shares, not representing its capital.

The number, book value and face value of shares in the Issuer held by or on behalf of the Issuer itself or by Subsidiaries of the Issuer

The Issuer has no shares of its own, held by itself or which are held on Issuer's behalf or which are held by the Subsidiaries.

The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription

The Issuer has not issued any convertible securities, exchangeable securities or securities with warrants.

Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital

The Issuer has not issued any acquisition rights and has no obligations over authorised but unissued capital or an undertaking to increase the capital.

Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate

None of the aforementioned transactions are signed by any member of the Group.

Articles of Association

The purposes and the object of activities of the Company are provided for in Article 2 of the Articles of Association, pursuant to which the Company is established to meet private interests by operating profit-generating business activities. The nature of the Company's activities is tour operator and other related tourism business.

The Company may conduct other activities not prohibited by the laws of the Republic of Lithuania. The Company may carry on licensed activities or activities subject to receipt of a permit only upon receipt of relevant licenses or permits issued under the procedure set by the law.

Bodies of the Company

Pursuant to Article 5 of the Articles of Association, bodies of the Company are:

- the General Meeting of Shareholders (General Meeting);
- the Supervisory Council;
- the Management Board;
- the Manager of the Company (General Manager).

General Meeting of Shareholders

According to the Law on Companies and Articles of Association, the General Meeting has an exclusive right to:

- amend the Articles of Association, except where otherwise stipulated by the Law on Companies;
- elect the members of the Supervisory Council;
- remove the Supervisory Council or its individual members;
- elect and remove the auditor or the audit firm for the carrying out of the audit of a set of annual financial statements, set conditions for payment for audit services;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- take a decision on conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
- take a decision to change the number of issues shares of one class and nominal value of the share, without changing the authorised capital;
- approve the set of annual financial statements;
- take a decision on profit/loss distribution for the previous financial year, including allocation of dividends;
- take a decision on the formation, use, reduction and liquidation of reserves;
- approve the set of interim financial statements drawn up for the purpose of adoption of a decision on the allocation of dividends for a period shorter than the financial year;
- take a decision on the allocation of dividends for a period shorter than the financial year;
- take a decision on the issue of convertible bonds;
- take a decision on withdrawal for all the shareholders the right of pre-emption in acquiring the Company's shares or convertible bonds of a specific issue;
- take a decision on increase of the capital;
- take a decision on reduction of the capital, except where otherwise provided for by the Law on Companies;
- take a decision on the Company's acquisition of its own shares, except where otherwise provided for by the Law on Companies;
- take a decision on approval of the rules for issuing shares to the employees and (or) to the members of the bodies of the Company;

- take a decision on the reorganisation or spin-off of the Company and approve the terms of reorganisation or spin-off, except where otherwise provided for by the Law on Companies;
- take a decision on conversion of the Company;
- take a decision on the restructuring of the Company in cases specified by the Law on Restructuring of Enterprises of the Republic of Lithuania;
- take a decision on liquidation of the Company or on cancellation of the liquidation of the Company, except where otherwise provided by the Law on Companies;
- elect and remove the liquidator of the Company, except where otherwise provided by the Law on Companies;
- change the registered office of the Company;
- take a decision to delist the shares of the Company from the trading on the regulated markets to which the shares of the Company are admitted.

A decision shall be deemed adopted by the General Meeting when more shareholders attending the meeting have voted in favour of than against it, except for the decisions, indicated below. The General Meeting shall take the following decisions by a qualified majority vote of not less than 2/3 of all the votes carried by the shares held by the shareholders attending the meeting:

- amend the Articles of Association, except where otherwise stipulated by the in the Law on Companies;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- take a decision on conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
- take a decision to change the number of issues shares of one class and nominal value of the share, without changing the authorised capital;
- take a decision on profit/loss distribution for the previous financial year, including allocation of dividends;
- take a decision on the formation, use, reduction and liquidation of reserves;
- take a decision on the allocation of dividends for a period shorter than the financial year;
- take a decision on the issue of convertible bonds;
- take a decision on increase of the capital;
- take a decision on reduction of the capital, except where otherwise provided for by the Law on Companies;
- take a decision on approval of the rules for issuing shares to the employees and (or) to the members of the bodies of the Company;
- take a decision on the reorganisation or spin-off of the Company and approve the terms of reorganisation or spin-off, except where otherwise provided for by the Law on Companies;
- take a decision on the restructuring of the Company in cases specified by the Law on Restructuring of Enterprises of the Republic of Lithuania.

The decision to on withdrawal for all the shareholders the right of pre-emption in acquiring the shares or convertible bonds of the Company of a specific issue requires a qualified majority vote that must be not less than 3/4 of all the votes conferred by the shares of the shareholders present at the General Meeting.

The decision on conversion of the Company and on liquidation of the Company or on cancellation of the liquidation of the Company, also the decision to delist the shares of the Company from the trading on the regulated markets to which the shares of the Company are admitted requires a qualified majority vote of not less than 9/10 of all the votes conferred by the shares of the shareholders present at the General Meeting.

Supervisory Council

The Supervisory Council of the Company is a collegial body supervising the activities of the Company. The competence of the Supervisory Council is the following under the Articles of Association:

- consideration and approval of the strategy of the Company's activities, analysis and evaluation of the information on the implementation of the Company's activities strategy, provision of this information to the annual General Meeting;

- election of the members of the Management Board and their removal from the office. If the Company is operating at a loss, the Supervisory Council must consider the suitability of the Management Board members for their office;
- according to the procedure of the Articles of Association, approval of transactions which the Company intends to conclude with related parties and (or) with a shareholder of the Company, which holds at least 5 (five) percent of the total Shares of the Company, as well as with person (not necessarily being the shareholder), which holds at least 5 (five) percent of all the votes in the General Meeting and with persons, directly and/or indirectly related with such persons, including close family members of such persons, except for transactions to be concluded when carrying out usual commercial activity;
- supervision of the activities of the Management Board and the Manager;
- submission of comments and proposals to the General Meeting on the Company's business strategy, set of annual financial statements, draft of profit/loss distribution and the annual report of the Company as well as on the activities of the Management Board and the Manager;
- submission of comments and proposals to the General Meeting on the Company's draft decision on the allocation of dividends for a period shorter than a financial year and on the set of interim financial statements and the interim report drawn up for the purpose of adoption of the same;
- submission of proposals to the Management Board and the Manager to revoke their decisions which are in conflict with laws and other legal acts of the Republic of Lithuania, the Articles of Association or the decisions of the General Meeting;
- provision of advance approvals to the Management Board regarding fixing salary, setting other terms of the employment contract and/or services contract, provision of any form of incentives for and establishment of any form of additional reward to the salary and imposing penalties against the Manager, after receipt of recommendations from the Nomination and Remuneration Committee;
- addressing other issues assigned to the powers of the Supervisory Council by the Articles of Association, as well as by the decisions of the General Meeting regarding the supervision of the activities of the Company and its management bodies.

The Management Board

The Management Board is a collegial management body of the Company. The Management Board is responsible for the analysis of the strategy of the Company's activities, its provision to the Supervisory Council and adopting certain decisions affecting the Company's financial and business condition. The competence of the Management Board does not differ from the competence of the Management Board indicated in the Law on Companies. The Management Board shall take:

- decisions for the Company to become an incorporator or a member of other legal entities;
- decisions on the opening of branches and representative offices of the Company;
- decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds 1/20 of the capital of the Company (calculated individually for every type of transaction);
- decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds 1/20 of the capital of the Company (calculated for the total amount of transactions);
- decisions on offering of suretyship or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the capital of the Company;
- decisions on the acquisition of the fixed assets the price whereof exceeds 1/20 of the capital of the Company;
- other decisions assigned to the scope of powers of the Management Board by the Law on Companies, the Articles of Association or the decisions of the General Meeting.

The Management Board shall consider and approve:

- the annual report of the Company;
- the interim report of the Company;
- the management structure of the Company and the positions of the employees;
- the positions to which employees are recruited through competition;
- regulations of branches and representative offices of the Company.

The Management Board shall analyse and assess the information submitted by the Manager:

- on the organisation of the activities of the Company;
- on the financial status of the Company;
- on the results of economic activities, income and expenditure estimates, the stock-taking and other accounting data of changes in the assets;
- the draft of business strategy and information on the implementation of the Company's business strategy, and submit them to the Supervisory Council together with feedback and proposals for them.

The Management Board shall analyse and assess:

- a set of the Company's annual financial statements and a draft of profit/loss distribution and shall submit them to the Supervisory Council and to the General Meeting together with feedback and related proposals and the annual report of the Company;
- a draft decision on the allocation of dividends for a period shorter than the financial year and a set of interim financial statements drawn up for the purpose of taking this decision, which it shall submit to the Supervisory Council and to the General Meeting together with feedback and related proposals and the Company's interim report.

The Management Board may take decisions and its meeting is deemed to have taken place if not less than 2/3 (two-thirds) of the members are present at the meeting. Decisions made by the Management Board shall be lawful if votes in favour thereof outnumber the votes against it. Where equal votes are cast "for" and "against", the Chairman of the Management Board shall have the casting vote.

Manager

The Company's ordinary business is organized by the Manager. The Manager is responsible for:

- organisation of activities and implementation of purposes of the Company;
- drawing up of a set of annual financial statements and drafting of an annual report of the Company;
- drafting of a decision on the allocation of dividends for a period shorter than the financial year and drawing up of a set of interim financial statements and an interim report for adoption of the decision on the allocation of dividends for a period shorter than the financial year;
- drafting of the draft of the rules on provision of Shares;
- conclusion of a contract with an auditor or an audit firm;
- submission of information and documents to the General Meeting, the Supervisory Council and the Management Board in the cases laid down in the Law on Companies or at their request;
- submission of documents and particulars of the Company to the administrator of the Register of Legal Entities;
- submission of the documents to the BoL, Nasdaq CSD, SE, Warsaw Stock Exchange and any other stock exchanges, where the Company's securities are listed;
- publication of information referred to in the Law on Companies;
- submission of information to the shareholders;
- notifying to the General Meeting, the Supervisory Council and the Management Board about the most important events that have an impact to the Company's activities;
- issuance of procuracies subject to provisions of the Articles of Association;
- performance of other duties laid down in the Law on Companies and other laws and legal acts as well as in the Articles of Association and the job description of the Manager.

Under the Articles of Association, a quantitative representation rule is foreseen in the Company, according to which transactions of the Company shall be signed jointly by the Manager and any member of the Board of the Company.

Rights conferred by the Shares of the Company

Pursuant to Articles 4.7 and 4.9 of the Articles of Association, rights conferred by the Shares of the Company are as follows:

- to receive a portion of the Company's profit (dividend);

- to receive the Company's funds, when the capital of the Company is reduced with a view to paying out the Company's funds to the shareholders;
- to receive a part of assets of the Company in liquidation;
- to receive shares without payment if the capital is increased out of the Company funds, except for cases provided in the Law on Companies;
- to have the pre-emption right in acquiring the shares or convertible bonds issued by the Company, except for the case when the General Meeting decides to withdraw the pre-emption right for all the shareholders according to the procedure provided by the Law on Companies;
- to lend to the Company in the manner prescribed by laws; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the Company and shareholders shall be prohibited from negotiating a higher interest rate;
- other property rights under the laws of the Republic of Lithuania;
- to attend General Meetings;
- to submit to the Company in advance the questions, related to the issues on the agenda of the General Meetings;
- to vote at the General Meetings according to voting rights carried by their Shares;
- to obtain information about the Company – of the scope and pursuant to the procedure provided in the Articles of Association;
- to bring an action for damages to the Company caused by non-performance or improper performance of office duties of the Manager and Management Board members of the Company provided for in the Law on Companies, other laws and the Articles of Association, as well as in other cases stated in the law;
- other non-property rights under the laws of the Republic of Lithuania or the Articles of Association.

All the Shares confer equal rights to all the shareholders.

Procedure of amending the Articles of Association

Articles 14.1 and 14.2 of the Articles of Association foresee, that the procedure of amendment of Articles of Association does not differ from the procedure of amendment of Articles of Association indicated in the Law on Companies, namely, that the decision of the General Meeting with this respect shall be adopted by a qualified majority of not be less than 2/3 (two-thirds) of all the votes granted by the shares to the shareholders present at the General Meeting. The new wording of the Articles of Association shall become valid as from its registration with the Register of Legal Entities of the Republic of Lithuania.

Procedures of the General Meeting

Following Article 6.11 of the Articles of Association the questions, related to the convocation of the annual (extraordinary) or repeated General Meetings shall be generally regulated by the Law on Companies and other laws.

The main rules of convocation of and attending the General Meeting are as follows:

The right of initiative to convene the General Meeting is vested in the Supervisory Council, the Management Board and the shareholders who have at least 1/10 of all votes. As a rule, the General Meetings are convened by a decision of the Management Board.

General Meetings are annual and extraordinary. An annual General Meeting must be held every year within four months after the close of the financial year. The Law on Companies indicates that an extraordinary General Meeting must be convened if: (i) the Company's equity capital falls below 1/2 of the share capital and this matter has not been discussed at an annual General Meeting; (ii) the number of the Supervisory Council members falls below the 2/3 of the total number specified in the Articles of Association or below the minimum number indicated in the Law on Companies (i. e. three); (iii) the auditor or audit firm terminates the contract with the Company or is unable to audit the set of annual financial statements of the Company due to other reasons; (iv) the convocation of the General Meeting is requested by the shareholders who have the right to initiate such convocation or by the Management Board or the Supervisory Council.

If and after the Shares are listed and Admitted to trading on the WSE and on Nasdaq, a notice of convocation of the General Meeting will have to be made public no later than 21 days before the date of the General Meeting through the stock exchange information systems of WSE and Nasdaq as a material event, and is also to be published on the Company's website <http://www.novaturagroup.com>.

Additional matters to be included into the agenda of the General Meeting may be proposed by the Supervisory Council, the Management Board and one or several shareholders holding shares that carry at least 1/20 of all votes no later than 14 days prior to the meeting. In addition, they may propose new draft decisions on the matters in the agenda prior to and during the General Meeting.

If the General Meeting is not held, a repeated General Meeting must be convened. It has to be convened after the lapse of at least 14 days and not later than after the lapse of 21 days following the day of the General Meeting which was not held. The shareholders have to be notified of the repeated General Meeting no later than 14 days before the date of the repeated General Meeting in the same manner, as indicated above.

The persons who were shareholders of the Company at the close of the record date of the General Meeting (i. e. the fifth business day prior the date of the General Meeting) have the right to attend and vote at the General Meeting. The shareholder's right to attend the General Meeting also includes the right to speak and to ask questions regarding the items on the agenda of the meeting. The questions given to the Company by the shareholder regarding the items on the agenda of the General Meeting must be answered before the General Meeting, if such questions were received not later than 3 business days before the General Meeting.

Shareholders or persons authorised by them or persons with whom an agreement on assignment of voting rights is concluded may attend and vote at the General Meeting.

A person attending the General Meeting and entitled to vote must present a document which is a proof of his identity. A person who is not a shareholder must additionally present a document attesting to his right to vote at the General Meeting.

A shareholder or his proxy has the right to vote in advance in writing, by filling in a general ballot paper. If the shareholder requests so, the Company, no later than 10 days before the General Meeting, must dispatch a general ballot paper by registered mail free of charge or delivered by hand. If and after the Shares are listed and Admitted to trading on the WSE and Nasdaq, the general ballot paper shall also be available on the Company's website <http://www.novaturagroup.com> no later than 21 days before the General Meeting. The filled-in general ballot paper and the document attesting to the right to vote must be submitted to the Company prior to the General Meeting (it may be delivered by sending to the Company at the address A. Mickevičiaus st. 27, LT-44245 Kaunas, the Republic of Lithuania, by registered mail, or delivered by hand). If the general ballot paper is signed by a person, who is not a shareholder of the Company, a document attesting to his right to vote at the General Meeting must be additionally presented.

The Company does not provide a possibility to attend the General Meeting and to vote by means of electronic communications.

In case of Shares registered with CSDP the CSDP informs its participants about the General Meeting, as well as on participation and voting rules thereon, based on information obtained from Nasdaq CSD. Subsequently, CSDP participants provide information in this regard to Company's shareholders. In case a shareholder intends to participate in the vote, such shareholder shall submit a respective instruction to an entity keeping his securities account. Shareholder's data is in return provided to CSDP and via Nasdaq CSD provided to the Issuer (at the same time confirming the voting right of a given shareholder). Additionally, in case the vote is carried out via voting ballot document, transfer of shareholders' data may be also made via the CSDP.

A description of any provision of the Articles of Association, statutes, charter or bylaw that would have an effect of delaying, deferring or preventing a change in control of the Issuer

There are no such provisions.

An indication of the Articles of Association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed

There are no such provisions.

A description of the conditions imposed by the memorandum and Articles of Association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law

There are no more stringent provisions.

Corporate Governance Code

In accordance with the WSE Rules and Nasdaq rules, the Issuer as a public company listed on the WSE and Nasdaq respectively should observe the principles of corporate governance set out in the WSE Best Practices, as well as set out in Nasdaq Corporate Governance Code. Both of these documents are the sets of recommendations and rules of procedure for governing bodies of publicly-listed companies and their shareholders. They also set forth the manner in which publicly-listed companies disclose information on their compliance with corporate governance rules and the scope of information to be provided. If a certain rule is not complied with by a publicly-listed company on a permanent basis or has been breached incidentally, such company is required to disclose this fact in the form of a current report. Detailed information on the compliance of the Issuer with these corporate governance regimes will be provided in the annex to the Annual Report for the year 2018 of the Company. The WSE Best Practices, as well as Nasdaq Corporate Governance Code may be found at <https://www.gpw.pl/dobre-praktyki> and on <http://www.nasdaqbaltic.com/en/products-services/rules-and-regulations/nasdaq-omx-vilnius/> respectively.

The Company acknowledges the importance of good corporate governance and intends to seek the compliance with both of the above Corporate Governance Codes to the extent possible. Especially, the Company intends to be as transparent as it is legally and practically possible using multilingual Company's website. Moreover, two members of the Supervisory Council shall be independent. However, due to, inter alia, differences between Polish and Lithuanian corporate law the Company will not comply with certain rules of the codes, namely.

I. Principles, which will not be complied with (or will be partially complied) by the Company from the WSE Best Practices:

- **Detailed principle I.Z.1.3. - a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1.**

Under Lithuanian law, the management board functions and responsibilities are not required to be divided among members of the management board, therefore the Company would not comply with this principle. Within the Company, CFO and CEO are positions separate from the management board.

- **Detailed principle I.Z.1.5. - current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the last 5 years shall be published on issuer's website.**

The Company only partially complies with this principle. The Company will publish on its website current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least in the last 3 years. The Company will consider application of this principle in the future.

- **Detailed principle I.Z.1.8. - selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data shall be published on issuer's website.**

The Company only partially complies with this principle. The Company will publish on its website selected financial data of the Company for the last 3 years. The Company will consider application of this principle in the future.

- **Detailed principle I.Z.1.10. - financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation shall be published on issuer's website.**

The Company would not comply with this principle in terms of financial projections prepared in the past. The Company will consider application of this principle in the future.

- **Detailed principle I.Z.1.15. - information about the company's diversity policy applicable to the company's governing bodies and key managers.**

The Company has not adopted diversity policy applicable to the company's governing bodies and key managers. Even though there is no such policy established, the Company puts its best efforts to comply with this rule. A diverse among others in terms of gender is ensured within the Management Board, having two women out of four members in its composition.

- **Detailed principle I.Z.1.20. - an audio or video recording of a general meeting.**

The Company does not provide for the possibility of recording the course of the General Meeting in the form of an audio or video recording. The contents of the resolutions adopted by the General Meeting will be published on the Company's website as well as notified through the stock exchanges, on which the shares of the Company are listed. In the Company's opinion the documentary form of the course of General Meetings, ensure a high level of transparency and protection of the rights of all Company's shareholders. Additionally, no recording is required under Lithuanian law. The Company would not comply with this principle.

- **Recommendation II.R.2. - decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.**

The Company only partially complies with this principle. The Company ensures a balanced participation of women and men in the Management Board. While this principle is not ensured in the Supervisory Council, which includes only man. The Company would like to emphasize that it focusses mainly on knowledge, qualifications and experience of members of the Management Board and Supervisory Council rather than on gender or age. The Company would like to express support for the abovementioned recommendation, at the same time pointing out that in the future when choosing the composition of the bodies, in a scope dependent on the Company, will seek to take into account said recommendation, however, appropriate decisions lies in the hands of authorized bodies of the Company.

- **Detailed principle II.Z.1. - the internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.**

Under Lithuanian law, the management board functions and responsibilities are not required to be divided among members of the management board, therefore the Company would not comply with this principle. Within the Company, CFO and CEO are positions separate from the management board.

- **Detailed principle III.Z.1. - the company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.**

Under Lithuanian law, the Supervisory Council is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function, therefore the Company would not comply with this principle in full. Additionally, the Company has not introduced a function of internal auditor to date, but decided to introduce such in the near future. An internal auditor in the Company should report directly to Supervisory Council.

- **Detailed principle III.Z.2. - subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.**

The Company only partially complies with this principle. Under Lithuanian law persons responsible for risk management, internal audit and compliance should report directly to the Supervisory Council.

- **Detailed principle III.Z.3. - the independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.**

The Company has not introduced a function of internal auditor to date, but decided to introduce such in very near future. This principle will be applied as soon as the Company employs a person for the internal auditor function.

- **Detailed principle III.Z.4. - the person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.**

The Company has not introduced a function of internal auditor to date, but decided to introduce such in very near future. This principle will be applied as soon as the Company employs a person for the internal auditor function.

- **Recommendation IV.R.2. - if justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means.**

The Company does not provide for the possibility of using electronic communication means during the General Meeting, in particular the transmission of the General Meeting and two-way communication in real time. In the opinion of the Company, the above is connected with the threats of correct and efficient conduct of the General Meeting of the legal and technical nature. In the opinion of the Company there is a high risk of threatening the security of this type of communication as well as of occurring technical disruptions. In addition, the Company does not have appropriate organizational and technical facilities to implement the mentioned

principle. What is more, the implementation of this rule would charge the Company with additional, high costs. However, the Company enables its shareholders to exercise of the right to vote during a general meeting either in person or through a plenipotentiary. Due to the above, the Company will not apply the above recommendation in full.

- **Detailed principle IV.Z.2 - if justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.**

The Company does not provide for the possibility of using electronic communication means during the General Meeting, in particular the transmission of the General Meeting and two-way communication in real time. In the opinion of the Company, the above is connected with the threats of correct and efficient conduct of the General Meeting of the legal and technical nature. In the opinion of the Company there is a high risk of threatening the security of this type of communication as well as of occurring technical disruptions. In addition, the Company does not have appropriate organizational and technical facilities to implement the mentioned principle. What is more, the implementation of this rule would charge the Company with additional, high costs. Due to the above, the Company will not apply the above recommendation in full.

- **Detailed principle IV.Z.3 - presence of representatives of the media should be allowed at general meetings.**

The provisions of the Lithuanian law expressly state who may participate in the General Meeting. Such right is not granted to media representatives, unless they are shareholders of the Company. In the opinion of the Issuer, generally binding legal regulations, sufficiently regulate the performance of public information obligations by public companies regarding the transparency of the General Meeting, as well as matters being its subject. The Company would not comply with this principle

- **Detailed principle IV.Z.4 - the management board should immediately take steps which it is required to take in order to organise and conduct the general meeting convened pursuant to Article 399 § 2 – 4 of the Polish Commercial Companies Code (or convened under authority granted by the registration court according to Article 400 § 3 of the Polish Commercial Companies Code).**

The Company is incorporated and under Lithuanian law, therefore this principle does not apply.

- **Detailed principle IV.Z.17 - a resolution of the general meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment takes place before the dividend record date.**

Lithuanian law does not stipulate a conditional dividend payment, therefore the Company would not comply with this principle.

- **Detailed principle IV.Z.18 - a resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the company listed on the WSE.**

Under Lithuanian law the minimal nominal value of one share may be EUR 0.01, moreover current nominal value of the Company's share is equal to EUR 0.03. Therefore, the Company would not comply with this principle.

- **Recommendation VI.R.1 - the remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.**

The Company only partially complies with this recommendation. The Company approved a remuneration policy for members of the Supervisory Council only.

- **Recommendation VI.R.2 - the remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.**

The Company has not approved a remuneration policy for members of the Management Board. The remuneration policy for members of the Supervisory Council is not tied to the Company's strategy, its short- and long-term goals, long-term interests and results.

- **Detailed principle VI.Z.4. - contents regarding remuneration policy to be reported in company's activity report.**

The Company only partially complies with this recommendation. The Company approved a remuneration policy for members of the Supervisory Council only.

II. Principles, which will not be complied with (or will be partially complied) by the Company from Nasdaq Corporate Governance Code:

- **Detailed principle 3.5. - all new members of the Supervisory Council should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The Supervisory Council should conduct an annual review to identify fields where its members need to update their skills and knowledge.**

Currently, there is no such program in the Company and members of the Supervisory Council do not perform the assessment of their skills and knowledge accordingly. However, the Company does not rule out to introduce these issues in the future.

- **Detailed principle 4.9. - committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.**

The Company complies to this principle, except that its Nomination and Remuneration Committee is comprised of 2 members. However, the Company does not rule out to introduce the third member into this committee in the future.

- **Detailed principle 4.14.5. - the audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.**

The Supervisory Council is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function in the Company. Therefore, the Company would not comply with this principle in full.

- **Detailed principle 6.3. - transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting.**

The General Meeting of the Company is not vested with such a competence neither under the applicable laws nor under the Articles of Association of the Company.

- **Detailed principle 6.7. - with a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.**

The Company does not comply with this principle. For more information on this issue please see Recommendation IV.R.2. above.

- **Detailed principle 8.1. - a company should make a public statement of the company's remuneration policy which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website and other principles of Section 8 of Nasdaq Corporate Governance Code.**

The Company only partially complies with these recommendations. The Company approved a remuneration policy for members of the Supervisory Council only.

TERMS AND CONDITIONS OF THE OFFERING

General information

On the basis of this Prospectus, the Selling Shareholders are collectively offering 3,903,500 Offer Shares which represent 50% of the Company's share capital. The Selling Shareholder 1 is offering 3,141,500 Offer Shares, the Selling Shareholder 2 is offering 381,000 Offer Shares and the Selling Shareholder 3 is offering 381,000 Offer Shares. If the Global Coordinator determines that there is sufficient quality demand for the Offer Shares, the Selling Shareholder 1 may decide to increase the number of Offer Shares by up to 1,249,120 Offer Shares (“**Additional Shares**”) and, in such case, the final number of the Offer Shares in the Offering will not be higher than 5,152,620 Offer Shares (i.e. 66% of all the Shares). In this case the final number of the Offer Shares offered in the Offering shall be set forth in the Pricing Agreement. The Additional Shares shall be sold by the Selling Shareholder 1 only.

The Offering consists of: (i) public offerings in the Republic of Poland (the “**Polish Offering**”), the Republic of Lithuania and the Republic of Estonia (the “**Lithuanian and Estonian Offering**”, the Polish Offering collectively with the Lithuanian and Estonian Offering the “**Public Offering**”); and (ii) a private placement to Institutional Investors outside of the United States of America (excluding Poland, Lithuania and Estonia) in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”). The Prospectus has been filed with and approved by the BoL, which is the competent authority under the relevant implementing measures of the Prospectus Directive in the Republic of Lithuania. The Republic of Lithuania is the home member state of the Issuer and the BoL is solely authorized to approve this Prospectus. The Selling Shareholders will be authorized to carry out the Offering in the Republic of Poland, the Republic of Lithuania and the Republic of Estonia once the BoL has approved the Prospectus and has notified the Polish Financial Supervision Authority (the “**PFSA**”), the Estonian Financial Supervision Authority (the “**EFSA**”) of the approval of the Prospectus and the Prospectus together with its summary translated into Polish, Lithuanian and Estonian has been published in the Republic of Poland, the Republic of Lithuania and the Republic of Estonia on the website of the Issuer (www.novaturasgroup.com). Additionally, for information purposes only, the Prospectus has been published (i) in the English language together with its summary translated into Polish on the website of the Offering Agent in Poland (www.dm.pkobp.pl), (ii) in the English language together with its summary translated into Lithuanian on the Lithuanian website of the Offering Agent in Lithuania and Estonia (www.swedbank.lt); and (iii) in the English language together with its summary translated into Estonian on the Estonian website of the Offering Agent in Lithuania and Estonia (www.swedbank.ee). In addition, in accordance with the requirements of the applicable regulations in Lithuania, in Estonia and in Poland, a paper copy of the Prospectus will be delivered to the Investors upon their request free of charge. The PFSA and the EFSA are respectively the competent authorities for the purposes of the relevant implementing measures of the Prospectus Directive in the Republic of Poland and the Republic of Estonia (with respect to the Offering), as host member states of the Issuer. There will be no public offering outside of the Republic of Poland, Lithuania and Estonia.

For further information on selling restrictions applicable to the Offer Shares, see Section “*Selling Restrictions*”, and with respect to the rights pertaining to the Offer Shares, see Section “*Description of share capital and corporate governance*”.

No separate tranches have been created in the Offering for the various categories of investors or markets. Disregarding this, there will be certain distinctions in the Polish Offering as compared to Lithuanian and Estonian Offering (please refer to Section “*Expected Timetable of the Offering*”). As at the date of this Prospectus, there is no restriction on the amount of the Offer Shares that will be allocated to each category of investors. However, the Selling Shareholders intend to allocate approximately 10% of the final number of the Offer Shares to Retail Investors. The Selling Shareholder 1 may, in agreement with the Global Coordinator and after consultation with the Joint Bookrunners, alter this proportion. The final number of the Offer Shares offered to specific categories of investors will be announced together with the Offer Prices and the final number of Offer Shares. The Offer Shares offered to the Retail Investors will be reduced pro rata.

The Offer Shares are being offered at the relevant Offer Prices for particular categories of investors, which will be determined through a book-building process and after taking into account other conditions (please refer to Section “*Maximum Price and Offer Prices*”) and will be expressed in EUR. The PLN equivalents of the Offer Prices will be calculated based on the average exchange rates published by the National Bank of Poland (as rounded up to the closest Polish grosz) on the Pricing Date, however, if such calculated PLN equivalent of the Offer Price for Retail Investors would be higher than PLN equivalent of the Maximum Price, PLN equivalent of the Offer Price for the Retail Investors will be equal to PLN equivalent of the Maximum Price. The final number of the Offer Shares allotted to the investors will be set by the Selling Shareholder 1 in agreement with the Global Coordinator and after consultation and the other Joint Bookrunners on the Pricing Date, but will not be higher than 5,152,620 Offer Shares.

On 16 January 2018, the General Meeting acknowledged the public offering of the Offer Shares to be offered for sale by the Selling Shareholders and adopted resolutions regarding the listing of all outstanding Shares on the Nasdaq and

the WSE. In addition, the General Meeting approved preparation of a prospectus for the purpose of the Offering, and listing of the Shares on the Nasdaq and the WSE.

Eligible Investors

The following groups of investors are entitled to participate in the Offering: (i) the Retail Investors, and (ii) the Institutional Investors.

The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

All investors that intend to acquire any of the Offer Shares should acquaint themselves with the relevant laws of their countries of residence prior to making a decision to purchase the Offer Shares.

Expected Timetable of the Offering

The timetable below lists the key dates related to the Polish Offering.

26 February 2018	Publication of the Prospectus
26 February 2018 - 8 March 2018	Book-building for Institutional Investors
27 February 2018 - 7 March 2018	Subscription period and payment for the Offer Shares at the Maximum Price for Retail Investors in the Polish Offering
8 March 2018	Determination and announcement of the Offer Prices and the final number of Offer Shares (the “ Pricing Date ”)
9 March 2018 - 13 March 2018	Subscription period and payment for the Offer Shares by Institutional Investors in the Polish Offering
14 March 2018	Subscription period for, if any, Substitute Investors who respond to the invitation of the Joint Bookrunners in the Polish Offering
no later than 14 March 2018	Allotment of the Offer Shares in the Polish Offering (the “ Polish Allotment Date ”)
on or about 19 March 2018	Delivery of the Offer Shares to Investors in Poland and closing of the Polish Offering (the “ Polish Settlement Date ”)
on or about 21 March 2018	Start of trading of Shares on the WSE (the “ WSE Listing Date ”)

The timetable below lists the key dates related to the Lithuanian and Estonian Offering.

26 February 2018	Publication of the Prospectus
26 February 2018 - 8 March 2018	Book-building for Institutional Investors Subscription period for the Offer Shares by the Institutional Investors in the Lithuanian and Estonian Offering
27 February 2018 - 7 March 2018	Subscription period and payment for the Offer Shares at the Maximum Price for Retail Investors in the Lithuanian and Estonian Offering
8 March 2018	the Pricing Date
9 March 2018	Allotment of the Offer Shares in the Lithuanian and Estonian Offering (the “ Lithuanian and Estonian Allotment Date ”)
no later than 14 March 2018	Delivery of the Offer Shares to Investors in Lithuania and Estonia and closing of the Lithuanian and Estonian Offering (the “ Lithuanian and Estonian Settlement ”)

Date”)

on or about 21 March 2018

Start of trading of Shares on the Nasdaq (the “**Nasdaq Listing Date**”)

In agreement with the Global Coordinator and after consultation with the other Joint Bookrunners, the Selling Shareholder 1 may decide to amend the above dates. Changes made to the stated dates, if any, will be made available to the public in the form of an update reports pursuant to the Law on Securities, the Polish Act on Public Offerings, and the Estonian Securities Market Act and announced publicly in the same manner as this Prospectus. If, in the Selling Shareholders’ opinion, a change of dates for Subscription Orders would be a material factor affecting the evaluation of the Offer Shares, then such changes would be made available to the public in the form of a supplement to this Prospectus and announced publicly in the same manner as this Prospectus.

Purchase by the Selling Shareholders and the Management

Neither any of the current shareholders of the Company, nor any of the members of the Management Board, Supervisory Council and the General Manager intend to subscribe for the Offer Shares. Please note however, that immediately following the Listing Date, the Selling Shareholders and the Minority Shareholder 3 will sell a number of Shares to the CEO and the CFO of the Company (calculated in accordance with the formula described in Section “*The Selling Shareholders - Shareholding Structure Following the Offering - Exit scheme*”). For more information on this please see Section “*Shareholding Structure Following the Offering*”.

Supplements to the Prospectus

In accordance with the relevant regulations in force in the Republic of Lithuania, the Republic of Poland and the Republic of Estonia applicable to public offerings and admission of securities to trading on a regulated market (and taking into account that the public offering of the Offer Shares will take place only in the Republic of Lithuania, the Republic of Poland and the Republic of Estonia), any significant new factor, material mistake or inaccuracy relating to the information disclosed in this Prospectus which may affect the assessment of the Offer Shares and which arises or is noted between the date of approval of this Prospectus and the Nasdaq Listing Date and the WSE Listing Date will be communicated through a supplement to this Prospectus. Such a supplement will be subject to approval by the BoL and will be notified to the PFSA and the EFSA for passporting and will be published in the same manner as this Prospectus. If a supplement is published no later than on the Polish Allotment Date and/or the Lithuanian and Estonian Allotment Date, then the respective Investors who have already agreed to purchase the Offer Shares before the supplement is published shall have the right, exercisable in the relevant investment firm which accepted their Subscription Orders, within two business days following the publication of the supplement to withdraw their Subscription Orders, provided that the new factor, material mistake or inaccuracy arose or was noted before the respective Polish Allotment Date and/or the Lithuanian and Estonian Allotment Date.

In such case and if necessary the Polish Allotment Date and/or the Lithuanian and Estonian Allotment Date and the WSE Listing Date and/or Nasdaq Listing Date will be adjusted in order to enable the investors to withdraw their Subscription Orders. If Investors withdraw their Subscription Orders, the payments that have been made by them will be returned without any interest or compensation, no later than 7 Business Days after the date of such withdrawal from the Subscription Order.

Cancellation or Suspension of the Offering

The Selling Shareholder 1 after consultation with the Global Coordinator and the other Joint-Bookrunners, may cancel the Offering and/or modify the terms and dates of the Offering at any time prior to the commencement of the Subscription period for the Retail Investors, without disclosing any reason for doing so.

The Selling Shareholder 1, in agreement with the Global Coordinator and after consultation with the other Joint Bookrunners, may also cancel or suspend the Offering, at any time after the commencement of the subscription period for the Retail Investors up to and until the earlier of the Polish Allotment Date and the Lithuanian and Estonian Settlement Date, if they consider that there are reasons to believe that the proceeding with the Offering is, or has become impracticable or inadvisable. Such reasons may include, but are not limited to: (i) the suspension of, or material limitation in trading in securities generally on the Nasdaq or the WSE, as well as any other official stock exchange in the European Union or the United States; (ii) a sudden and material adverse change in the economic or political situation in jurisdictions where the Group operates or worldwide; (iii) a material loss, or interference with the Company's business; (iv) any change or development in or affecting the general affairs, management, financial position, Selling Shareholders' equity or results of the Company or of the operations of its Subsidiaries in a materially adverse way; (v) an unsatisfactory level of demand for the Offer Shares; (vi) an insufficient, in the Selling Shareholders' opinion, expected free float of the Company's shares on the WSE and the Nasdaq.

In the event of a cancellation of the Offering, information about the cancellation will be made available to the public in the same manner as this Prospectus. Should the Offering be cancelled, Subscription Orders for the Offer Shares that have been made will be deemed null and void, and any subscription payments that have been made will be returned without any interest or compensation no later than 7 Business Days after the date of public announcement of cancellation of the Offering. In the event of a suspension of the Offering, information on the suspension will be made available to the public in the form of a supplement to the Prospectus and in the form and scope specified under applicable laws and regulations. If the decision to suspend the Offering is made after commencement of the subscription period for the Retail Investors, the Subscription Orders made shall be deemed invalid and any subscription payments in cash that have been made, will be returned without any interest or compensation, no later than 7 Business Days after the date of the announcement to the public of the information of suspension of the Offering.

Neither the Company, the Selling Shareholders nor the Joint Bookrunners shall bear any liability for any consequences (including, without limitation, losses, damages or lost opportunity) incurred by any third party (including any investor) and/or their affiliates in respect to and/or in connection with such suspension or cancellation of the Offering.

Maximum Price and Offer Prices

The maximum price per Offer Share is EUR 13.50 (the “**Maximum Price**”) and its PLN equivalent is PLN 56.11 (based on the EUR/PLN average exchange rate of 1/4.1562, quoted by the National Bank of Poland on 21 February 2018, as rounded up to the closest Polish grosz).

The final offer price per Offer Share for the Retail Investors (the “**Offer Price for the Retail Investors**”) and the final offer price per Offer Share for the Institutional Investors (the “**Offer Price for the Institutional Investors**”) will be determined by the Selling Shareholders in agreement with the Global Coordinator and after consultation with the other Joint Bookrunners, based on the following criteria and rules: (i) size and price sensitivity of demand from the investors as indicated during the book-building process; (ii) the current and anticipated situation on the Lithuanian, Polish, Estonian and international capital markets; and (iii) the secondary market post-Offering for the Shares. The Retail Investors will not participate in the book building process. The Offer Price for the Retail Investors expressed in EUR will not be higher than the Maximum Price expressed in EUR. The PLN equivalent of the Offer Price for Retail Investors will not be higher than the PLN equivalent of the Maximum Price. The Offer Price for the Institutional Investors may be higher than the Maximum Price.

The Offer Prices and the final number of the Offer Shares will be announced on the Pricing Date in accordance with the applicable regulations, as well as market practice in the Republic of Lithuania, the Republic of Poland and the Republic of Estonia, in the same manner as this Prospectus and notified to the BoL, the PFSA and the EFSA. The Offer Prices will be determined in EUR. The PLN equivalents of the Offer Prices will be calculated based on the average exchange rate published by the National Bank of Poland on the Pricing Date (as rounded up to the closest Polish grosz), however, if such calculated PLN equivalent of the Offer Price for Retail Investors would be higher than PLN equivalent of the Maximum Price, PLN equivalent of the Offer Price for the Retail Investors will be equal to PLN equivalent of the Maximum Price. The EUR/PLN exchange rate used for the purpose of calculation of the Offer Prices expressed in PLN may differ from the EUR/PLN exchange rate used for the purpose of calculation of PLN equivalent of the Maximum Price, what may influence PLN equivalent of the Offer Prices and reimbursements (please refer to Section “*Terms and conditions of the Offering - Payment by Retail Investors in the Republic of Poland*” and “*Risk Factors Relating to the Offering and Trading on the WSE and Nasdaq*”).

Final number of the Offer Shares

The total number of the Offer Shares offered for sale by the Selling Shareholders is 3,903,500 Offer Shares. If the Global Coordinator determines that there is a sufficient quality demand for the Offer Shares, the Selling Shareholder 1 may decide to increase the number of the Offer Shares by up to 1,249,120 Offer Shares and, in such case, the final number of the Offer Shares in the Offering will not be higher than 5,152,620 Offer Shares. The final number of the Offer Shares will be announced on the Pricing Date in accordance with applicable regulations, as well as market practice in the Republic of Lithuania, the Republic of Poland and the Republic of Estonia, in the same manner as this Prospectus and notified to the BoL, the PFSA and the EFSA.

Placement of Subscription Orders

The Offer Shares may be acquired by the Retail Investors and the Institutional Investors and there is no fix split of the Offer Shares that will be allocated to each category of investors.

The Selling Shareholders intend to allocate approximately 10% of the final number of the Offer Shares to Retail Investors, however the proportion may be altered by the Selling Shareholder 1 at its discretion, in agreement with the Global Coordinator and following consultation with the other Joint Bookrunners. The final number of the Offer Shares offered to specific categories of investors will be announced together with and in the same manner as the Offer Prices and the final number of Offer Shares and notified to the BoL, the PFSA and EFSA.

A Subscription Order for the Offer Shares is unconditional, irrevocable (subject to the withdrawal right, if a supplement to the Prospectus is published to modify the offer), may not include any reservations and is binding on subscriber until the allotment of the Offer Shares in the Offering or until the date of suspension or cancellation or modification of the Offering.

Subscription Orders for a number of Offer Shares higher than the total number of Offer Shares shall be considered to be Subscription Orders for all Offer Shares.

The Retail Investors may place multiple Subscription Orders for the Offer Shares, provided that the minimum number of the Offer Shares subscribed by one Retail Investor in one Subscription Order is not lower than 10 Offer Shares and the maximum number of the Offer Shares subscribed by one Retail Investor in one Subscription Order is not higher than 390,000 Offer Shares. Any Subscription Order for more than 390,000 Offer Shares will be deemed as Subscription Order for 390,000 Offer Shares. Any Subscription Order for less than 10 Offer Shares will be deemed invalid. However, with respect to the minimum amount of the Offer Shares that need to be purchased in order for the Offering to proceed it shall be noted that the minimal amount of allocated Offer Shares may be changed due to reduction in case of an oversubscription or the exchange rate fluctuations (described in Sections "*Terms and conditions of the Offering*" - "*Payment by Retail Investors in the Republic of Poland*" and "*Risk Factors Relating to the Offering and Trading on the WSE and Nasdaq*").

By placing Subscription Orders, each of the prospective investors will be deemed to have: (i) read the Prospectus, including the supplements thereof; (ii) accepted the terms of the Offering as described in the Prospectus; and (iii) consented to being allotted a lower number of Offer Shares than the number specified in such investor's Subscription Order, or not be allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

Subscription Orders by Retail Investors in the Lithuanian and Estonian Offering

In order to subscribe for the Offer Shares, the Retail Investors in Lithuania and Estonia must have securities accounts with a financial institution which is a member of Nasdaq (hereinafter – the financial institution). Subscription Orders will be accepted only from those Retail Investors in Lithuania who, at the time of placing their Subscription Orders, have opened securities accounts with the financial institutions at Investor's choice licensed to provide such services within the territory of Lithuania. Subscription Orders will be accepted only from those Retail Investors in Estonia who, at the time of placing their Subscription Orders, have opened securities accounts with the financial institutions at Investor's choice licensed to provide such services within the territory of Estonia.

The Retail Investors wishing to purchase the Offer Shares in Lithuanian and Estonian Offering should contact the financial institution and submit a Subscription Order for the purchase of the Offer Shares using the Subscription Order forms made available by the financial institution. The investor may use any method or form that such investor's financial institution offers to submit a Subscription Order (e.g. physically at the client service venue of the financial institution, over the internet or by other means).

The Retail Investors in Lithuanian and Estonian Offering will place their Subscription Orders in EUR at the Maximum Price, indicating the number of the Offer Shares they are willing to buy.

An investor must ensure that all information contained in the Subscription Order is correct, complete and legible. Nasdaq reserves the right to reject any Subscription Orders that are incomplete, incorrect, unclear or ineligible or that have not been completed and submitted during the subscription period and in accordance with all requirements set out in the terms and conditions contained in this Prospectus.

An investor may submit a Subscription Order through a nominee account only if such investor authorizes the owner of the nominee account to disclose the investor's identity to Nasdaq and Nasdaq CSD in writing. Among other information it is also requested to disclose a permanent address and personal identification code in case of a natural person or a registration address for a legal entity. An investor may submit a Subscription Order either personally or through a representative whom the investor has authorized (in the form required by law) to submit a Subscription Order. A Subscription Order is deemed submitted from the moment Nasdaq receives a duly completed Subscription Order and the disclosure of the respective investor from the financial institution.

Subscription Orders by Retail Investors in the Polish Offering

The Retail Investors in the Polish Offering are required to follow the instructions provided by the Offering Agent in Poland or, in case of appointment of syndicate of other investment firms and authorized banks in Poland for purposes of accepting Subscription Orders ("**Retail Syndicate**"), the instructions provided by relevant member of the Retail Syndicate. If the Polish Retail Investor wishes to subscribe for the Offer Shares, such Polish Retail Investor must have a securities account opened with the Offering Agent in Poland or other entity licensed to provide such services within the territory of the Republic of Poland. The regulations of relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed) may require from the Polish Retail Investor to have a securities account opened with this member of the Retail Syndicate. Subscription Orders from the Polish Retail Investors can be submitted within the subscription

period in the client service points of the Offering Agent in Poland or members of the Retail Syndicate (if the Retail Syndicate will be appointed) during usual business hours or by other means compliant with regulations of the Offering Agent in Poland or relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed). The list of client service points of the Offering Agent in Poland and client service points of members of the Retail Syndicate (if the Retail Syndicate will be appointed), will be made available to the public before the commencement of the subscription period for the Retail Investors on the Company's website (www.novaturasgroup.com) and, additionally for information purposes only, on the website of the Offering Agent in Poland (www.dm.pkobp.pl).

The Polish Retail Investors will place their Subscription Orders in PLN at the PLN equivalent of the Maximum Price, indicating the number of Offer Shares they are willing to buy.

The Subscription Orders of Polish Retail Investors need to be placed on the forms made available in the client service points of the Offering Agent in Poland or relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed). The form of the Subscription Order will be in Polish language. An investor must ensure that all information contained in the Subscription Order is correct, complete and legible. The Selling Shareholders reserve the right to reject any Subscription Orders that are incomplete, incorrect, unclear or ineligible or that have not been completed and submitted during the subscription period and in accordance with all requirements set out in the terms and conditions contained in this Prospectus.

For information on detailed rules governing the placing of the Subscription Orders, in particular (i) the documents required if Subscription Order is placed by an Investor, a statutory representative, a proxy or any other person acting on behalf of an investor, and (ii) the manner of placing Subscription Orders, the Polish Retail Investors should contact the Offering Agent in Poland or relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed).

Subscription Orders by Institutional Investors

The Institutional Investors invited or accepted by the Joint Bookrunners may take part in the book-building process which will end on the Pricing Date.

In case of the Polish Offering, once the book-building process has been completed, Selling Shareholders, after consultation with the Joint Bookrunners will select the Institutional Investors to whom the invitations to submit a Subscription Order for the Offer Shares will be sent by the Joint Bookrunners and who will be entitled to purchase the number of the Offer Shares specified in such invitation and to make payments for the Offer Shares to the account indicated in such invitation. The Subscription Orders for the Offer Shares from the Institutional Investors should be placed in writing on the form made available by the Joint Bookrunner from whom the given Institutional Investor received the invitation.

In case of the Polish Offering, the Subscription Orders placed by Institutional Investors who were invited to subscribe for the Offer Shares will be accepted on the terms as stated in the invitation to place Subscription Orders. For information on detailed rules governing the placing of Subscription Orders, in particular (i) the documents required if Subscription Order is placed by a proxy or any other person acting on behalf of an investor, and (ii) the manner of placing Subscription Orders, the Institutional Investors should contact the Joint Bookrunner from whom they received an invitation.

In case of the Polish Offering, each Institutional Investor may submit one or several Subscription Orders. Institutions which manage assets on behalf of third parties may submit a single collective Subscription Order in favour of specific customers, attaching to the Subscription Order the list of such customers containing such data is required in the Subscription Order form.

In case of the Polish Offering each Institutional Investor may submit Subscription Orders for such number of Offer Shares as is indicated in the invitation by such Institutional Investor to place a Subscription Order addressed to such Institutional Investor. Subscription Orders which in total cover a number of the Offer Shares higher than the number indicated in the invitation will be treated as Subscription Orders for the maximum number of the Offer Shares which may be covered by a Subscription Order placed by the given Institutional Investor. If an Institutional Investor has only made a partial payment for the Offer Shares or has placed a Subscription Order for a number of the Offer Shares lower than that specified in the invitation, such Institutional Investor may be allotted as many Offer Shares as such Institutional Investor has paid for or an even lower number of Offer Shares than for which it has been paid, which will be determined by the Selling Shareholder 1 at its discretion subject to the consent of the Joint Bookrunners.

In case of Lithuanian and Estonian Offering, once the book-building process has been completed, Selling Shareholders, after consultation with the Joint Bookrunners, will select the Institutional Investors who during the course of the Lithuanian and Estonian Allotment Date will be provided, by the Offering Agent in Lithuania and Estonia with the confirmation, how many Offer Shares they have been allotted. This will mean that the Institutional Investors in Lithuanian and Estonian Offering have subscribed for such number of Offer Shares as is indicated in the confirmation by the Offering Agent in Lithuania and Estonia. Subscription Orders which in total cover a number of the Offer Shares

higher than the number indicated in the above confirmation will be treated as Subscription Orders for the number of the Offer Shares which is indicated in the confirmation.

Payment for the Offer Shares

Payment by Retail Investors in the Lithuanian and Estonian Offering

By submitting a Subscription Order, a Retail Investor in Lithuanian and Estonian Offering authorizes and instructs the financial institution operating such investor's cash account linked to its securities account to immediately block the whole transaction amount on investor's cash account until the settlement is completed or funds are released in accordance with this Section. The transaction amount to be blocked will be equal to the Maximum Price multiplied by the amount of the Offer Shares such investor intends to purchase. Transaction related charges of the financial institution operating the investors securities account may also be blocked from the cash account (as agreed between the investors and the financial institution operating the investors securities account). Investor may submit a Subscription Order only when there are sufficient funds on the cash account linked to its securities account or its securities account to cover the whole transaction amount for that particular Subscription Order.

The Offer Shares allocated to the Investors will be transferred to their securities accounts or to the security account of their nominee or any other person acting on Investors behalf on the Lithuanian and Estonian Settlement Date simultaneously with the transfer of payment for such Offer Shares. Any overpayments (either as a result of the Offer Price for the Retail Investors being lower than the Maximum Price, lack of allocation of the Offer Shares or as a result of any proportional reduction) will be returned without any interest or any other compensation. Reimbursements will be made to the cash account indicated by the Retail Investor in Subscription Order form or omnibus account used to place the Subscription Order within 7 Business Days from the Lithuanian and Estonian Allotment Date or the date of announcement of cancellation of the Offering respectively. The Company, the Selling Shareholders and the Joint Bookrunners will not be liable for the payment of interest on the payment amount paid in advance or blocked in excess of the actual payment amount.

Payment by Retail Investors in the Polish Offering

The Polish Retail Investors placing Subscription Orders for the Offer Shares are required to pay for such Offer Shares at the latest upon the placement of the Subscription Order. Payments should be made in an amount corresponding to the product of the number of the Offer Shares for which such Polish Retail Investor places his Subscription Order and the PLN equivalent of the Maximum Price which amounts to PLN 56.11. Payment for the Offer Shares must be made in PLN in accordance with the rules of the Offering Agent in Poland or relevant member of the Retail Syndicate (if the Retail Syndicate will be appointed).

Payments for the Offer Shares do not bear any interest. Any previously unsettled receivables may not be credited as payment for the Offer Shares. A Subscription Order placed by the Polish Retail Investor which is not fully paid or not paid in time will be considered invalid.

By placing Subscription Orders, each prospective investor will be deemed to have consented to being allotted a lower number of the Offer Shares than the number specified in such investor's Subscription Order.

The final due payment for the Offer Shares allocated to the respective Polish Retail Investor will be calculated as the product of (i) the PLN equivalent of the Offer Price for the Retail Investors and (ii) the number of the Offer Shares allotted to the Polish Retail Investor. The PLN equivalents of the Offer Prices will be calculated based on the average exchange rate published by the National Bank of Poland on the Pricing Date (as rounded up to the closest Polish grosz), however, if such calculated PLN equivalent of the Offer Price for Retail Investors would be higher than PLN equivalent of the Maximum Price, PLN equivalent of the Offer Price for the Retail Investors will be equal to PLN equivalent of the Maximum Price. If the amount initially paid by the Polish Retail Investor upon the placement of the Subscription Order exceeds the final due payment for the Offer Shares allocated to the respective Polish Retail Investor, such overpayment will be reimbursed.

Any overpayments (either as a result of the Offer Price for the Retail Investors being lower than the Maximum Price, exchange rate differences, lack of allocation of the Offer Shares or as a result of any proportional reduction) will be returned without any interest or any other compensation. Reimbursements will be made to the cash account indicated by the Polish Retail Investor in Subscription Order form within 7 Business Days from the Polish Allotment Date or the date of announcement of cancellation of the Offering respectively. All excess payments will be reimbursed without any damages, interest or costs, if any, being incurred by the investors in relation to placing Subscription Orders for the Offer Shares.

There will be no costs related to the Offering directly charged to the investors by the Selling Shareholders. Investors will bear their own costs related to the evaluation of the investment and participation in the Offering.

Payment by Institutional Investors

In case of Polish Offering, the Institutional Investors are required to pay for their Subscription Orders by the hour indicated in the Subscription Order invitation, at the last day of the period of accepting Subscription Orders from Institutional Investors, for the number of Offer Shares stated in the invitation and in compliance with the instructions as to the manner of payment and currency stated in the invitations received from the Offering Agent in Poland.

In case of Lithuanian and Estonian Offering, the Institutional Investors are required to pay for their Subscription Orders by the hour indicated by the Offering Agent in Lithuania and Estonia in its confirmation regarding allotment of Offer Shares to each Institutional Investor for the number of Offer Shares stated in the above confirmation and in compliance with the instructions as to the manner of payment stated in the confirmation received from the Offering Agent in Lithuania and Estonia.

If Subscription Order is not paid in full by the Institutional Investor, such Subscription Order may be at the sole discretion of the Selling Shareholder 1, in agreement with the Global Coordinator and after consultation with the other Joint Bookrunners, deemed validly placed for such number of the Offer Shares as corresponds to the amount actually paid for by the Institutional Investor, calculated as the product of the number of the Offer Shares and the Offer Price for the Institutional Investors.

The Institutional Investors, in particular entities managing securities portfolios on behalf of their clients, should liaise with the Joint Bookrunners in order to discuss actions required to place Subscription Order and to pay for the Offer Shares.

Allotment of the Offer Shares

The Offer Shares will be allotted on the Polish Allotment Date in case of the Polish Offering and on the Lithuanian and Estonian Allotment Date in case of Lithuanian and Estonian Offering. The Polish Offering will close on the Polish Settlement Date and the Lithuanian and Estonian Offering will close on the Lithuanian and Estonian Settlement Date upon Subscription Orders made, allotment and payment for the Offer Shares. No separate tranches have been created in the Offering for the various categories of investors or markets (such as Institutional Investors, Retail Investors or investors in the Republic of Lithuania, the Republic of Estonia or the Republic of Poland). Consequently, the Selling Shareholder 1, reserves the right to allocate the Offer Shares between such groups of investors and within such groups to investors at its absolute discretion, after consultation with the Joint Bookrunners. Disregarding this, there will be certain distinctions in the Polish Offering as compared to Lithuanian and Estonian Offering (please refer to Section “*Expected Timetable of the Offering*”).

Retail Investors

The information regarding the number of the Offer Shares allotted to the Retail Investors will be available from the entities keeping the securities account of given investors.

The Selling Shareholders will not give preferential treatment or discriminate between the Retail Investors in the allotment of Offer Shares.

In case of an oversubscription by Retail Investors compared with the final number of the Offer Shares to be allotted to them, allocations will be reduced pro rata to the size of each Subscription Order placed in respectively the Polish Offering and the Lithuanian and Estonian Offering. All fractional allocations will be rounded down and any remaining Offer Shares to be allotted to the Retail Investors in respectively the Polish Offering and the Lithuanian and Estonian Offering, will be allocated to the Retail Investor who placed Subscription Order for the largest number of the Offer Shares.

In no circumstances will be the Retail Investors allotted with higher number of the Offer Shares than indicated in their Subscription Orders (even if the exchange rate fluctuations will result in an overpayment sufficient to cover the payment for the higher number of the Offer Shares than initially subscribed for by the Polish Retail Investors).

The Retail Investors will be relevantly reimbursed for excess payments if the Offer Price for the Retail Investors expressed in EUR is less than the Maximum Price expressed in EUR or in case of excess payments caused by exchange rate differences. In addition, the Retail Investors who have not been allotted any Offer Shares, or whose Subscription Orders for the Offer Shares were subject to reduction or were invalid or who have validly withdrawn after a modification of the Offering, will be reimbursed for their payments for the Offer Shares. Reimbursements will be made in the same currency in which the subscription payments have been done by the Retail Investors to the cash account indicated by them in Subscription Order form within 7 Business Days from the Lithuanian and Estonian Allotment Date in case of Retail Investors participating in the Lithuanian and Estonian Offering or the Polish Allotment Date in case of Polish Retail Investors participating in the Polish Offering or the date of announcement of cancellation of the Offering respectively. All excess payments will be reimbursed without any damages, interest or costs, if any, being incurred by the investors in relation to placing Subscription Orders for the Offer Shares.

Institutional Investors

Institutional Investors participating in the Offering will be notified about their allocations of the Offer Shares by the Joint Bookrunners.

In case of the Polish Offering, the Institutional Investors to whom the invitations will be sent by the Offering Agent in Poland will be allotted the Offer Shares in the number as stated in the invitations, provided that a Subscription Order is duly filed and the relevant number of the Offer Shares paid for. If the Institutional Investor has only made a partial payment for the Offer Shares or has placed a Subscription Order for a number of the Offer Shares lower than that specified in the invitation, such Institutional Investor may be allotted as many Offer Shares as such Institutional Investor has paid for or an even lower number of Offer Shares than for which it has been paid, which will be determined by the Selling Shareholder 1 at its discretion subject to the consent of the Joint Bookrunners.

In case of Lithuanian and Estonian Offering, the Institutional Investors will be allotted the Offer Shares in the number as stated in the confirmation regarding allotment of Offer Shares provided to each Institutional Investor by the Offering Agent in Lithuania and Estonia, provided that a Subscription Order is duly filed and the relevant number of the Offer Shares paid for. If the Institutional Investor has only made a partial payment for such Offer Shares, such Institutional Investor may be allotted as many Offer Shares as such Institutional Investor has paid for or an even lower number of Offer Shares than for which it has been paid, which will be determined by the Selling Shareholder 1 at its discretion subject to the consent of the Joint Bookrunners.

Any Offer Shares with respect to which the investors voided the legal validity of their Subscription Orders in accordance with Article 51a of the Act on Public Offering or failed to submit their Subscription Orders or failed to make timely payments may be allotted to the Institutional Investors, both to those who participated in the book building process and those who did not, however who received the invitation from the Joint Bookrunners (“**Substitute Investors**”), provided that the Substitute Investors have duly submitted and paid for the Subscription Orders submitted in response to the invitation to submit such Subscription Orders for the Offer Shares on the terms and conditions specified in this Section.

The Institutional Investors who have not been allotted any Offer Shares or whose Subscription Orders for the Offer Shares were invalid or who have validly withdrawn after a modification of the Offering, will be reimbursed for their payments for the Offer Shares. Reimbursements will be made within 7 Business Days from the Polish Allotment Date or Lithuanian and Estonian Allotment Date or the date of announcement of cancellation of the Offering respectively. All excess payments will be reimbursed without any damages, interest or costs, if any, being incurred by the investors in relation to placing Subscription Orders for the Offer Shares.

Registration and Settlement

As at the date of this Prospectus, all the Shares, including the Offer Shares are ordinary registered shares and are registered with Nasdaq CSD, SE (the merged central securities depository of Lithuania, Latvia and Estonia, “**Nasdaq CSD**”) under ISIN code LT0000131872. Central Securities Depository of Poland (in Polish: *Krajowy Depozyt Papierów Wartościowych S.A.*) (the “**CSDP**”) which is the Polish clearing and settlement institution for securities, will act as a secondary depository for the Shares, including the Offer Shares.

The Issuer intends to file an application for entering all of the Shares with the CSDP on or about the Polish Allotment Date. The delivery of the Offer Shares allotted in the Polish Offering will be made through the book-entry facilities by transferring them from the Nasdaq CSD to CSDP. The Issuer's shareholders may only hold the Shares through their respective securities accounts opened with and maintained by investment firms and custodian banks operating in Poland, Lithuania and/or Estonia that are CSDP and/or Nasdaq CSD participants. The delivery of the Offer Shares to the CSDP will be made only with respect to these Offer Shares which will be acquired by the Investors in the Polish Offering.

The delivery of the Offer Shares will be made in accordance with the instructions made by the investors in the Subscription Orders, through the facilities of the Nasdaq CSD, and, with respect to the Polish Offering, onward through the facilities of the CSDP in accordance with standard CSDP procedures applicable to the settlement of public offerings of shares. Delivery of the Offer Shares is expected to take place on the Polish Settlement Date with respect to the Polish Offering, and on Lithuanian and Estonian Settlement Date with respect to the Lithuanian and Estonian Offering respectively, barring unforeseen circumstances. The exact delivery dates for the Offer Shares subscribed in the Polish Offering will depend on the timing of the Shares transfer from the CSD to the CSDP system.

Notices of the recording of the Offer Shares in the investor's securities account will be delivered to investors in accordance with the rules of a given custodian or broker. The date of the delivery of such notice to the investors will not have any impact on the Nasdaq Listing Date or the WSE Listing Date, as the notices may be delivered to the investors after the respective listing commenced.

Listing of the Shares

As of the date of this Prospectus, the Shares are not listed on any regulated or equivalent market. The Issuer has made an application to AB Nasdaq Vilnius (“**Nasdaq**”) for adoption of a decision on conditional admission of Shares to trading on the regulated market (main list) of Nasdaq and also intends to make application to admit and introduce all the Shares to listing and trading on the main market of the Warsaw Stock Exchange (in Polish: *Gielda Papierów Wartościowych w Warszawie S.A.*) (“**WSE**”).

On 15 February 2018 Nasdaq’s management board passed the decision on conditional admission of Shares to trading on the regulated market (main list) of Nasdaq. Nasdaq’s management board established the following conditions to be fulfilled by 19 March 2018 in order that the Shares were listed on the main list of Nasdaq: (a) the approval of the Prospectus by the BoL and its publication by the Issuer in the manner prescribed by the applicable laws; (b) distribution of the Shares to the public to the extent that the requirements set forth in the Nasdaq Listing Rules would be met, including requirement regarding sufficient portion of free float. Consequently, the admission and introduction of the Shares to trading on Nasdaq will be done *inter alia* after: (a) the approval of the Prospectus by the BoL and its publication by the Issuer in the manner prescribed by the applicable laws; (b) resolution of the Nasdaq’s management board passed, to admit that the Issuer and the Shares meet all the requirements, set forth in the Nasdaq Listing Rules. Several days may lapse between the Lithuanian and Estonian Settlement Date and the Nasdaq Listing Date.

The admission and introduction of the Shares to trading on the WSE requires, *inter alia*: (a) the approval of the Prospectus by the BoL, its notification to the PFSA and its publication by the Issuer in the manner prescribed by the applicable laws; (b) execution by the Issuer of an agreement with the CSDP to register the Shares, including the Offer Shares, in the CSDP; and (c) an application to be made, and resolutions of the WSE’s management board passed, to admit and introduce the Shares to trading on the WSE. Several days may lapse between the Polish Settlement Date and the WSE Listing Date.

Trading in the Shares on the Nasdaq is expected to commence on or about 21 March 2018, and trading in the Shares on the WSE is expected to commence on or about 21 March 2018. Any trading in the Offer Shares prior to the start of trading on the Nasdaq or the WSE respectively, will be at the sole risk of investors concerned. In particular, as such transactions are not carried out on a regulated market, they are likely to result – depending on the particular circumstances of each transaction and the parties to it – in a stamp duty or similar tax being assessed.

Investors trading on the WSE should consider that since the Offer Shares are currently existing shares, the Offer Shares will be eligible for listing on the WSE, subject to completion of necessary registration procedures at the CSDP, on par with all other Shares of the Issuer. The Issuer will not be seeking to apply for listing of temporary share receipts, such as "rights to shares" within the meaning of the Polish Act on Trading in Financial Instruments and other applicable Lithuanian laws.

Offering Agents

The Issuer and Selling Shareholders have appointed Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie, with its registered office in Warsaw, Poland, to act as the offering agent with respect to the Offer Shares for the purposes of the Polish Offering and admission and introduction of the Shares to trading on the WSE and “Swedbank” AB with its registered office in Vilnius, Lithuania, to act as the offering agent with respect to the Offer Shares for the purposes of the Lithuanian and Estonian Offering and admission of the Shares to trading on the Nasdaq.

PLACEMENT, STABILIZATION AND LOCK-UP

Placement Agreement

On 23 February 2018, the Company and the Selling Shareholders have executed a placement agreement covering the Offer Shares (the “**Placement Agreement**”) with the Managers.

Pursuant to the Placement Agreement, the Managers undertake to the Company and the Selling Shareholders, subject to the satisfaction of certain conditions as stated below, to use all reasonable efforts – to cause on a best effort basis the Institutional Investors to purchase for the Offer Shares.

The Placement Agreement contains standard conditions precedent which are customary in placement agreements executed in transactions similar to the Offering, i.e. conditions related to the occurrence of any specific force majeure events, the occurrence of any material adverse change in the Company’s business or in the financial markets or the economy (in Poland, Lithuania, Estonia or abroad), as well as conditions related to representations and warranties made by the Company and the Selling Shareholders in the Placement Agreement being true, complete and accurate, as well as the execution of a pricing agreement, which will define the Offer Prices and the final number of the Offer Shares to be offered in the Offering, as well as the number of the Offer Shares designated for allotment to Retail Investors and the Institutional Investors (the “**Pricing Agreement**”).

The Pricing Agreement will be executed upon completion of the book-building process and the determination of the Offer Prices and the final number of the Offer Shares to be offered in the Offering, as well as the number of the Offer Shares assigned for the various categories of Investors.

The Placement Agreement is governed by the laws of Poland and contains such representations and warranties of the Company and the Selling Shareholders as are customary in international offerings similar to the Offering. In the Placement Agreement, the Company has agreed to indemnify and hold harmless the Managers and other specified persons against certain liabilities.

The Placement Agreement also provides that the Company and the Selling Shareholders will be subject to lock up restrictions with respect to the transfer of the Shares and share issue. For information related to the lock up arrangements, see Section “*Placement, Stabilization and Lock-up — Lock up Agreements*”.

Stabilization

In connection with the Offering no over-allotment actions and no stabilization action are planned.

Lock up Agreements

The Company

In the Placement Agreement, the Company undertakes to the Managers that from the date of the Placement Agreement until the lapse of 360 days following the first listing date of the Shares on the WSE and on the Nasdaq (in the case the WSE Listing Date differs from NASDAQ Listing Date - the earlier date), neither the Company, nor any Subsidiary or affiliate of the Company over which the Company exercises management or voting control, nor any person acting on its behalf will, without the written consent of the Global Coordinator: (i) issue, offer, pledge, sell, contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any securities of the Company similar to those offered in the Offering or such other securities convertible into or exercisable or exchangeable for securities of the Company similar to those offered in the Offering; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of securities of the Company similar to those offered in the Offering, whether any such transaction described in (i) or (ii) above is to be settled by delivery of securities of the Company similar to those offered in the Offering or such other securities, in cash or otherwise; or (iii) submit to its shareholders a proposal to effect any of the foregoing, with the exemption of the implementation in the Company of a management incentive scheme for the Group’s senior management. The Managers have full discretion to waive the lock-up at any time before its expiry.

The Selling Shareholders

In the Placement Agreement the CETO undertakes to the Managers that from the date of the Placement Agreement until the lapse of 180 days following the first listing date of the shares in the Company on the WSE and on Nasdaq (in the case the WSE Listing Date differs from NASDAQ Listing Date - the earlier date), CETO, nor any subsidiary or affiliate of the CETO over which the CETO exercise management or voting control, nor any person acting on its behalf will, without the written consent of the Global Coordinator: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, cause the Company to issue, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any securities of the Company similar to those offered in the Offering or such other securities convertible into or exercisable or exchangeable for securities of the Company similar to those offered in the Offering; (ii) enter into any swap or other

arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of securities of the Company similar to those offered in the Offering, whether any such transaction described in (i) or (ii) above is to be settled by delivery of securities of the Company similar to those offered in the Offering or such other securities, in cash or otherwise; or (iii) propose any general meeting of the Company or convene or take action to convene any general meeting for the purpose of proposing any resolution of the Company authorising the issue of any securities of the Company similar to those offered in the Offering or warrants to subscribe for securities of the Company similar to those offered in the Offering. The Global Coordinator has full discretion to waive the lock-up at any time before its expiry. The limitation referred to above shall not apply to: (i) disposal of Shares by the CETO in response to an invitation to subscribe for the exchange or sale of the Company's shares, (ii) actions related to the introduction of an incentive programme or Exit Scheme for senior management in the Company, or (iii) sale, transfer or other disposal of shares through a merger or other form of economic integration (a) with a third party with respect to all shares issued in compliance with applicable law, or (b) for the benefit of an entity controlled by Polish Enterprise Fund VI LP (provided that the entity controlled by Polish Enterprise Fund VI LP also makes an analogical commitment not to sell the Company's shares for the period remaining until the expiration of the CETO's obligation), or (c) for the Company's benefit in connection with a program for the acquisition of the Company's own shares (buy-back) addressed to all the Company's shareholders on the same terms and conditions.

In the Placement Agreement the Selling Shareholder 2, Selling Shareholder 3 and Minority Shareholder 3 undertake to the Managers that from the date of the Placement Agreement until the lapse of 540 days following the first listing date of the Shares in the Company on the WSE and on Nasdaq (in the case the WSE Listing Date differs from NASDAQ Listing Date - the earlier date), neither the Minority Shareholders, nor any subsidiary or affiliate of the Selling Shareholders over which the Minority Shareholders exercise management or voting control, nor any person acting on its behalf will, without the written consent of the Global Coordinator: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, cause the Company to issue, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any securities of the Company similar to those offered in the Offering or such other securities convertible into or exercisable or exchangeable for securities of the Company similar to those offered in the Offering; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of securities of the Company similar to those offered in the Offering, whether any such transaction described in (i) or (ii) above is to be settled by delivery of securities of the Company similar to those offered in the Offering or such other securities, in cash or otherwise; or (iii) propose any general meeting of the Company or convene or take action to convene any general meeting for the purpose of proposing any resolution of the Company authorising the issue of any securities of the Company similar to those offered in the Offering or warrants to subscribe for securities of the Company similar to those offered in the Offering. The Global Coordinator has full discretion to waive the lock-up at any time before its expiry. The limitation referred to above shall not apply to: (i) disposal of Shares by the Selling Shareholder 2, Selling Shareholder 3 or Minority Shareholder 3 in response to an invitation to subscribe for the exchange or sale of the Company's shares, (ii) actions related to the introduction of an incentive programme or Exit Scheme for senior management in the Company, or (iii) sale, transfer or other disposal of shares through a merger or other form of economic integration (a) with a third party with respect to all shares issued in compliance with applicable law, or (for the Company's benefit in connection with a program for the acquisition of the Company's own shares (buy-back) addressed to all the Company's shareholders on the same terms and conditions.

Commissions payable to the Managers

The Selling Shareholders have agreed to pay certain commissions in connection with the Offering. The Selling Shareholders agreed to pay to the Managers a total commission of up to EUR 2.0 million plus discretionary fee up to EUR 0.7 million of the gross proceeds of the Offering (both amounts were calculated at the Maximum Price). However, Retail Investors and Institutional Investors will bear their own costs connected with the evaluation and participation in the Offering.

Other relationships with the Managers

The Managers and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking or other financial services and other commercial dealings with the Selling Shareholders, any entities with respect to which the Selling Shareholders are a controlling party, and with the Company and its affiliates, including the provision of loans and/or other debt instruments to the Company and/or its affiliates. The Managers and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services.

There is no conflict of interests in the relationship formed between the Managers, the Company and the Selling Shareholders. The Managers or their related parties may acquire financial instruments issued by the Selling Shareholders, the Company, their related parties, or financial instruments related to the financial instruments issued by any of the above entities. In connection with the Offering, each of the Managers or their affiliates may also, acting as

Investor for its own account, purchase the Offer Shares in the Offering, and then either hold them or sell them, or otherwise dispose of them. The Managers will deliver information about the purchase of the Offer Shares or performance of the transactions described above exclusively if there is an obligation to disclose such information based on mandatory law or regulation.

The Managers act for the Company and the Selling Shareholders on the Offering and coordinate the structuring and execution of the Offering. Upon successful implementation of the Offering, the Managers will receive a commission. As a result of these contractual relationships, the Managers have a financial interest in the success of the Offering.

DILUTION

If the Offering is completed, the Selling Shareholders will suffer (assuming that all the Offer Shares were offered and subscribed for by Investors and the number of Offer Shares were not increased) an immediate dilution of 50.00% of their shareholdings in the Issuer and the overall number of votes such shareholders may exercise at the General Meeting as a result of the Offering going from 7,807,000 as at the date of this Prospectus to 3,903,500 immediately following the Offering. In such case the new shareholders will hold 3,903,500 Shares immediately following the Offering, representing a total of 50.00% of votes at the General Meeting.

If the Offering is completed, and the Additional Shares were offered and subscribed for by Investors, the Selling Shareholders will suffer an immediate dilution of 66.00% of their shareholdings in the Issuer and the overall number of votes such shareholders may exercise at the General Meeting as a result of the Offering going from 7,807,000 as at the date of this Prospectus to 2,654,380 immediately following the Offering. In such case the new shareholders will hold 5,152,620 Shares immediately following the Offering, representing a total of 66.00% of the votes at the General Meeting.

Moreover, the table below provides information on the Issuer's share capital structure existing as of the date of this Prospectus and the capital structure expected after the completion of the Offering.

Shareholder	Status as of the date of this Prospectus		Status after the Offering assuming sale of 3,903,500 Sale Shares offered in the Offering by the Selling Shareholders		Status after the Offering assuming sale of all 5,152,620 Shares (including Additional Shares) offered in the Offering by the Selling Shareholders	
	Number of shares	% votes at the GM	Number of shares	% votes at the GM	Number of shares	% votes at the GM
Selling Shareholder 1	5,521,000	70.72	2,379,500	30.48	1,130,380	14.48
Selling Shareholder 2	762,000	9.76	381,000	4.88	381,000	4.88
Selling Shareholder 3	762,000	9.76	381,000	4.88	381,000	4.88
Ugnius Radvila	762,000	9.76	762,000	9.76	762,000	9.76
Public shareholders	-	-	3,903,500	50.00	5,152,620	66.00
Total	7,807,000	100	7,807,000	100	7,807,000	100

Source: The Issuer

Moreover, CEO and CFO are covered by the Exit Scheme (please see Section “*The Selling Shareholders-Shareholding Structure following the Offering*”).

The table below presents the Issuer's shareholding structure as of the date of this Prospectus and the anticipated shareholding structure after the completion of the Offering including Exit Scheme (calculated at the Maximum Price).

Shareholder	Status as of the date of this Prospectus		Status after the Offering assuming sale of 3,903,500 Sale Shares offered in the Offering by the Selling Shareholders		Status after the Offering assuming sale of all 5,152,620 Shares (including Additional Shares) offered in the Offering by the Selling Shareholders	
	Number of shares	% votes at the GM	Number of shares	% votes at the GM	Number of shares	% votes at the GM
Selling Shareholder 1	5,521,000	70.72	2,231,867	28.59	982,747	12.59
Selling Shareholder 2	762,000	9.76	360,624	4.62	360,624	4.62
Selling Shareholder 3	762,000	9.76	360,624	4.62	360,624	4.62
Ugnius Radvila	762,000	9.76	741,624	9.50	741,624	9.50
CEO	-	-	139,174	1.78	139,174	1.78

CFO	-	-	69,587	0.89	69,587	0.89
Public shareholders	-	-	3,903,500	50.00	5,152,620	66.00
Total	<u>7,807,000</u>	<u>100</u>	<u>7,807,000</u>	<u>100</u>	<u>7,807,000</u>	<u>100</u>

Source: The Issuer

SELLING RESTRICTIONS

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Issuer, the Selling Shareholders or the Managers in any jurisdiction other than in Poland, Lithuania and Estonia that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Issuer or the Offer Shares, in any jurisdiction where action for that purpose is required.

The Prospectus has been prepared on the basis that the promotion of the Offering and the promotional activities with respect to the Offer Shares (other than the Offering to the public in the territories of Poland, Lithuania and Estonia in accordance with the Prospectus Directive, the Polish Act on Public Offering, the Law on Securities and the Estonian Securities Market Act) will be made: (i) pursuant to the exemption under the Prospectus Directive (as implemented in the Member States) from the requirement to prepare and have any prospectus or other offering memorandum for offers of shares approved by or notified to the competent authority and then published; or (ii) outside the EEA pursuant to other applicable exemptions. Accordingly, any person making or intending to make any offering, sale or other transfer within the EEA, other than in Poland, Lithuania and in Estonia, of the Offer Shares may only do so in circumstances under which no obligation arises for the Issuer, the Selling Shareholders, the Managers to present an approved prospectus or other offering memorandum for such offering. Neither the Issuer, nor the Selling Shareholders, nor the Managers have authorized, nor will any of them authorize, the making of any offer of the Offer Shares through any financial intermediary, other than under the Prospectus.

The Prospectus has been prepared solely for the purposes of the Offering to be carried out by way of a public offering within the meaning of Article 3.1 of the Polish Act on Public Offering in the territory of Poland and within the meaning of Part 62 of Article 2 of the Law on Securities in the territory of Lithuania and within the meaning of Article 12 (1) of the Estonian Securities Market Act in the territory of Estonia.

The Offer Shares are not and will not be registered pursuant to the provisions of the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or with the securities regulators of the individual states of the United States. The Offer Shares may not be offered, sold, or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable U.S. legal regulations. In the Placement Agreement, the Managers will represent and warrant that they have not offered or sold and will refrain from offering or selling the Offer Shares in or into the United States, and will offer and sell the Offer Shares outside the United States in accordance with Rule 903 of Regulation S and in compliance with other U.S. legal regulations, and that neither they nor any third party acting on their behalf, have undertaken or will undertake, (i) “direct selling efforts” as defined in Regulation S or (ii) “general advertising” or “general solicitation”, each as defined in Regulation D under the U.S. Securities Act in relation to the Offer Shares.

The Company does not intend to register either the Offering or any portion of the Offering in the United States or to conduct a public offering of shares in the United States. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Sales in the United Kingdom are also subject to restrictions. Each of the Managers will represent and warrant to the Company that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of any Offer Shares in circumstances in which Section 21 para. 1 of the FSMA does not apply to the Company; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from, or otherwise involving the United Kingdom.

The Managers will further represent and warrant in the Placement Agreement that they have not and will not publicly offer the Offer Shares in any of the member states of the EEA (each a “**Relevant Member State**”) that have implemented Directive 2003/71/EC as amended (the “**Prospectus Directive**”) from the date of the implementation of the Prospectus Directive other than the offers contemplated in this Prospectus once this Prospectus has been approved by the BoL, notified to the PFSA, EFSA and published in accordance with the Prospectus Directive as implemented in Lithuania, Poland and Estonia, except that each Managers may make an offer to the public in that Relevant Member

State of any Offer Shares at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000 and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer (as set forth in clauses (a) to (d)) of Offer Shares shall result in a requirement for the publication by the Company or any Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

TRANSFER RESTRICTIONS

Prospective purchasers are advised to contact legal counsel prior to making any resale, pledge or transfer of the Offer Shares.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exemption from the registration and reporting requirements of the U.S. Securities Act and applicable state securities laws. This Offering is being made outside the United States in accordance with Regulation S. Terms used in this section that are defined in Regulation S are used herein as so defined.

Each purchaser of the Offer Shares, by accepting delivery of this Prospectus will be deemed to have represented, agreed and acknowledged that:

- the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to certain restrictions on transfer and, unless so registered, the Offer Shares may not be offered, sold or otherwise transferred except in compliance with the registration and reporting requirements of the U.S. Securities Act or any other applicable state securities laws, in compliance with the conditions for transfer set forth herein;
- it is purchasing the Offer Shares in an offshore transaction in accordance with Regulation S;
- it (or, if it is acting for the account of another person, such person has confirmed to it that such person) will not offer, resell, pledge or otherwise transfer such Offer Shares except in an offshore transaction in accordance with Regulation S in accordance with any applicable securities laws of any state or other jurisdiction of the United States;
- it is purchasing the Offer Shares for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to its or their ability to resell such Offer Shares pursuant to Regulation S or any other exemption from registration available under the U.S. Securities Act; and
- the Issuer, the Selling Shareholders and the Managers and their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Offer Shares is no longer accurate, it shall promptly notify the Managers.

THE CAPITAL MARKET IN POLAND AND LITHUANIA AND CERTAIN REGULATIONS RELATED TO THE PURCHASE AND SALE OF SHARES

The Issuer intends to apply for Admission to trading and to list all of the Shares on the WSE and Nasdaq. As a result, the Issuer will be subject to certain Polish securities and capital market regulations. Moreover, the Issuer, being incorporated under the laws of Lithuania and after the successful Offering and Admission will be subject to certain aspects of the EU and Lithuanian securities regulation. After the successful Offering and Admission, the Issuer will also become subject to the supervision of relevant regulatory authorities, in particular the BoL and, to a limited extent, the PFSA.

The information set out below describes certain aspects of the Lithuanian and Polish securities market regulations regarding mandatory takeover bids, squeeze-out and sell-out rules that may be applied to the Shares (including the Offer Shares) and is included for general information purposes only. This summary does not purport to be a comprehensive description of all Lithuanian and Polish securities market regulatory considerations that may be relevant to a decision to acquire, hold or dispose of the Shares. Moreover, conclusions derived from the description below may not fully reflect a proper interpretation of Lithuanian and Polish laws. Each prospective Investor should consult a professional legal adviser regarding the legal consequences of acquiring, holding and disposing of the Shares under the laws of their country and/or state of citizenship, domicile or residence.

This summary is based on legislation, published case law, treaties, rules, regulations and similar documentation in force as at the date of the Prospectus, without prejudice to any amendments introduced at a later date and implemented with retroactive effect.

EU Takeover Bid Regulations

Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, on takeover bids (the “**Takeover Directive**”) was adopted by the Council on 30 March 2004, and became effective on 20 May 2004. It has been implemented into the laws of Lithuania by the Law on Securities and has been implemented into the laws of Poland primarily through the Public Offering Act.

The relevant conflict of law provisions of the Takeover Directive do explicitly state that the authority competent to supervise a bid for all the remaining shares in the company shall be that of the Member State in which the offeree company has its registered office, if that company’s securities are admitted to trading on a regulated market in that Member State, i. e. in the present case, the competent financial authority in Lithuania, the BoL. However, given that the Polish Public Offering Act does not explicitly limit application of its provisions concerning mandatory takeover bids to public companies, which shares are admitted to trading on a regulated market in the other Member State in which the company has its registered office (i.e. the Lithuania), regulations of the Polish Public Offering Act shall also apply.

With respect to governing law, matters related to the consideration offered in the case of a bid for all of the remaining shares in the company in particular, the price, and matters related to the bid procedure in particular, the information on the offeror’s decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority.

In matters related to the information to be provided to the employees of the offeree company and in matters related to company law in particular, the percentage of voting rights which confer control and any derogation from the obligation to launch a bid for all the remaining shares in the company, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

Polish Capital Markets Regulations

Tender offers

The Takeover Directive governs takeover bids. The Shares will be listed on the WSE and Nasdaq, but the Issuer has its registered office in a member state in which it has registered office - Lithuania.

As a general rule, in accordance with the above provisions:

- matters relating to the consideration offered in the context of a takeover bid, the takeover bid procedure with which the offeror should comply and the content of the offering document shall be dealt with in accordance with Polish law, in particular the Act on Public Offering. These matters shall be supervised by the PFSA; and
- matters relating to the information to be provided to the employees of the company and to company law (in particular relating to the percentage of voting rights that confers control over the Issuer any derogation from the obligation to launch an offer or the conditions under which the Issuer’s Board may undertake any action which may result in the frustration of a bid) shall be governed by Lithuania law. These matters shall be supervised by the BoL.

The Issuer is a company incorporated in Lithuania, the authority competent to supervise mandatory offer rules as described below, applicable with respect to the shares of the Issuer and under the Takeover Directive, shall be the BoL. However, the Investors should also take into account the respective rules under the Act on Public Offering which are described below.

For the information on matters related to the squeeze-out and sell-out, see Section “*Lithuania Capital Markets Regulations*” below.

Exceeding the 33% threshold

Exceeding the threshold of 33% of the total number of votes in a public company may take place solely by launching a tender offer for the sale or exchange of the shares in such company in a number allowing for the achievement of 66% of the total number of votes, except for the case where exceeding 33% of the total number of votes takes place as a result of launching a tender offer for the sale or exchange of all the remaining shares in the company.

If the threshold of 33% of the total number of votes is exceeded as a result of an indirect acquisition of shares, subscription for shares of a new issue, a public offering, an in-kind contribution to a company, a merger or split of companies, a change to the company’s articles of association, the expiry of a preference attached to shares or the occurrence of a legal event other than a legal action, the shareholder, within three months of exceeding 33% of the total number of votes, is required to do the following:

- launch a tender offer for the sale or exchange of shares in the company in a number resulting in the achievement of 66% of the total number of votes; or
- sell the shares in a number resulting in the achievement of not more than 33% of the total number of votes,

unless during that time the share of the shareholder in the overall number of votes changes to not more than 33% of the total number of votes as a result of a share capital increase, a change to the company’s articles of association or the expiry of the preference attached to the shares, respectively.

If the exceeding of 33% of the total number of votes results from inheritance, the obligation to announce the tender offer applies solely if after such acquisition of shares the share in the total number of votes will further increase; the period of fulfilling such obligation will be counted from the date on which the event resulting in the increase in the share in the total number of votes occurred.

Exceeding the 66% threshold

Exceeding the threshold of 66% of the total number of votes in a public company may take place solely by virtue of launching a tender offer for the sale or exchange of all of the remaining shares in the company.

Terms of the tender offer

A tender offer may be launched and made through an entity conducting brokerage activity in Poland, which is required – no later than 14 business days before the date of the commencement of the subscription – to simultaneously notify the PFSA and the company operating the regulated market on which the given shares are listed about the intention to announce the tender offer. Such entity attaches a copy of the tender offer to the notification. A copy of the tender offer should be subsequently published through an information agency and in at least one national newspaper.

A tender offer may be launched only after establishing collateral of a value of not less than 100% of the value of the shares that are to be subject to the tender offer. The collateral should be documented with a certificate issued by a bank or other financial institution providing the collateral or intermediating in its provision.

It is not possible to withdraw from a launched tender offer unless after launching the tender offer a third party launches a tender offer regarding the same shares. A withdrawal from a tender offer announced with regard to all of the remaining shares in a public company is permitted only when another entity announces a tender offer for all of the remaining shares in the company at a price not lower than the price in the first tender offer.

Upon the receipt of a notification announcing a tender offer, the PFSA may – at the latest, three business days before the beginning of the subscription period – request necessary changes and supplements to the text of the tender offer or the provision of explanations regarding the text of the tender offer within the period specified in the request; however, such period may not be shorter than two days.

The beginning of the subscription period indicated in the tender offer shall be suspended until the completion of the activities mentioned in the aforesaid request by the company required to announce the tender offer.

Following the completion of the tender offer, the offeror is required to announce, in the manner set forth in Article 69 of the Act on Public Offering, the number of shares purchased in the tender offer and the share in the total number of votes which has been reached in the tender offer.

In the period between the announcement of a tender offer and the completion of the tender offer, the entity required to announce the tender offer and all of its subsidiaries, dominant entities or entities which are party to any arrangements therewith concerning the acquisition of the shares in the public company by such party or entities which are party to any understanding therewith concerning voting in concert at any general meeting or exercising a standing policy with respect to the company:

- may acquire shares in the company to which the tender offer applies exclusively within the scope of that specific tender offer and in the manner defined therein;
- cannot sell shares in the company to which the tender offer applies or enter into any agreements which would require them to sell any such shares during the term of the tender offer; and
- cannot indirectly acquire the shares in the public company to which the tender offer relates.

Price of shares in the tender offer

If any of the shares in the company are subject to trading on the regulated market, the price of the shares proposed in the tender offer may not be lower than:

- the average market price in the period of the six months preceding the tender offer announcement during which the shares were traded on the main market; or
- the average market price in a shorter period if the trading of the shares on the main market was shorter than the period set out in the point above.

The price of the shares proposed in the tender offer may also not be lower than:

- the highest price for which the shares subject to the tender offer were purchased within 12 months before the tender offer announcement by the entity required to announce the tender offer, the entities dependent on the entity required to announce the tender offer or by the parent entity of the same, or by the entity being a party to an arrangement concluded with the entity required to announce the tender offer with regard to the purchase by such entity of the shares in a public company or voting in concert at the general meeting regarding the major affairs of the company or exercising a standing policy with respect to the company; or
- the highest value of the assets or rights issued by the entity required to announce the tender offer or the entities mentioned in the point above in exchange for the shares subject to the tender offer within 12 months before the tender offer announcement.

The price of the shares proposed in the tender offer for the sale or exchange of all the remaining shares in a public company may also not be lower than the average market price within three months of trading in the shares on the regulated market preceding the tender offer announcement.

In the case where the average market price of the shares determined in accordance with the above-mentioned rules significantly differs from the fair value of such shares due to:

- the granting to the shareholders of a pre-emption right, a right to dividend, a right to acquire shares in the acquirer in connection with the division of a public company by unbundling or other property rights connected with the possession of shares in a public company;
- a significant deterioration in the financial or proprietary situation as a result of events or circumstances which cannot be predicted or prevented by the company; or
- the company being threatened by permanent insolvency,

the offeror may apply to the PFSA for consent to propose a price in the tender offer which does not comply with the criteria set forth above. The PFSA may grant its consent thereto, provided that the proposed price is not lower than the fair value of these shares and the call for tender does not breach the legitimate interests of the shareholders.

In the case where it is not possible to determine the price pursuant to the rules set forth above or in the case of a company subject to composition proceedings or bankruptcy proceedings, the share price cannot be lower than the fair value of such shares.

The price of the shares proposed in a tender offer set out in Article 74 of the Act on Public Offering may be lower with regard to shares constituting at least 5% of all the shares in the company that will be purchased within the tender offer from an identified person responding to the tender offer should the company be required to announce the tender offer and should said person so decide.

Entities with duties with respect to tender offers

The duties determined in the provisions regarding tender offers are also vested:

- 1) in an entity that achieves or exceeds the threshold of the total number of votes determined under applicable law due to the purchase or sale of depository certificates issued in connection with the shares in such public company;
- 2) in an investment fund – also in the case where the achievement or exceeding of the given threshold of the total number of votes determined in the regulations takes place with regard to the joint holding of shares by other investment funds managed by the same investment fund company or alternative investment funds or other investment funds established outside the territory of Poland and managed by the same entity;
- 3) in an alternative investment company – also in the case where the achievement or exceeding of the given threshold of the total number of votes determined in the regulations takes place with regard to the joint holding of shares by other alternative investment companies managed by the same investment manager of alternative investment companies within the meaning of the act on investment funds or other alternative investment established outside the territory of Poland and managed by the same entity;
- 4) in an entity in respect of which the achievement or exceeding of the given threshold of the total number of votes set out in the provisions of the Act on Public Offering takes place in reference to the holding of shares by: (i) a third party in its own name, however, at the instruction or for the benefit of such entity, excluding shares purchased as part of the performance of activities which involve the buying and selling of a broker's financial instruments for the benefit of the person giving the instruction, (ii) within the framework of activities which involve the management of a portfolio that includes one or a greater number of financial instruments determined in the Act on Trading in Financial Instruments and the Investment Funds Act – in reference to the shares included in the managed securities portfolios in respect of which the entity as a management company may enforce the right to vote at the general meeting on behalf of the instructing parties, and (iii) a third party with which the entity has concluded an agreement the subject of which is the transfer of the right to vote at the general meeting;
- 5) in a proxy who under a power of attorney to represent the shareholder at the general meeting was authorized to vote based on the rights attached to the shares in a public company if the shareholder has not issued any binding instructions as to the manner of voting;
- 6) jointly in all the entities bound by a written or oral arrangement regarding the purchase by the entities of the shares in a public company or voting in concert at the general meeting of the shareholders regarding the major affairs of the company or implementing a standing policy with respect to the company if at least one of such entities carried out or planned to carry out activities resulting in such duties; and
- 7) in entities that conclude the type of arrangement mentioned in the item above which hold shares in a public company in a number ensuring the joint achievement or exceeding of a given threshold of the total number of votes set out in the regulations.

In the cases mentioned in items 6) and 7) above, the obligations provided in the regulations regarding major stakes of shares in public companies may be fulfilled by one of the parties to the arrangement designated by the parties to such arrangement.

The obligations set forth in the provisions concerning tender offers arise also in the case where the voting rights are related to securities deposited or registered with the entity that may dispose of them at its own discretion.

Warsaw Stock Exchange

The Polish financial instruments exchange market is operated by the Warsaw Stock Exchange. The WSE runs its business pursuant to applicable laws, including the Act on Trading in Financial Instruments and its internal regulations, including the articles of association of the WSE and the WSE Rules.

The exchange market operated by the WSE constitutes a regulated market for the purposes of the relevant regulations of EU law and the Act on Trading in Financial Instruments. Moreover, the WSE organizes and operates an Alternative Trading System which is a non-regulated market. The exchange market operated by the WSE includes the main floor (the official stock exchange market) and the parallel market.

According to the WSE's website (www.gpw.pl), as of 13 February 2018, shares of 479 companies were listed on the WSE, including 49 foreign companies. The total capitalization of the companies listed on the WSE was PLN 1,372.5 billion as of 7 February 2018.

As of the date hereof, the Issuer is not a public company and the rights and obligations listed below shall apply to the Issuer from the moment it becomes a public company.

Settlement

Under the current regulations, all transactions on the regulated market of the WSE are carried out on a delivery versus payment basis, with the transfer of rights to securities occurring upon settlement on a T+2 basis. In principle, each Investor must hold a securities account and a cash account with an investment firm or an entity conducting depository activities in Poland, and each investment firm and entity conducting depository activities must hold relevant accounts (*konta* and *rachunki*) with the CSDP and a main cash account with a settlement bank. Entities authorized to maintain securities accounts may also maintain, within the scope of a security deposit or a securities registration system maintained by the National Bank of Poland, what are known as omnibus accounts, i.e. accounts in which it is possible to register dematerialized securities which are not owned by the persons for whom such accounts are maintained, but which are owned by another person or persons. Omnibus accounts may be maintained exclusively for the entities listed in the Act on Trading in Financial Instruments.

In accordance with the rules and regulations of the WSE and the CSDP, KDPW CCP S.A., a subsidiary of the CSDP, is required to arrange, based on a list of transactions provided by the WSE (compiled post-session), the settlement of transactions effected by WSE members. In turn, WSE members coordinate the settlement with the Investors on whose account the transactions were executed.

Transfers of the Shares from Nasdaq CSD to the CSDP system

As a matter of principle, the effecting of a transaction on Nasdaq requires the Shares be recorded in a securities account kept with Nasdaq CSD. In turn, the effecting of a transaction on the WSE requires the Shares be recorded in a securities account kept by the CSDP participants.

As at the date of the Prospectus there is a direct settlement link between the CSDP and Nasdaq CSD.

In order to transfer the Shares from Nasdaq CSD system to the CSDP system, investors should issue appropriate “deliver free” instruction to the entity keeping such investor’s securities account in Lithuania, in which the shares are recorded, and an appropriate “receive free” instruction to the entity keeping their securities account in Poland in which account the Shares are to be recorded. The both instructions should indicate, inter alia, the identical trade date, settlement date and the data of the counterparty. Transferring the Shares will be dependent on the unequivocal identification of the participants of Nasdaq CSD/CSDP system in whose account the Shares are to be recorded. In the event of the absence of a possibility of identifying the system participant or shareholder in whose securities account the Shares are to be recorded, the transfer of the Shares may be ineffective or delayed. Based on “deliver free” instruction obtained from Nasdaq CSD participant and “receive free” instruction received from CSDP, both issued pursuant to the shareholder’s instructions, Nasdaq CSD shall record the Shares in the account of the CSDP with Nasdaq CSD, and subsequently the Shares will be recorded in the investor’s securities account in Poland.

A transfer of the Shares from the CSDP system to Nasdaq CSD system is effected in a similar way as a transfer from Nasdaq CSD system to the CSDP system.

Neither the Issuer, nor any of the Managers, nor their advisers, nor any of their respective representatives assume any responsibility for any of the trade settlement obligations of Nasdaq CSD and the CSDP or any of their participants.

Stock exchange trading mechanisms

Pursuant to the WSE Rules, WSE sessions are held regularly from Monday to Friday from 8:30 a.m. to 5:05 p.m. Warsaw time, unless the management board of the WSE decides otherwise.

Quotations on both main and parallel market are made in a continuous trading system or in a single-price system with one or two auctions. In addition, for large blocks of securities, so-called block transactions outside of the public order book in the continuous trading system or a single-price system are possible.

Information as to price, trading volume and any specific rights (pre-emption or dividend rights) attached to the relevant securities is available on the WSE’s official website at www.gpw.pl.

Brokerage commissions in Poland are not fixed by the WSE or other regulatory bodies and are set by the brokerage house executing the transaction.

Regulation of the Lithuanian Securities Market

Takeover Bids and sell-out and squeeze-out rules

If and when the Shares shall be admitted to trading on the WSE and Nasdaq, they shall become subject to all mandatory takeover bids and squeeze-out and sell-out rules specified in the Law on Securities.

Following the Law on Securities, where a person, acting independently or in concert with other persons, acquires shares that in connection with the holding held by him or by other persons acting in concert entitles him to more than 1/3 of votes at the general meeting of shareholders of the company, he must either transfer shares exceeding this threshold, or

announce a mandatory takeover bid to buy up the remaining shares of the company granting the voting rights and the securities confirming the right to acquire shares granting the voting rights. The given duty also applies to a person who has acquired control over an entity holding shares of the company in respect of whose shares a takeover bid is to be submitted that entitle him to more than 1/3 of votes at the general meeting of shareholders.

The price of the mandatory takeover bid must be fair and, as a general rule established following these principles – it must be no less than the average weighted market price of the shares of the company on regulated market within 6 months before the exceeding the above threshold and no less than the highest price, which the above shareholders paid for the shares of the company within 12 months before the same event.

A person, when acting independently or in concert with other persons and having acquired not less than 95 percent of the capital carrying voting rights and not less than 95 percent of the total votes at the general meeting of the issuer shall have a right to require that all the remaining shareholders of the issuer sell the voting shares owned by them, and the shareholders shall be obligated to sell the shares. A person can exercise this right within three months after the implementation of the mandatory takeover bid or the voluntary takeover bid to buy up the remaining shares of the issuer granting the voting rights.

The price of squeeze-out shares must be fair. Usually, the price of squeeze-out shares is equal to (i) with regard to certain conditions, the price paid for the issuer's shares bought according to the mandatory or voluntary takeover bid in accordance with the provisions of the Law on Securities, or (ii) the fair price, determined by the person buying up the shares, subject to a relevant approval of the BoL. The minority shareholders have the right to challenge the squeeze-out price in court if, in their opinion, the price breaches the principle of fairness. The given right can be exercised within 90 days as from the date of the announcement of the notice on the squeeze-out.

Besides, any minority shareholder, owning equity securities, shall have a right to require that a person, who, when acting independently or in concert with other persons, has acquired the shares comprising not less than 95 per cent of the capital carrying the voting rights and not less than 95 per cent of the total votes at the general meeting of shareholders, would buy the shares belonging to the minority shareholder and granting the voting rights, while the said person shall be obligated to purchase those shares. The duration of validity of this right and the price of sell-out shares are determined according to the above-mentioned rules.

The Issuer does not have the right to demand that shareholders sell their shares to the Issuer, whereas the shareholders do not have the right to demand that the Issuer buy up shares held by them.

The Offering and Admission of Shares to trading on the WSE and Nasdaq does not result in appearance of duties in connection with a mandatory takeover bid and appearance of any rights in connection with sell-out or squeeze-out of shares or other any rights other than those set in the Law on Securities and other applicable laws.

There have been no public takeover bids by third parties in respect of the Company's Shares.

In addition to that, the MAR also applied directly in Lithuania (as well as in any other countries of European Union). The applicable Lithuanian laws do not provide with any additional provisions of regulation, covered by the MAR.

Nasdaq

The Lithuanian financial instruments exchange market is operated by the Nasdaq. It runs its business pursuant to applicable laws, including the Law on Markets in Financial Instruments and its internal regulations, including the articles of association of Nasdaq, Listing Rules of Nasdaq, etc.

The exchange market operated by Nasdaq constitutes a regulated market for the purposes of the relevant regulations of EU law and the Law on Markets in Financial Instruments. Moreover, Nasdaq organizes and operates an Alternative Trading System (First North) which is a non-regulated market. The exchange market operated by Nasdaq is concluded of 2 lists – Main List and Secondary List.

According to Nasdaq's website (www.nasdaqbaltic.com), as of the date of the Prospectus, shares of 68 companies were listed on Baltic lists of Nasdaq. The total capitalization of the companies listed on Nasdaq was EUR 7.316 billion as of 14 February 2018.

Stock exchange trading mechanisms

Pursuant to the Nasdaq rules, Nasdaq sessions are held regularly from Monday to Friday from 10:00 a.m. to 4:00 p.m. Vilnius time, unless the management board of the Nasdaq decides otherwise.

During the trading hours (10:00 a.m. to 4:00) members may place, change, suspend, resume or cancel orders. Sell and buy orders that correspond in yield, volume and other conditions are matched into trades via automatic order matching. Manual trades may be reported during this trading phase.

Members may not place or change orders or report manual trades during the pre-trading session or the post-trading session.

Information as to price, trading volume and any specific rights (pre-emption or dividend rights) attached to the relevant securities is available on the Nasdaq's official website at www.nasdaqbaltic.com.

Brokerage commissions in Lithuania are not fixed by Nasdaq or other regulatory bodies and are set by the brokerage house executing the transaction.

TAXATION

The following general information does not constitute an exhaustive analysis of the tax results related to the acquisition, holding or disposal of the Shares under Polish, Lithuanian and Estonian tax laws.

Therefore, Investors should always consult their own tax, financial or legal advisers. The term “dividend” used below, as well as any other term applied in this information, shall have the meaning ascribed thereto under Polish and Lithuanian tax law, as applicable. The tax consequences described in this general overview may not apply to a holder of the Shares. Investors should therefore consult their own tax advisers for more information about the tax consequences of acquiring, owning and disposing of the Shares.

Polish Taxation

The following is a discussion of certain Polish tax considerations relevant to an Investor residing in Poland or which is otherwise subject to Polish taxation. This information should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as at the date of this Prospectus, it may thus be subject to change including a change with retroactive effect. Any change may negatively affect the tax treatment described below. This description does not purport to be complete with respect to all tax information that may be relevant to Investors due to their personal circumstances. Prospective purchasers of the Shares are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal, or other circumstances related to the Shares. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).

The reference to “dividend” as well as to any other terms in the paragraphs below means “dividend” or any other term as understood in Polish tax law.

Income Earned on the Disposal of Securities by Individuals Who Are Polish Tax Residents

In accordance with Article 3, section 1 of the PIT Act, natural persons, provided that they reside within the territory of the Republic of Poland, are required to pay tax on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A person is deemed to be “residing within the territory of the Republic of Poland” if: (i) such person’s center of personal or economic interests (the center of vital interests) is within the territory of the Republic of Poland; or (ii) such person stays within the territory of the Republic of Poland more than 183 (one hundred and eighty-three) days in a calendar year.

The above-mentioned rules should be applied subject to the relevant double tax treaties to which the Republic of Poland is a party (Article 4a of the PIT Act). Such treaties may specifically contain a different definition of the term “residence” in respect of a natural person or further clarify the notion of tax residency in case of a conflict.

If a Polish resident disposes of property located in another country, the tax treaty between Poland and that country applies.

Pursuant to the provisions that have been in force since 1 January 2018, a new category of capital gains was introduced, which encompasses inter alia (i) gains from the participation in the profits of legal persons (according to a detailed catalogue) and (ii) gains from the disposal of shares in legal persons or rights in a partnership. Thus, the income constituting a sum of the capital income and other sources is subject to taxation. The income is made up by the excess generated in the fiscal year of the sum revenues over tax-deductible expenses related to them. If the tax-deductible expenses exceed the sum revenues, the difference is defined as a loss from a revenue source, but under an amendment made to the CIT Act that has been in force since 1 January 2018 the losses incurred by the taxpayer from one source of this income are not subject to summing up. This means that if the taxpayer earns income from one of these sources, and incurs a loss from another source, the earned income will be subject to taxation without deduction of the loss incurred from the second source of income.

Effective from 1 January 2018 pursuant to the current language of the amended Article 12 section 1 point 7 of the CIT Act, cash contributions made to the companies by taxpayers of corporate income tax are subject to taxation. Although, according to the public position of the Ministry of Finance the amendment made to Article 12 section 1 point 7 of the CIT Act does not refer to cash contributions but aims at taxation of gains derived from in-kind contributions made to companies, since the entry into force of the amended CIT Act it cannot be excluded that the gains derived from cash contribution made to a company may be subject to a taxation. Simultaneously, it should be noted that these gains will be reduced by tax-deductible expenses pursuant to Article 15 section 1 of the CIT Act and thus a taxpayer making a cash contribution to a company will not earn income and the cash contribution made to the company will be regarded as fiscally neutral. Nevertheless, under the latest draft of the CIT Act the legislator intends to partially return to the previous version of the abovementioned provision, which should remove potential ambiguities in the interpretation of the taxation of only in-kind contributions made to companies or cooperatives.

Pursuant to Article 30b, section 1 of the PIT Act, income from the disposal of securities (including shares) or financial derivatives for consideration is taxed at a flat rate of 19%. Capital gains are calculated as the difference between the proceeds from the disposal of the securities (in principle, the value of the securities at the price set forth in a contract) and the tax-deductible costs (in principle, the expenditure related to the acquisition of the securities or their subscription).

In principle, capital gains arise at the moment of transferring the ownership of the shares and securities to the buyer.

Such income is not aggregated with income from other sources and is taxed separately.

If a taxpayer performs a gainful disposal of securities acquired at different prices and it is not possible to establish the purchase price of the securities disposed of, in determining the income from that disposal, the rule holding that every disposal refers to securities acquired on a first-in, first-out basis applies. Generally, the rule mentioned above applies separately to each securities account.

During the tax year, individuals who obtain capital gains are not required to make any income tax prepayment. Neither tax nor prepayment on the above-mentioned income is withheld by tax remitters. However, after the end of a given tax year, which in the case of individuals is the same as the calendar year, taxpayers earning income from the disposal of securities for consideration are required to disclose such income in their capital gains annual tax return, calculate the due amount of tax and pay it to the account of the relevant tax office by the end of April of the year immediately following the tax year in which the disposal of securities for consideration was made.

In the case of a tax loss generated on the disposal of securities in a given tax year, such loss may decrease the income generated from such source (i.e. from the disposal of securities) for the next five (5) consecutive tax years; however, the amount of such decrease in any particular year cannot exceed 50% of the loss. A tax loss generated on the disposal of securities cannot be combined with tax losses generated by the taxpayer from other titles (sources of revenues; e.g. employment income).

The above regulations do not apply if the securities are sold as a result of the performance of any business activities as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled pursuant to general terms (applicable to taxation of business activity income). In such a case, the individual should pay the tax at the 19% flat rate or the progressive rate of from 18% to 32%, depending on the individual's choice and the meeting of certain conditions.

Income Earned on the Disposal of Securities by Individuals Who Are Not Polish Tax Residents

In accordance with Article 3, section 2a of the PIT Act, individuals who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax liability). Pursuant to Article 4a of the PIT Act, the above-mentioned regulation is applied taking into account the double tax treaties to which the Republic of Poland is a party.

In accordance with Article 3, section 2b of the PIT Act, income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) work performed in the territory of the Republic of Poland based on a service relationship, employment relationship, telecommuting system and cooperative employment relationship irrespective of the place where remuneration is paid; (ii) activity performed in person in the territory of the Republic of Poland irrespective of the place where remuneration is paid; (iii) economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (iv) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (v) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (vi) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds, mutual fund institutions or other legal person or receivables resulting from the ownership of these shares, rights and obligations or shares in investment funds or mutual fund institutions or other legal person, where real-estate property located on the territory of the Republic of Poland or rights to such property, directly or indirectly, constitute at least 50% of their assets; and (vii) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

The list of income (revenues) gained in Poland, as provided in Article 3, section 2b of the PIT Act is not exhaustive; therefore, other income (revenues) may also be considered as earned in Poland.

Individuals subject to limited tax liability who earn income from the disposal of securities in Poland should follow similar taxation rules governing the disposal of securities as specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. In light of Article 30b, section 3 of the PIT Act, the application of a tax rate resulting from the appropriate double tax treaty or the non-payment of tax under such treaty is

possible provided that the taxpayer proves his place of residence for tax purposes with a relevant certificate of tax residence. If tax is payable in Poland, individuals subject to limited tax liability should be registered for taxation purposes in Poland and meet applicable filing requirements.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents

Under Polish tax law, income from a share in the profits of legal persons is the income actually generated from such a share, including, inter alia, income from the redemption of shares, the value of the assets received in connection with the liquidation of the legal person, income intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person.

Pursuant to Article 30a, section 1, item 4 of the PIT Act, income (revenue) earned by individuals from dividends and other revenue from a share in the profits of legal persons is subject to taxation at a flat rate of 19%. If the price of the securities, without a justified reason, significantly differs from the market value thereof, capital gains will be determined by a tax authority at a level that reflects their market value.

The income (revenue) from the share in the profits of a legal person is the income (revenue) actually earned from that share (Article 24, section 5 of the PIT Act).

Pursuant to Article 41, section 4 of the PIT Act, a flat rate of income tax on payments made or cash or pecuniary values placed at a taxpayer's disposal (such as dividend payments and other income from shares in the profits of legal persons) is withheld by the entities that perform such actions. Although this is not clearly regulated in the Polish tax law, foreign entities should not act as Polish withholding tax remitters.

Under Article 41, section 4d of the PIT Act, tax on dividends and income received as a result of a redemption of shares, the value of property gained as a result of the liquidation of a legal person or a company and, in the case of a merger or division of companies – additional payments received in cash by shareholders of the target company, or the merged or divided companies, is withheld by the entities keeping the securities accounts for taxpayers, in their capacity as tax remitters, if the income (revenue) is earned in the territory of the Republic of Poland and is associated with the securities registered in those accounts and, further, if the relevant payments are made to the taxpayers through those entities. Under Article 41, section 10 of the PIT Act, in terms of securities registered in omnibus accounts, the tax remitters of the flat-rate income tax on dividends and income from the redemption of shares, the value of property gained as a result of the liquidation of a legal person or a company and – in the case of a merger or division of companies – the additional cash payments received by the shareholders of the target company, or the merged or divided companies, are the entities keeping the omnibus accounts through which the payments are made. The tax is withheld on the date on which the relevant dividend payment is released to the omnibus account holder.

Tax remitters must pay the due tax by the twentieth (20th) day of the month following the month in which the tax was withheld to the account of the relevant tax office. By the end of January of the year following the tax year, the tax remitters referred to in Article 41 of the PIT Act are required to send to the tax office headed by the chief of the tax office territorially competent for the registered office of the tax remitters an annual tax return on a standard form.

Income (revenue) from dividends and other revenue from a share in the profits of legal persons residing in Poland where a flat-rate tax was withheld is not aggregated with income from any other sources and is not disclosed in an annual tax return. Nevertheless, pursuant to Article 45, section 3b of the PIT Act, if the tax remitter does not withhold the tax, the individual is required to disclose the income tax due in its annual tax return filed by the end of April of the year following the given financial year and pay the tax.

Separate rules apply to dividends and other income from a share in the profits of legal persons on securities held in omnibus accounts. Under Article 30a, section 2a of the PIT Act, with respect to income (revenue) from dividends and other revenue from a share in the profits of legal persons transferred to taxpayers holding rights attached to securities registered in omnibus accounts whose identity has not been disclosed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the omnibus account holder. Annual tax returns regarding this income are filed by the tax remitter (i.e. by the entities maintaining the omnibus accounts) with the tax office headed by the chief of the competent tax office. Under Article 45, section 3c of the PIT Act, taxpayers are required to disclose the amount of dividends in an annual tax return if securities were registered in an omnibus account and the taxpayer's identity was not disclosed to the tax remitter.

Dividend income obtained by an individual who is a Polish resident from a company resident in another country will be taxed taking into account the double tax treaties to which the Republic of Poland is a party.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Not Polish Tax Residents

In accordance with Article 3, section 2a of the PIT Act, individuals who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax liability). Pursuant to Article 4a of the PIT Act, the above-mentioned regulation is applied taking into account the double tax treaties to which the Republic of Poland is a party.

Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) work performed in the territory of the Republic of Poland based on a service relationship, employment relationship, telecommuting system and cooperative employment relationship irrespective of the place where remuneration is paid; (ii) activity performed in person in the territory of the Republic of Poland irrespective of the place where remuneration is paid; (iii) economic activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (iv) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (v) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (vi) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds or mutual fund institutions where property located on the territory of the Republic of Poland or rights to such real-estate property, directly or indirectly, constitute at least 50% of their assets; and (vii) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Individuals subject in Poland to limited tax liability who earn income from the income from a share in the profits of a legal person should follow similar taxation rules governing dividends and other income from a share in the profits of a legal person as specified above in respect of Polish tax residents, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. Polish tax regulations apply; however, in light of Article 30a, section 2 of the PIT Act, the application of a tax rate resulting from the appropriate double tax treaty or the non-payment of tax under such treaty is possible if the taxpayer proves his place of residence for tax purposes with a relevant certificate of tax residence.

As a rule, if the place of residence, for tax purposes, was documented with a certificate of tax residence with no validity period indicated, the tax remitter applies such certificate for the period of twelve consecutive months from the date of issuance. In the event that within the period of twelve months from the date of issuance of the certificate of tax residence the place of residence of the taxpayer has changed, the taxpayer is obliged to immediately document his place of residence, for tax purposes, with a new certificate.

Separate rules apply to dividends and other income from a share in the profits of legal persons on securities held in omnibus accounts. Under Article 30a, section 2a of the PIT Act, with respect to income (revenue) from dividends and other revenue from a share in the profits of legal persons transferred to taxpayers holding rights attached to securities registered in omnibus accounts whose identity has not been disclosed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19% flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the omnibus account holder. Annual tax returns regarding this income are filed by the tax remitter (i.e. by the entities maintaining the omnibus accounts) with the tax office headed by the chief of the tax office competent for the taxation of foreign entities.

If the tax remitter does not withhold the tax and Polish tax is due, the individual is required to be registered for Polish taxation, disclose the income tax due in its annual tax return filed by the end of April of the year following the given financial year and pay the tax.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Polish Tax Residents

Pursuant to Article 1, sections 1 and 2 of the CIT Act, corporate income tax is paid by legal persons, companies in organization and organizational entities that have no legal personality (except for companies that have no legal personality, although the CIT Act also applies to limited joint stock partnerships having their seat or management board within the territory of the Republic of Poland).

In accordance with Article 3, section 1 of the CIT Act, taxpayers having their seat or management board within the territory of the Republic of Poland are required to pay tax on all of their income, irrespective of the location of the source of revenues (unlimited tax liability).

If a Polish resident disposes of real-estate property located in another country, the tax treaty between Poland and that country applies.

Gains on the disposal of securities by a corporate income taxpayer having its seat or management board within the territory of the Republic of Poland are subject to taxation under the general rules stipulated in the CIT Act. Taxable income is the difference between the proceeds from the disposal of securities (in principle, the price of securities stated in the agreement) and the tax-deductible costs (in principle, the expenditure related to the acquisition of the securities or their subscription). If the price of the securities, without a justified reason, significantly differs from the market value thereof, capital gains will be determined by a tax authority at a level that reflects their market value. Income from the disposal of securities for consideration is aggregated with the income of the taxpayer earned from other sources to form the taxable base. Pursuant to Article 19, section 1 of the CIT Act, the income of a corporate income taxpayer is taxed at a rate of 19% of the taxable base (with exceptions for so-called small taxpayers whose tax rate is reduced to 15%).

In the case of income from the disposal of securities for consideration, taxpayers are required to settle the tax themselves as the tax is not collected by the entity that pays for the securities. Taxpayers are required to make advance payments towards tax during the tax year and settle the income tax in an annual income tax return (Article 27, section 1 of the CIT Act). The deadline for filing such tax return is the end of the 3rd month following the tax year. The same deadline applies to the taxpayers' obligation to pay the due tax.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Not Polish Tax Residents

Pursuant to Article 3, section 2 of the CIT Act, taxpayers who do not have their seat or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland. Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (ii) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (iii) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (iv) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds or mutual fund institutions where real-estate property located on the territory of the Republic of Poland or rights to such real-estate property, directly or indirectly, constitute at least 50% of their assets; and (v) the receivables settled, including receivables put at disposal, paid out or deducted, by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Provisions of the CIT Act also apply to income obtained on the territory of the Republic of Poland by unincorporated partnerships without legal personality with their seat or management board in another state if they are treated as legal persons according to the tax legislation of that state and their entire income is taxable in that state, irrespective of where that income is earned (Article 1, section 3, point 2 of the CIT Act). Taxpayers subject to limited tax liability who earn income from the disposal of securities in Poland should follow similar taxation rules governing the disposal of securities as specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party.

If tax is payable in Poland, tax payers subject to limited tax liability should be registered for taxation purposes in Poland and meet applicable filing requirements.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Polish Tax Residents

As a rule, dividend income and other income from a share in the profits of legal persons with seats or management outside Poland is subject to taxation at a flat rate of 19% of the income earned. However, this rule is modified by the provisions of the relevant double tax treaty.

Pursuant to Article 20, section 3 of the CIT Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons with seats or management outside Poland are tax exempt in Poland if all of the following conditions are satisfied jointly: (i) the payer of dividends and other revenue from a share in the profits of legal persons is a company whose entire income, irrespective of where it is earned, is subject to income tax in a Member State of the European Union or another Member State of the European Economic Area other than the Republic of Poland; (ii) the recipient of income (revenue) from dividends and other revenue from a share in the profits of legal persons as referred to in section (i) is a company that is an income tax payer and has its seat or management board in the territory of the Republic of Poland; (iii) the company referred to in section (ii) directly holds no less than 10% of shares in the equity of a company as referred to in section (i); and (iv) the company referred to in section (ii) does not enjoy an exemption from income tax on its entire income, irrespective of the sources from which the income is earned.

The exemption referred to above applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their seat or management board within the territory of Poland has at least a 10% shareholding in the company paying out dividends continuously for two years. The exemption also applies if the two-year period of continuous holding of shares in the required amount by a company generating income (revenues) from participation in profits generated by a legal person having its registered seat or management board within the territory of the Republic of Poland ends after the date of obtaining such income (revenues). In the case of failure to satisfy the condition of holding shares in the required amount continuously for two years, the taxpayer will be required to pay 19% tax, including default interest, on the income (revenues) by the 20th day of the month following the month in which it was deprived of the right of exemption. Interest is calculated as of the day following the day on which the taxpayer first exercised the right to an exemption.

In accordance with Article 20, section 15 of the CIT Act the tax deduction and exemption referred to above apply, in particular: (i) if the shareholding referred to in Article 20, section 2, item 3, and section 3, item 3 of the CIT Act is based on a title of ownership; and (ii) with respect to income earned from shares held on the basis of a title of ownership or other than a title of ownership, provided the exemption would apply to such income (revenue) if the shares were not transferred.

Moreover, Article 20, section 3 of the CIT Act does not apply to dividends and other income (revenues) derived from shares in the profit of legal persons to the extent in which in the country of the company referred to in Article 20 section 3, item 1 of the CIT Act the amounts paid are subject in any way to inclusion in tax-deductible expenses, deduction from income, the taxable base, or the tax of the company paying them.

The exemption does not apply if dividends or other amounts due on account of a share in the profits of legal persons are paid as a result of the paying company's liquidation.

According to Article 22b of the CIT Act, the above-referenced exemption under Article 20, section 3 of the CIT Act applies on the condition that there are legal grounds for it under a double tax treaty or another ratified international agreement to which the Republic of Poland is a party for the tax authority to obtain tax information from a tax authority of a state other than the Republic of Poland where the taxpayer has its registered seat or where the income was generated.

Pursuant to the Article 22c, section 1 of the CIT Act, Article 20, section 3 of the CIT Act does not apply if income (revenue) from dividends and other revenues from the participation in profits of legal persons is earned in connection with the conclusion of an agreement or performance of another legal act or many related legal acts whose main objective or one of the main objectives was to obtain an income tax exemption under Article 20, section 3 of the CIT Act, and obtaining such exemption does not result only in the elimination of double taxation of such income (revenue), and the acts referred to above are not real. For the purposes of Article 22c, section 1 of the CIT Act, an agreement or other legal act is not real to the extent in which it is not performed for justified economic reasons. In particular, this refers to the situation where, by the actions referred to in Article 22c, section 1 of the CIT Act, the ownership of shares in a company distributing dividends is transferred or the company earns revenue (income) which is then paid in the form of a dividend or in the form of other revenue from the participation in the profits of legal persons.

Please note that the applicability of the above exemption is not clear taking into account recently introduced source of income regulations. The investors who intend to apply the exemption should consult their tax advisors.

Although in principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other income from a share in the profits of non-Polish legal persons, separate rules might apply to income from securities held in omnibus accounts, with the remitter being obliged to pay the withholding tax. In such cases, Investors should seek advice from their tax counsel.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Not Polish Tax Residents

Pursuant to Article 3, section 2 of the CIT Act, taxpayers who do not have their seat or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland. Income (revenue) earned in the territory of the Republic of Poland in particular means income (revenue) from: (i) all types of activity pursued in the Republic of Poland, including through a foreign establishment located in the Republic of Poland; (ii) immovable property located in the Republic of Poland or rights to such property, including from its disposal in whole or in part, or from the disposal of any rights to such property; (iii) securities and financial derivatives which are admitted to public trading on the territory of the Republic of Poland on the regulated exchange market, including income (revenue) generated from the disposal of such securities, and the exercise of the rights arising from any of the above; (iv) the transfer of the ownership of shares in a company, all rights and obligations in a company that is not a legal person, shares in investment funds or mutual fund institutions where real-estate property located on the territory of the Republic of Poland or rights to such real-estate property, directly or indirectly, constitute at least 50% of their assets; and (v) the receivables settled, including receivables put at disposal, paid out or deducted,

by natural persons, legal persons, or organizational units without legal personality, having their place of residence, seat, or management board in the Republic of Poland, irrespective of the place of conclusion of the agreement and place of performance.

Provisions of the CIT Act also apply to income obtained on the territory of the Republic of Poland by unincorporated partnerships without legal personality with their seat or management board in another state if they are treated as legal persons according to the tax legislation of that state and their entire income is taxable in that state, irrespective of where that income is earned (Article 1, section 3, point 2 of the CIT Act). In the case of taxation, taxpayers subject to limited tax liability who earn income from dividends and other income from a share in the profits of legal persons should follow similar taxation rules governing the income from dividends and other income from a share in the profits of legal persons obtained by Polish tax residents specified above, save as otherwise stated in the relevant double tax treaties to which the Republic of Poland is a party. Applicability of the double tax treaty requires keeping a certificate of tax residency.

As a rule, if the place of residence, for tax purposes, was documented with a certificate of tax residence with no validity period indicated, the tax remitter (if any) applies such certificate for the period of twelve consecutive months from the date of issuance. In the event that within the period of twelve months from the date of issuance of the certificate of tax residence the place of residence of the taxpayer has changed, the taxpayer is obliged to immediately document his place of residence, for tax purposes, with a new certificate.

Although in principle there are no withholding tax obligations for Polish remitters in connection with the payment of dividends and other income from a share in the profits of non-Polish legal persons, separate rules might apply to income from securities held in omnibus accounts, with the remitter being obliged to pay the withholding tax. In such cases, Investors should seek advice from their tax counsel.

If tax is payable in Poland and not withheld by the remitter, tax-payers subject to limited tax liability should be registered for taxation purposes in Poland and meet applicable filing requirements.

Transfer Tax (Tax on Civil Law Transactions)

Pursuant to Article 1, section 1, item 1, letter a), in conjunction with Article 1, section 4 of the Tax on Civil Law Transactions Act, transfer tax applies to agreements for the sale or exchange of property and property rights, provided that they cover property located in Poland or property rights exercised in Poland, including securities. In principle, shares in a foreign (non-Polish) company are considered as rights exercisable outside of Poland. These rights are considered to be subject to the Tax on Civil Law Transactions Act only if the buyer has its permanent address or registered seat in Poland and the transaction is performed in Poland.

Transfer tax applies to sale or exchange contracts if the rights which are the subject of the transaction are to be exercised within the territory of the Republic of Poland (e.g. shares in a Polish company), or if the rights are exercised outside the Republic of Poland, provided that the agreement evidencing the sale or exchange is concluded in the Republic of Poland and the purchaser is a Polish resident. The tax is 1% of the market value of the securities which are the subject of the transfer and the tax should be paid within 14 days after the sale or exchange agreement is entered into with the corresponding registration for tax and filing requirements. In principle, the tax liability is borne by the buyer in the case of a sale agreement and by the parties to the exchange in the case of an exchange agreement.

In certain situations, the tax authorities may adjust the taxable base. The tax should be paid within 14 days after the transaction is concluded.

In accordance with Article 9, item 9 of the Tax on Civil Law Transactions Act, the sale of property rights which are financial instruments:

- (i) to investment companies or foreign investment companies, or
- (ii) through the intermediation of investment companies or foreign investment companies, or
- (iii) through organized trading, or
- (iv) outside organized trading by investment companies or foreign investment companies if such financial instruments were acquired by such companies as a part of organized trading,

within the meaning of the provisions of the Act on Trading in Financial Instruments, shall be exempt from the tax on civil law transactions.

Taxation of Gifts and Inheritance

Pursuant to Article 1, section 1 of the Gifts and Inheritance Tax Act, inheritance and gift tax is imposed on the acquisition of title to any tangible property located in the Republic of Poland and any property rights exercised in the Republic of Poland by natural persons, by among others inheritance, general legacy, further legacy, specific legacy,

testamentary instruction, gift and donor's instruction. Pursuant to Article 2 of the Gifts and Inheritance Tax Act, inheritance and gift tax is also imposed on the acquisition of tangible property located abroad or of property rights exercised abroad if, on the date of the opening of the succession or conclusion of a gift agreement, the donee was a citizen or permanent resident of the Republic of Poland.

The taxable base is the value of the property rights received after deducting debts and charges (i.e. the net value), assessed based on the condition of the property rights on the day of their receipt and based on the market prices applicable on the day the tax liability arose. The tax amount is calculated according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship with the person from whom the property rights were received or inherited. Inheritances and gifts are taxed at a progressive rate from 3% to 20% of the taxable base, depending on the tax group to which the recipient was assigned. There are certain amounts which are exempt from tax in each group. Except for cases in which the tax is collected and remitted by the tax remitter, taxpayers are required to file a tax return specifying the receipt of the property rights with the competent head of the tax office. The tax return should be accompanied by documents justifying the amount of the taxable base. The tax is paid within 14 days from receiving the decision issued by the head of the tax office assessing the amount of tax liability.

Under Article 4a, section 1 of the Gifts and Inheritance Tax Act, the receipt of title to property or property rights (including securities) by a spouse, descendant, ascendant, step child, siblings, stepfather and stepmother is tax exempt, provided that they notify the competent head of the tax office of the receipt of title to the property rights within six months from the date the tax liability arose, or, in the case of their receipt by right of succession, within six months from the date the court decision on accession to the estate becomes final and binding. The tax exemption applies if, on the acquisition date, the acquirer was a citizen of the Republic of Poland or of any Member State of the European Union or the European Free Trade Association (EFTA), a party to the European Economic Area agreement, or resided on a permanent basis in the territory of the Republic of Poland or any such Member State.

In the case of failure to meet these conditions, the receipt of title to the property rights is subject to taxation on general terms.

In addition, tax is not imposed on the acquisition of any property rights exercised in the Republic of Poland if, on the acquisition date, neither the donee nor the decedent or donor were Polish citizens and had their permanent place of residence or seat in the Republic of Poland.

Remitter's liability

Pursuant to Article 30, paragraph 1 of the Tax Ordinance, a tax remitter failing to fulfil its duty to calculate, withhold or pay tax to a relevant tax authority is liable for the tax that has not been withheld or that has been withheld but not paid, up to the value of all its assets. The tax remitter is not liable if the relevant provisions provide otherwise or the tax has not been withheld due to the tax payer's fault. In such a case, the relevant tax authority issues a decision concerning the tax payer's liability and not tax remitter's liability.

Lithuanian Taxation

Taxation on Dividends

Legal persons

Dividends received by Lithuanian or foreign legal persons are subject to the corporate income tax at a rate of 15%. Dividends are not subject to the corporate income tax when a recipient (a Lithuanian or foreign legal person) has been or intends to be in control of not less than 10% of voting shares of a Lithuanian company distributing dividends for an uninterrupted period of at least 12 months (including the moment of distribution of dividends). This participation exemption does not apply if dividends are paid to foreign legal persons registered or otherwise organized in a tax haven jurisdiction.

If dividends are paid out to the legal persons that are residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such a treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the withholding tax on dividends arises for the Lithuanian legal person (the payer of dividends).

Individuals

Dividends received by Lithuanian and foreign individuals are subject to the personal income tax at a rate of 15%.

If dividends are paid out to the residents of a foreign country with which Lithuania has concluded a treaty for the avoidance of double taxation and such treaty limits the rights of Lithuania to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate, withhold and pay the withholding tax on dividends arises for the Lithuanian legal entity (the payer of dividends).

Taxation on Capital Gains

Legal persons

No specific capital gains tax is established under the Lithuanian tax legislation. Therefore, capital gains received by a Lithuanian legal person or by a foreign legal person through its permanent establishment in Lithuania from the sale of shares are included in the taxable income for the corporate income tax purposes. The standard rate of the corporate income tax is 15%.

An exemption is available, and capital gains are not subject to the corporate income tax if the following conditions are met: 1) an entity the shares of which are being transferred is registered in the EEA Member State or a country with which Lithuania has concluded a treaty for the avoidance of double taxation, and this entity is a payer of corporate income or equivalent tax; and 2) an entity transferring shares has been in control of more than 25% of voting shares for an uninterrupted period of at least two years. The exemption is not applied if shares are transferred to the issuer.

Lithuanian entities and permanent establishments of foreign entities have the right to carry forward losses due to the disposal of securities and/or derivative financial instruments for five consecutive years for the purpose of the Lithuanian corporate income tax. The said losses can be covered only with income generated from disposals of securities and/or derivative financial instruments. Furthermore, please note that a restriction may be applicable – in assessment of the corporate income tax for 2014 and subsequent years, the amount of tax loss carried forward cannot exceed 70% of the taxable profit amount of the relevant tax period.

Capital gains received by the foreign legal persons from the disposal of shares of Lithuanian companies are not subject to the Lithuanian corporate income tax.

Individuals

Capital gains received from the sale of shares by the Lithuanian residents are subject to 15% personal income tax. Please also note that the capital gains, received from sale of securities shall not be taxed, if its amount does not exceed EUR 500 per year. This relief does not apply in case a shareholder sells the shares or transfers the title to the shares to the entity that issued those shares.

The personal income tax on capital gains received by individuals should be calculated, paid and declared by individuals by the 1st of May of the calendar year following the taxable year.

Capital gains received from the disposal of shares of Lithuanian companies by the individuals who are not considered to be Lithuanian residents for tax purposes are not taxed in Lithuania.

Taxation on Gifts and Inheritance

If the Issuer's shares are given as a gift to a natural person, generally the acquisition of shares is subject to personal income tax at a rate of 15%, charged on income received at the transfer of the shares as a gift. The tax is not applicable where a spouse, children (adopted children), parents (adoptive parents), brothers, sisters, grandchildren or grandparents give shares as a gift or where shares are given as a gift to a non-Lithuanian resident. Furthermore, donation incomes received from other persons are not subject to taxation, unless such incomes exceed EUR 2,500 in a calendar year.

Inherited Issuer's shares are subject to inheritance tax as follows: if the taxable value of the inherited property does not exceed EUR 150,000, the tax rate is 5%; if the taxable value of the inherited property exceeds that amount, the tax rate is 10%. The property is exempted from the tax where the property is inherited by a spouse upon the death of the other spouse, by parents (adoptive parents), children (adopted children), grandparents, grandchildren, brothers, sisters, guardians (custodians), wards (foster children), or where the shares are inherited by a non-Lithuanian resident or the value of the inherited property does not exceed EUR 3,000.

Value added tax

Generally, under effective laws, share acquisition or transfer transactions are not subject to value added tax (VAT) in Lithuania.

Estonian Taxation

Taxation on Dividends

Legal persons

Dividends received by a resident company (Estonian legal person) from a foreign legal person are not subject to the corporate income tax in Estonia. The resident company shall pay income tax on profit distributed as dividends or other profit distributions upon payment thereof in monetary or non-monetary form. The obligation to calculate, declare and

pay the income tax (20% – in the case of the distributed dividends the taxable amount, before it is multiplied by the tax rate, shall be divided correspondingly to the date on which the tax liability arises by the number of 0.80) on distributed dividends arises for the Estonian legal person (the payer of dividends). This peculiarity of Estonian tax system (taxation of distributed profit) determines that the treaties for the avoidance of double taxation concluded by Estonia do not limit the right of Estonia to tax distributed dividends.

The income tax is not charged on dividends if the resident company (Estonian) paying the dividend has derived the dividend which is the basis for the payment from a resident company of the EU or the Swiss Confederation subject to income tax (except for companies located within a low tax rate territory) and at least 10% of such company's shares or votes belonged to the resident company (Estonian) at the time of deriving the dividend.

Individuals

Dividends received by Estonian individuals (residents) from a foreign legal person are subject to the personal income tax at a rate of 20%.

Income tax shall not be charged on dividends if income tax has been paid on the share of profit on the basis of which the dividends are paid or if income tax on the dividends has been withheld in a foreign country (except for transaction that is solely or mostly performed for the purposes of tax evasion).

If dividends are received by Estonian individuals (residents) from a foreign country with which Estonia has concluded a treaty for the avoidance of double taxation and such treaty limits the rights of the foreign country to tax dividends, the rules set in that treaty will be applied.

The obligation to calculate and pay the income tax on dividends received from a foreign legal person as well as the obligation to prove that the income tax on the dividends has been withheld in a foreign country arises for the Estonian individual.

Taxation on Capital Gains or Gains from Transfer of Property

Legal persons

No specific capital gains tax or tax on gains from transfer of property is established for Estonian companies under the Estonian tax legislation. Capital gains received by the Estonian legal persons from the disposal of shares of other companies are not generally subject to the Estonian income tax (except for transactions between associated persons under the price different from market value – in that case the transfer pricing regulation is to be applied).

Individuals

Capital gains received from the transfer of property (sale of shares, reduction in the share capital, redemption or return of shares, liquidation proceeds etc.) by the Estonian residents are subject to 20% personal income tax.

The personal income tax on capital gains received by Estonian individuals should be declared by individuals by the 31st of March of the year following the period of taxation and paid by the 1st of October of the calendar year following the period of taxation.

If capital gains are received by Estonian individuals (residents) from a foreign country with which Estonia has concluded a treaty for the avoidance of double taxation, the rules set in that treaty will be applied.

Taxation on Gifts and Inheritance

Income tax is charged on income derived by a resident natural person during a period of taxation from all sources of income in Estonia and outside Estonia. The Supreme Court interprets the concept of taxable income as a profit arising as a result of purposeful economic activity. Any accidental increase in property is not considered as a taxable income.

If the Issuer's shares are given as a gift to a natural person, generally the acquisition of shares is not subject to personal income tax (except for gifts given by Estonian legal person – in this case the legal person is a taxpayer). There is no inheritance tax in Estonia. The personal income tax can be charged in case of sale of the Issuer's shares inherited or received as a gift by Estonian natural person.

Value added tax

Generally, under effective laws, share acquisition or transfer transactions are not subject to value added tax (VAT) in Estonia, except shares, which grant the holders thereof the right of ownership of the VAT-taxable immovables (or parts thereof) or the right to use and dispose of the aforementioned as an owner.

ADDITIONAL INFORMATION

Documents Available for Inspection

Copies of the following documents will, when published, be available for inspection during the validity period of the Prospectus (which is 12 months from the date of this Prospectus) free of charge during usual business hours on any weekday (except Saturdays, Sundays and public holidays) at the registered office of the Issuer: (i) the Articles of Association; (ii) the Consolidated Financial Statements; (iii) Prospectus and its summary translations into Polish, Lithuanian and Estonian languages.

Independent Auditors

The Consolidated Financial Statements of the Issuer and its Subsidiaries as of and for the years ended 31 December 2016 and 31 December 2015, prepared in accordance with the IFRS have been audited by Ernst & Young Baltic UAB with its registered office in Lithuania, the independent auditors, as stated in their report appearing herein.

The above financial statements were replaced on 19 January 2018 by new financial statements for the years ended 31 December 2016 and 31 December 2015, prepared in accordance with the IFRS have been audited by Ernst & Young Baltic UAB with its registered office in Lithuania, the independent auditors, as stated in their report appearing herein. These financial statements were approved by the decision of the General Meeting, dated 9 February 2018. The financial results have not changed but the main differences between those financial statements were: (i) description of the proceedings in Estonia (please see Section “*Business of the Group – Legal proceedings*”) and changes of some report lines and note 21 related to it, as well as (ii) addition of segmentation note 23.

Ernst & Young Baltic UAB is registered in the list of entities authorized to audit financial statements in Lithuania under the identification number 001335.

The consolidated financial statements of the Issuer and its Subsidiaries as of and for the year ended 31 December 2017 prepared in accordance with the IFRS have been audited by Deloitte Lietuva UAB, with its registered office in Lithuania, the independent auditors, as stated in their report appearing herein.

Deloitte Lietuva UAB is registered in the list of entities authorized to audit financial statements in Lithuania under the identification number 001275.

There were no events of resignation or dismissal of an independent auditor appointed to audit the financial statements of the Issuer in the period covered by the Consolidated Financial Statements included in this Prospectus.

In 2017 the Company changed auditor as the previous one was appointed for several years and the Company decided to change it.

Entities involved in the Offering

The following entities are involved in the Offering:

Global Coordinator

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie with its registered seat in Warsaw, Poland, act as Global Coordinator, Joint Bookrunner and Offering Agent in Poland.

In connection with the Offering, the Global Coordinator will provide services to the Issuer and the Selling Shareholders, including services related to the preparation, management and conduct of the Offering. It is also charged with coordinating the marketing efforts with respect to the Offering, coordinating contacts and arranging meetings with Investors, organizing the book building process in Poland and abroad, as well as with other tasks that are typically performed by underwriters of public share offerings.

The Global Coordinator does not hold any Shares in the Issuer.

Joint Bookrunners

Swedbank AB with its registered seat in Vilnius, Lithuania, acts as Joint Bookrunner and Offering Agent in Lithuania and Estonia.

Trigon Dom Maklerski S.A. with its registered seat in Cracow, Poland, acts as Joint Bookrunner.

In connection with the Offering, the Joint Bookrunners will provide services to the Issuer and the Selling Shareholders, including services related to the preparation, management and conduct of the Offering. They are also charged with coordinating the marketing efforts with respect to the Offering, coordinating contacts and arranging meetings with Investors, organizing the book building process in Lithuania, Estonia and Poland and abroad, as well as with other tasks that are typically performed by underwriters of public share offerings.

The Joint Bookrunners do not hold any Shares in the Issuer.

Legal Advisors to the Issuer and the Selling Shareholders

As to Polish law

The Issuer and the Selling Shareholders are being represented by K&L Gates Jamka sp.k., with its registered office in Warsaw at Plac Małachowskiego 2, 00-066 Warsaw, Poland, with respect to legal matters of Poland and listing on the WSE (“**K&L Gates**”). The remuneration of K&L Gates does not depend on the proceeds from the sale of the Offer Shares.

K&L Gates has been rendering and may render in the future other legal services to the Issuer, the Group, the Selling Shareholders, the Global Coordinator or to the Joint Bookrunners with respect to their business activities pursuant to relevant agreements for the provision of legal advisory services. K&L Gates does not hold any interests in the Issuer. In particular, on the date of this Prospectus, it did not hold Shares in the Issuer.

As to Lithuania law

The Issuer and the Selling Shareholders are being represented by TGS Baltic, with its registered office at Konstitucijos ave. 21A, Vilnius, Lithuania, with respect to legal matters of Lithuania and listing on Nasdaq. The remuneration of TGS Baltic does not depend on the proceeds from the sale of the Offer Shares.

TGS Baltic has been rendering and may render in the future other legal services to the Issuer, the Group, the Selling Shareholders, the Global Coordinator or to the Joint Bookrunners with respect to their business activities pursuant to relevant agreements for the provision of legal advisory services. TGS Baltic does not hold any interests in the Issuer. In particular, on the date of this Prospectus, it did not hold Shares in the Issuer.

Legal Advisor to the Global Coordinator

The Global Coordinator is being represented by DLA Piper Wiater sp.k. with its registered office in Warsaw at ul. I.L. Pereca 1, 00-849 Warsaw, Poland, with respect to legal matters of Poland and listing on the WSE („**DLA Piper**”). The remuneration of DLA Piper does not depend on the proceeds from the sale of the Offer Shares.

DLA Piper may render in the future other legal services to the Issuer, the Group, the Selling Shareholders, the Global Coordinator or to the Joint Bookrunners with respect to their business activities pursuant to relevant agreements for the provision of legal advisory services. DLA Piper does not hold any interests in the Issuer. In particular, on the date of this Prospectus, it did not hold Shares in the Issuer.

Costs and expenses of the Offering

The total costs and expenses of the Offering consist of the Managers’ commissions or fees and other associated expenses, e.g. fees for legal and accounting services, costs of drafting of the Prospectus, fees incurred in connection with the marketing activities and fees relating to the approval of the Prospectus and admission of the Shares to trading on the WSE and Nasdaq. The Issuer estimates that its total expenses relating to the Offering will amount to approximately EUR 0.6 million.

The final amount of expenses will be calculated after the Offering and will be publicly announced within two weeks from the Settlement Date.

The Issuer and the Selling Shareholders agreed to pay all commissions and expenses in connection with the Offering. However, Investors will bear their own costs connected with the evaluation and participation in the Offering, i.e. standard brokerage fees charged by brokers.

ABBREVIATIONS AND DEFINITIONS

In this Prospectus, the definitions in capital letters will have the meaning indicated below unless the context of the Prospectus requires otherwise. Definitions are listed in alphabetical order and the list is limited to the definitions which are considered to be of more importance. Other definitions may be defined elsewhere in the Prospectus.

Act on Public Offering	The Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies dated 29 July 2005 (unified text Journal of Laws of 2016 item 1639, as amended).
Act on Supervision over the Capital Market	The Polish Act on Supervision over the Capital Market dated 29 July 2005 (unified text Journal of Laws 2016, item 1289, as amended).
Act on Supervision over the Financial Market	The Polish Act on Supervision over the Financial Market dated 21 July 2006 (unified text Journal of Laws 2017, item 196, as amended).
Act on Trading in Financial Instruments	The Polish Act on Trading in Financial Instruments dated 29 July 2005 (unified text Journal of Laws of 2017, item 1768, as amended).
Additional Shares	Up to 1,249,120 existing ordinary registered shares in the Company with the nominal value of EUR 0.03 per share, to be offered by the Selling Shareholder 1.
Admission	The admission of the Shares to listing and trading on the regulated markets of the WSE and Nasdaq.
Alida	Akciju sabiedrība "ALIDA TŪRS" with its registered office in Riga, Brīvības iela 162-20, LV-1012 (Latvia), entered into the Register of Enterprises of the Republic of Latvia under number 40003285204, VAT identification number LV40003285204.
Allotment Date	The Polish Allotment Date and/or the Lithuanian and Estonian Allotment Date respectively.
Alternative Performance Measures, APMs	The alternative performance measures within the meaning of the ESMA Guidelines on Alternative Performance Measures.
Articles of Association	The Articles of Association of the Company.
Audit Committee	Audit Committee of the Company.
Aurinko	Osühing Aurinko with its registered office in Tallin, Pärnu mnt 10, Kesklinna linnaosa, Harju maakond, 10148 (Estonia), entered into the Estonian commercial register under number 10745250, VAT identification number EE100688306.
BoL	The Bank of Lithuania (in Lithuanian: <i>Lietuvos bankas</i>) with its registered office in Vilnius, Lithuania.
Business Activity Freedom Act	The Polish Business Activity Freedom Act dated 2 July 2004 (unified text: Journal of Laws of 2015, No. 220, item 447, as amended).
Business Day	A day on which banks in Poland and Lithuania are open for business.
CAGR	Compound Annual Growth Rate.
CFO	Chief financial officer of the Company.
CEE	Central and Eastern Europe, excluding Russia, and comprising Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland,

	Romania, Slovak Republic, Slovenia.
CETO	Central European Tour Operator S.à r.l. a private limited liability company incorporated and existing under the laws of Luxembourg with the registered office at 1, rue Jean Piret, L-2350 Luxembourg, Grand Duchy of Luxembourg.
CIT Act	Polish Corporate Income Tax Act dated 15 February 1992 (unified text: Journal of Laws of 2017 item 2343, as amended).
Committees	Audit Committee collectively with the Nomination and Remuneration Committee.
Competition Act	The Polish Act on the Protection of Competition and Consumers of February 16, 2007 (unified text: Journal of Laws of 2017 item 229, as amended).
Consolidated Financial Statements	Audited annual consolidated financial statements of the Issuer for the years ended 31 December 2017, 2016 and 2015.
CRPC	Latvian Consumer Rights Protection Centre.
Directive 90/314	Council Directive of 13 June 1990 on package travel, package holidays and package tours (90/314/EEC).
Directive 2015/2302	Directive 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangements, amending Regulation (EC) No 2006/2004 and Directive 2011/83/EU of the European Parliament and of the Council and repealing Council Directive 90/314/EEC
DM PKO BP; Dom Maklerski PKO Banku Polskiego or Global Coordinator or Offering Agent in Poland	Powszechna Kasa Oszczędności Bank Polski S.A. Oddział – Dom Maklerski PKO Banku Polskiego w Warszawie, with its registered office in Warsaw, Poland.
EC	European Commission.
EEA	European Economic Area.
EFSA	Estonian Financial Supervision Authority.
EFTA	European Free Trade Association.
Estonian Tourism Act	Tourism Act of Republic of Estonia, implementing the Directive 90/314 and Council Directive 95/57/EC of 23 November 1995 on the collection of statistical information in the field of tourism.
EU	European Union.
EU Concentration Control Regulation	Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (Official Journal L 024, 29/01/2004 P. 0001-0022).
Euro or EUR	Euro, the single currency of the participating member states in the Third Stage of the European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.
Eurostat	Statistical Office of the European Communities.
FSMA	The United Kingdom Financial Services and Markets Act 2000, as amended.
GDP	Gross Domestic Product.

GDPR	Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).
GDS	A computerized network system that enables transactions between travel industry service providers, mainly airlines, hotels and car rental companies and travel agencies (Global Distribution System).
General Meeting, GM	The General Meeting of Shareholders of the Company.
Gifts and Inheritance Tax Act	The Polish Gifts and Inheritance Tax Act dated 28 July 1983 (unified text Journal of Laws 2017, item 833, as amended).
Group	The Company and all its Subsidiaries, as set out in Section “ <i>Structure of the Group</i> ”.
Group Companies	All consolidated Subsidiaries.
IAS	International Accounting Standards as adopted by the EU.
IFRS	International Financial Reporting Standards, as adopted by the EU.
IMF	International Monetary Fund.
Institutional Investors	Qualified investors as defined in article 2.1. (e) of the Prospectus Directive, invited or accepted by the Joint Bookrunners to participate in the bookbuilding process, as well as natural persons having full legal capacity to perform legal acts and legal persons (both residents and non-residents within the meaning of Polish foreign exchange regulations) entitled to participate in the bookbuilding process or to place Subscription Orders for the Offer Shares who received invitations to subscribe for the Offer Shares and to participate in the bookbuilding process, or to subscribe for the Offer Shares, respectively, from the Managers.
Investment Funds Act	Polish Investment Funds and Management of Alternative Investment Funds Act dated 27 May 2004 (unified text: Journal of Laws of 2018, item 56, as amended).
Investors	Institutional Investors collectively with the Retail Investors.
Issuer or Company	Novaturas AB a public limited liability company, incorporated and existing under the laws of Lithuania, corporate ID code 135567698, VAT code LT355676917, registered at the address A. Mickevičiaus str. 27, LT-44245 Kaunas, Lithuania, Company’s data is collected and stored with the Register of Legal Entities of the Republic of Lithuania.
IT	Information Technology.
Key Executives	The General Manager, the Chief Financial Officer, Production Director and Purchasing Director collectively, who all currently also serve as members of the Management Board.
Kidy Tour	Kidy Tour UAB, a private limited liability company, incorporated and existing under the laws of Lithuania, corporate ID code 304147043, VAT code LT100009854012, registered at the address Konstitucijos ave. 12-2, LT-09308, Vilnius, Lithuania, data is collected and stored with the Register of Legal Entities of the Republic of Lithuania.
Law on Companies	Law of the Republic of Lithuania on Companies (as amended from time to time).
Law on Markets in Financial Instruments	Law of the Republic of Lithuania on Markets in Financial Instruments (as amended from time to time).

Latvian Law on Tourism	Tourism Law of the Republic of Latvia, implementing the Directive 90/314.
Law on Securities	Law of the Republic of Lithuania on Securities (as amended from time to time).
Listing Date	NASDAQ Listing Date and WSE Listing Date jointly.
Listing Rules of Nasdaq	The Listing Rules of AB Nasdaq Vilnius approved by the Management Board of AB Nasdaq Vilnius, Minutes No. 09-88 as of 1 June 2009.
Lithuanian and Estonian Allotment Date	The date on which the final number of the Offer Shares in the Lithuanian and Estonian Offering and the allotment between the Retail Investors and the Institutional Investors in the Lithuanian and Estonian Offering is announced.
Lithuanian and Estonian Settlement Date	The date of delivery of the Offer Shares to Investors in the Lithuanian and Estonian Offering and closing of the Lithuanian and Estonian Offering.
Luminor Bank	Luminor Bank AB (former name DNB bank).
MAD	Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse (Market Abuse Directive).
Management	Management Board and the Key Executives.
Management Board or Board	Management Board of the Company.
Manager or CEO	Manager (General Manager) of the Company.
Managers or Joint Bookrunners	DM PKO BP, Trigon and Swedbank jointly.
MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.
Maximum Price	The maximum price per Offer Share for the Retail Investors and for the Institutional Investors in the amount of EUR 13.50 and its equivalent in PLN amounting to 56.11, established by the Selling Shareholders, at which Retail Investors will place their Subscription Orders for the acquisition of the Offer Shares.
Member State	A Member State of the EEA.
Minority Shareholders	Minority Shareholder 3, Selling Shareholder 2 and Selling Shareholder 3 jointly.
Minority Shareholder 1	Selling Shareholder 2.
Minority Shareholder 2	Selling Shareholder 3.
Minority Shareholder 3	Mr. Ugnius Radvila.
Mouzenidis	Sabiedrība ar ierobežotu atbildību “Mouzenidis Travel-Riga” with its registered office in Riga, Ernesta-Birznieka-Upīša iela 20A-19, LV-1050 (Latvia), entered into the Register of Enterprises of the Republic of Latvia under number 40103608718, VAT identification number LV40103608718.
N/A	not applicable.

Nasdaq	AB Nasdaq Vilnius Stock Exchange operating in Vilnius, Lithuania.
Nasdaq Corporate Governance Code	The Corporate Governance Code for the Companies Listed on Nasdaq.
Nasdaq CSD	Lithuanian branch of Nasdaq CSD, SE, the merged central securities depository of Lithuania, Latvia and Estonia, the clearing and settlement institution of the Baltics, with its registered office in Riga, Latvia.
Nasdaq Listing Date	the date on which trading in the Shares on the Nasdaq will commence.
NBP	The National Bank of Poland (in Polish: <i>Narodowy Bank Polski</i>), being the central bank of Poland.
CSDP	The Central Securities Depository of Poland (in Polish: <i>Krajowy Depozyt Papierów Wartościowych S.A.</i>) with its registered office in Warsaw, Poland.
Nomination and Remuneration Committee	Nomination and Remuneration Committee of the Company.
Offer Price for the Institutional Investors	The final offer price per Offer Share for the Institutional Investors, which will be determined and announced in accordance with the terms and conditions of the Offering.
Offer Price for the Retail Investors	The final offer price per Offer Share for the Retail Investors, which will be determined and announced in accordance with the terms and conditions of the Offering.
Offer Prices	the Offer Price for the Retail Investors and the Offer Price for the Institutional Investors collectively.
Offer Shares or Sale Shares	Up to 3,903,500 existing ordinary registered shares in the Company with the nominal value of EUR 0.03 per share.
Offering	The offering of the Offer Shares pursuant to this Prospectus.
PAX	Passenger(s).
PFSA	The Polish Financial Supervision Authority (in Polish: <i>Komisja Nadzoru Finansowego</i>), the capital market regulatory authority in Poland.
PIT Act	Polish Personal Income Tax Act dated 26 July 1991 (unified text: Journal of Laws of 2016, item 2032, as amended).
Placement Agreement	The placement agreement entered into on 23 February 2018 by the Issuer, the Selling Shareholders and the Joint Bookrunners.
PLN or zloty	Polish złoty, the lawful currency of Poland.
Polish Allotment Date	The date on which the final number of the Offer Shares and the allotment between the Retail Investors and the Institutional Investors in the Polish Offering is announced.
Polish Retail Investors	All investors in the Republic of Poland irrespectively whether they are natural persons, legal entities or organizational units without legal personality, who are eligible to submit their Subscription Orders in accordance with regulations of the Offering Agent in Poland accepting their Subscription Orders.
Polish Settlement Date	The date of delivery of the Offer Shares to Investors in the Polish Offering and closing of the Polish Offering.
Pricing Agreement	A pricing agreement determining the Offer Prices and the final number of the Offer Shares to be offered in the Offering, as well as the number of the Offer Shares designated for allotment to Retail Investors and Institutional

	Investors.
Pricing Date	The date on which the Offer Price and the final number of the Offer Shares to be offered in the Offering and the final number of the Offer Shares to be offered to various categories of Investors shall be determined respectively by the Selling Shareholders and Global Coordinator.
Prospectus	This Prospectus constituting a prospectus in a form of a single document within the meaning of the Prospectus Directive and in accordance with the provisions of Regulation 809/2004 and the Law on Securities and the rules promulgated thereunder prepared in connection with the Offering of the Offer Shares and Admission and introduction of the Shares to listing on the WSE and Nasdaq, including its annexes and supplements, if any.
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of the European Union of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended.
Register of Legal Entities	Register of Legal Entities of the Republic of Lithuania.
Regulation 809/2004, Prospectus Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and the dissemination of advertisements, as amended.
Regulation 1215/2012	Regulation No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.
Regulation on the Market and Issuers	The regulation of the Minister of Finance of Poland of 12 May 2010, regarding the detailed requirements that must be satisfied by a market of official stock exchange quotations and the issuers of securities admitted to trading on such market, as amended.
Regulation S	Regulation S promulgated under the U.S. Securities Act.
Relevant Member State	Each member state of the EEA.
Related Parties	As defined in International Accounting Standard 24 Related Party Disclosures.
Retail Investors	All investors in the Republic of Lithuania, the Republic of Poland and the Republic of Estonia, irrespectively whether they are natural persons, legal entities or organizational units without legal personality, who are eligible to submit their Subscription Orders in accordance with regulations of relevant Offering Agents accepting their Subscription Orders.
Section	A section of this Prospectus.
Selling Shareholder 1	CETO.
Selling Shareholder 2	Mr. Rytis Šūmakaris.
Selling Shareholder 3	Mr. Vidas Paliūnas.
Selling Shareholders	Collectively, the Selling Shareholder 1, Selling Shareholder 2 and Selling Shareholder 3.
Settlement Date	the Polish Settlement Date and/or the Lithuanian and Estonian Settlement Date respectively.
Shares	7,807,000 shares issued and existing in the share capital of the Issuer as at the date hereof.

Subscription Order	An order, placed by the Investors for purchase of the Offer Shares.
Substitute Investors	Institutional Investors (including those who participated in the book building process and those who did not, however who received the invitation from the Joint Bookrunners) invited by the Joint Bookrunners to submit Subscription Orders for Offer Shares with respect to which other Investors voided the legal validity of their Subscription Orders in accordance with Article 51a of the Act on Public Offering or failed to submit their Subscription Orders or failed to make timely payments.
Swedbank or Offering Agent in Lithuania and Estonia	“Swedbank” AB with its registered office in Vilnius, Lithuania.
Subsidiaries	The subsidiaries of the Issuer, as set out in Section “ <i>Structure of the Group</i> ”.
Summary	The summary of this Prospectus.
Supervisory Council	Supervisory Council of the Company.
Takeover Directive	Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (as amended from time to time).
Tax on Civil Law Transaction Act	Polish Tax on Civil Law Transaction Act dated 9 September 2000 (unified text Journal of Laws 2017, item 1150).
Tax Ordinance	Polish act dated 29 August 1997 – the Tax Ordinance (unified text: Journal of Laws of 2017, item 201, as amended).
Tez Tour	UAB “TEZ TOUR”, a private limited liability company, incorporated and existing under the laws of Lithuania, corporate ID code 111813515, VAT code LT118135113, registered at the address Panerių str. 39, LT-03209 Vilnius, Lithuania, data is collected and stored with the Register of Legal Entities of the Republic of Lithuania.
Trigon	Trigon Dom Maklerski S.A. with its registered office in Cracow, Poland.
U.S. or United States	United States of America.
USD, dollars or \$	U.S. dollars, the lawful currency of the United States of America.
U.S. Securities Act	The United States Securities Act of 1933, as amended.
UOKiK	Office for Competition and Consumer Protection (in Polish: <i>Urząd Ochrony Konkurencji i Konsumentów</i>).
UOKiK President	The President of the Office for Competition and Consumer Protection.
VAT	The value added tax applicable in the Republic of Lithuania.
WSE	The Warsaw Stock Exchange (in Polish: <i>Giełda Papierów Wartościowych w Warszawie S.A.</i>) and, unless the context requires otherwise, the regulated market operated by such company.
WSE Best Practices, WSE Corporate Governance	Code of Best Practice for WSE listed companies (attachment to Resolution No. 17/1249/2015 of the WSE Board dated 19 May 2015 and adopted in accordance with §29.1 of the WSE Rules), being a set of rules and recommendations concerning corporate governance prevailing on the WSE.
WSE Listing Date	The date on which trading in the Shares on the WSE will commence.
WSE Rules	The Warsaw Stock Exchange Rules.

y/y

Year to year.

ANNEX I – CONSOLIDATED FINANCIAL STATEMENTS

AB NOVATURAS

**CONSOLIDATED AND COMPANY'S FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2017**

**prepared according to International Financial Reporting
Standards,**

**as adopted by the European Union,
presented together with Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AB Novaturas

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of AB Novaturas (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the statements of financial position as at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of 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 financial statements present fairly, in all material respects, the financial position of the Group and the Company as at 31 December 2017, and their financial performance and their 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 and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Group and the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 19 January 2018.

Other information

The other information comprises the information included in the Group's and the Company's annual 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 Group's and the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

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

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 Group's and the Company'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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

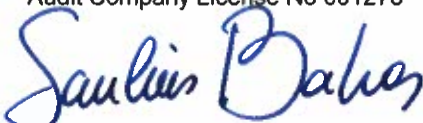
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company'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 Group's and the Company'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 Group and the Company 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 and the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We shall 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.

Deloitte Lietuva UAB
Audit Company License No 001275



Saulius Bakas
Lithuanian Certified Auditor
License No 000604

Vilnius, Republic of Lithuania
8 February 2018

AB Novaturas (hereinafter the Company) was registered on 16 December 1999.

Company code: 135567698.
Company's address: A. Mickeviciaus av. 27, Kaunas, Lithuania.

The transformation of UAB Novaturas to AB Novaturas was registered in the register of legal entities on 25 November 2014. AB Novaturas took over all UAB Novaturas rights and obligations since the company's restructuring and a new legal status of the date of registration.

The main activity of the Company and its subsidiaries is organisation and sales of holiday tours.

The share capital of the Company, amounting to EUR 226,106, consists of 7,807 ordinary shares with a nominal value of EUR 28,96 each. All shares are fully paid.

The Board of Directors has 5 members.

The Head of the Company is Managing Director Linas Aldonis, who is the Managing Director from October 2010.

As of 31 December 2017, the Company had 124 employees and the Group had 240 employees (respectively 119 and 222 employees as of 31 December 2016).

Subsidiaries of the Company (thereafter – the Group) are stated below:

Subsidiary	Country	Registration address	Share of the stock owned by the Company, (%) as of 31 December	
			2017	2016
SIA Novatours	Republic of Latvia	Kr. Valdemara st. 100, Riga, Latvia	100%	100%
OU Novatours	Republic of Estonia	Ravala st. 6, Tallinn, Estonia	100%	100%
UAB Aviaturas ir Partneriai	Republic of Lithuania	Konstitucijos av. 15/5, Vilnius, Lithuania	100%	100%
SRL Novatours Holidays	Republic of Romania	M. Caramfil st. 53, Bucharest, Romania	100%	100%

The Company did not acquire its own shares during the year and had no its own shares at the end of the year. The Company's subsidiaries do not own any shares of the Company as well.

The Company has a branch, established in Vilnius, the results of which are included into the financial statements of the Company.

In 2017, the Company's activities remained tour organisation and distribution of tours through the retail network of travel agencies and through own retail channels (own travel agencies, e-commerce sales, tickets only sales through Global Distribution System (GDS). The Group and the Company are selling own charters tickets from/to Vilnius, Riga, Tallinn via GDS and this means that Novaturas' charter tickets are available worldwide in GDS (Amadeus, Galileo, Sabre, Worldspan, etc.) for travel agents and directly for passengers via internet in internet portals for air tickets (such as greitai.lt, skrendu.lt, airtickets.com, eDreams.com, bravofly.com, skyscanner, lastminute.com, etc.). Revenue division by distribution channels is as follows:

	Group	
	2017	2016
Travel agencies	70.8%	69.5%
Own retail	13.2%	14.2%
Web sales	14.2%	14.9%
GDS	1.8%	1.4%
	100.0%	100.0%

Group passenger sales divided by source market is as follows (presented in thousands of passengers):

	Group	
	2017	2016
Lithuania	126.3	101.9
Latvia	44.3	31.9
Estonia	61.6	45.4
Other	1.3	1.0
	233.5	180.2

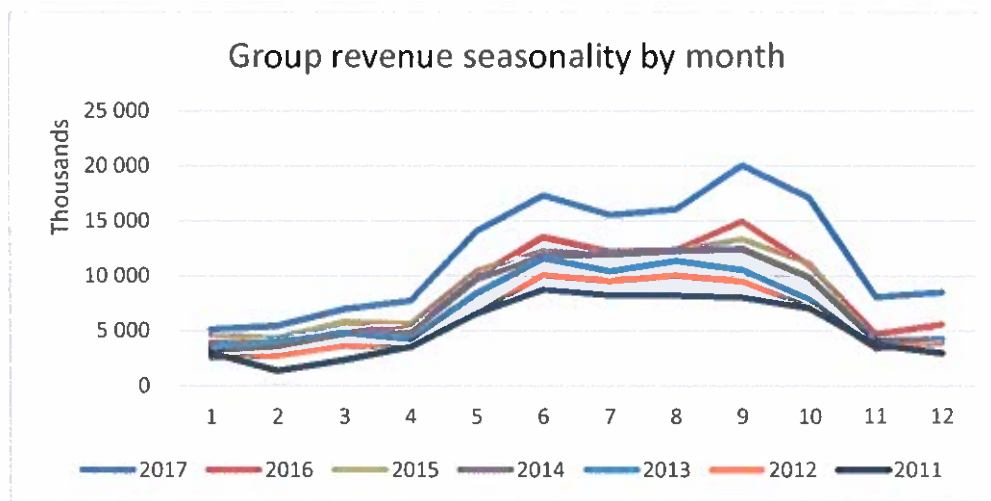
Group passenger sales divided by product category is as follows (presented in thousands of passengers):

	Group	
	2017	2016
Package travel	185.7	144.8
Round trips by plane	1.4	1.3
Round trips by coach	11.8	10.3
Other products (separate flight and hotel services)	34.6	23.8
	233.5	180.2

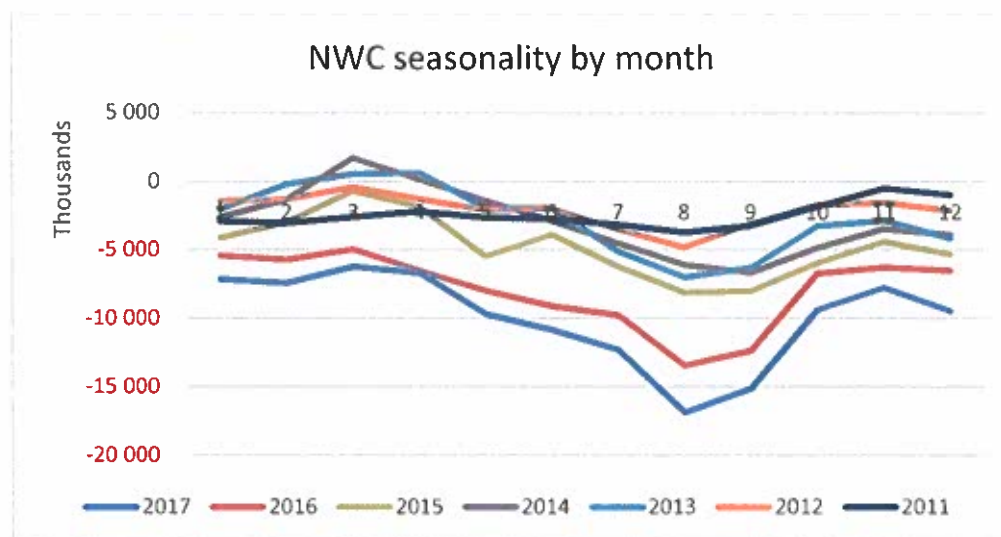
Group package travel revenue division by destinations is as follows:

	Group	
	2017	2016
Turkey	31.1%	27.7%
Greece	19.3%	22.4%
Egypt	14.8%	9.2%
Bulgaria	10.4%	12.9%
Spain (including Canary Islands)	12.2% (8.5%)	13.7% (9.5%)
Skiing	2.2%	3.1%
Long haul	3.1%	3.1%
Other destinations	6.9%	7.9%
	100.0%	100.0%

Group monthly revenue seasonality is as follows:



Group Net Working Capital (excluding free cash) monthly seasonality during the year is as follows:



THE GROUP:

- Sales revenue increased from EUR 101,525 thousand in 2016 to EUR 141,147 thousand in 2017, i.e. by 39%;
- Profit before tax increased from EUR 5,100 thousand in 2016 to EUR 9,135 thousand in 2017;
- Net profit increased from EUR 4,462 thousand in 2016 to EUR 8,151 thousand in 2017.

THE COMPANY:

- Sales revenue increased from EUR 61,145 thousand in 2016 to EUR 81,230 thousand in 2017, i.e. by 33%;
- Profit before tax increased from EUR 3,499 thousand in 2016 to EUR 4,830 thousand in 2017;
- Net profit increased from EUR 2,988 thousand in 2016 to EUR 4,114 thousand in 2017.

Business activities of Romanian subsidiary SRL Novatours Holidays were suspended in the middle of 2009 and not resumed in 2017 due to still rapidly changing business environment.

In order to reduce EUR/USD foreign exchange risk in December 2010 the Company and the Group started to use derivative financial instruments which allow to manage the foreign exchange and fluctuations of jet fuel prices risk. These financial instruments were successfully used by the Company and the Group in 2017 and 2016. Information on financial risk management of the Group and the Company is presented in the Group's and Parent Company's financial statements.

Information about subsequent events in the Group and the Company is disclosed in the notes of financial statements.

The Group and the Company was not engaged in any research and development activities.

The main goals for 2018 are:

- To preserve leading market position in Baltic states.
- Introduction of new products and services for profitable growth.
- Maintain well balanced distribution channel mix and develop it further.

8 February 2018



Managing Director
Linas Aldonis

Statements of financial position

	Notes	Group		Company	
		As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
ASSETS					
Non-current assets					
Goodwill	3	30,327	30,327	30,327	30,327
Other intangible assets	3	448	442	359	441
Property, plant and equipment	4	297	324	233	232
Investments into subsidiaries	5	-	-	3,220	3,220
Long term receivables	7	56	342	15	329
Deferred income tax asset	17	6	10	-	-
Total non-current assets		31,134	31,445	34,154	34,549
Current assets					
Inventories		1	1	1	-
Prepayments and deferred expenses	6	5,940	2,748	2,953	1,542
Trade accounts receivable	7	522	433	285	257
Accounts receivable from related parties	20	-	-	11,508	2,411
Prepaid income tax		101	86	100	25
Other receivables	7	2,202	2,429	1,474	1,381
Other current financial assets	8	569	478	569	478
Restricted cash	9	2,000	-	2,000	-
Cash and cash equivalents	9	7,984	6,646	3,871	5,073
Total current assets		19,319	12,821	22,761	11,167
Total assets		50,453	44,266	56,915	45,716

(cont'd on the next page)

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

Statements of financial position (cont'd)

	Notes	Group		Company	
		As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
EQUITY AND LIABILITIES					
Equity					
Share capital	1	226	226	226	226
Cash flow hedge reserve	8, 10	484	299	484	299
Legal reserve	10	29	29	29	29
Foreign currency translation reserve	10	145	145	-	-
Retained earnings		13,785	15,134	5,127	10,513
Equity attributable to equity holders of the parent		14,669	15,833	5,866	11,067
Non-controlling interests		-	-	-	-
Total equity		14,669	15,833	5,866	11,067
Liabilities					
Non-current liabilities					
Grants and subsidies		-	-	-	-
Non-current borrowings	11	-	10,842	-	10,842
Other non-current liabilities	8	-	-	12,000	-
Deferred income tax liabilities	17	2,606	2,033	2,621	2,033
Total non-current liabilities		2,606	12,875	14,621	12,875
Current liabilities					
Current portion of non-current borrowings	11	14,000	3,158	14,000	3,158
Current borrowings	11	-	-	6,826	12,450
Trade payables		3,882	3,130	2,876	2,219
Payables to related parties	20	-	-	5,735	162
Advances received	2,15	12,102	7,988	4,799	3,020
Income tax payable		296	-	161	-
Other current liabilities and accrued expenses	12	2,898	1,282	2,031	765
Other current financial liabilities	8	-	-	-	-
Total current liabilities		33,178	15,558	36,428	21,774
Total equity and liabilities		50,453	44,266	56,915	45,716

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

_____ Managing Director	_____ Linas Aldonis	_____ 8 February 2018
_____ Finance Director	_____ Tomas Staškūnas	_____ 8 February 2018
_____ Chief Financier	_____ Giedrius Ribakovas	_____ 8 February 2018

Statements of comprehensive income

	Notes	Group		Company	
		2017	2016	2017	2016
Sales	13	141,147	101,525	81,230	61,145
Cost of sales	14	(114,345)	(83,762)	(66,400)	(50,867)
Gross profit		26,802	17,763	14,830	10,278
Operating (expenses)	15	(16,473)	(12,207)	(8,595)	(6,497)
Other operating income		1	21	-	16
Other operating (expenses)		(29)	(221)	-	(5)
Profit from operations		10,301	5,356	6,235	3,792
Finance income	16	564	494	253	353
Finance (expenses)	16	(1,730)	(750)	(1,658)	(646)
Profit before tax		9,135	5,100	4,830	3,499
Income tax (expense)	17	(984)	(638)	(716)	(511)
Net profit		8,151	4,462	4,114	2,988
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	8	218	376	218	376
Impact of income tax		(33)	(56)	(33)	(56)
Total comprehensive income for the year		8,336	4,782	4,299	3,308
Net profit attributable to:					
The shareholders of the Company		8,151	4,462	4,114	2,988
Non-controlling interests		-	-	-	-
		8,151	4,462	4,114	2,988
Total comprehensive income attributable to:					
The shareholders of the Company		8,336	4,782	4,299	3,308
Non-controlling interests		-	-	-	-
		8,336	4,782	4,299	3,308
Earnings per share (EPS) for continuing operations:	21				
Basic, profit for the year attributable to ordinary equity holders of the parent (in EUR)		1044,06	571,54		


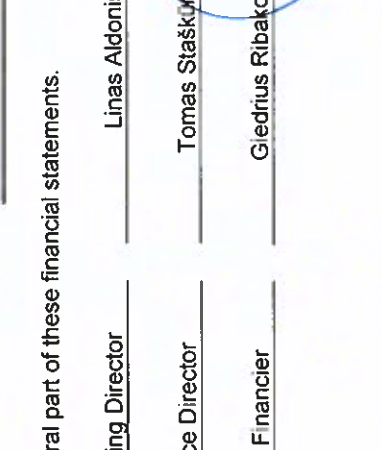
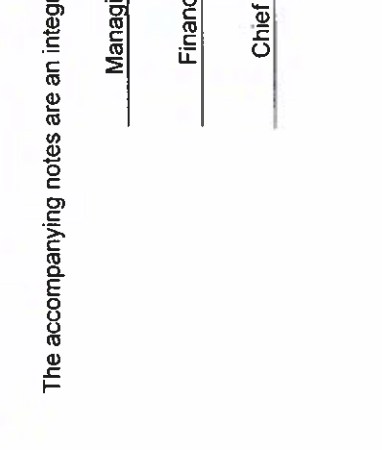
The accompanying notes are an integral part of these financial statements.

Managing Director	Linus Aldonis	8 February 2018
Finance Director	Tomas Staškūnas	8 February 2018
Chief Financier	Giedrius Ribakovas	8 February 2018

Statements of changes in equity

Group	Notes	Equity, attributable to the equity holders of the parent							Total
		Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders of the parent	Non-controlling interests	
Balance as of 31 December 2015		226	29	(21)	14,672	145	15,051	-	15,051
Net profit for the year		-	-	-	4,462	-	4,462	-	4,462
Other comprehensive income		-	-	320	-	-	320	-	320
Total comprehensive income		-	-	320	4,462	-	4,782	-	4,782
Dividends paid	20	-	-	-	(4,000)	-	(4,000)	-	(4,000)
Balance as of 31 December 2016		226	29	299	15,134	145	15,833	-	15,833
Net profit for the year		-	-	-	8,151	-	8,151	-	8,151
Other comprehensive income		-	-	185	-	-	185	-	185
Total comprehensive income		-	-	185	8,151	-	8,336	-	8,336
Dividends paid	20	-	-	-	(9,500)	-	(9,500)	-	(9,500)
Balance as of 31 December 2017		226	29	484	13,785	145	14,669	-	14,669

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

Managing Director		Linas Aldonis	8 February 2018
Finance Director		Tomas Staškunas	8 February 2018
Chief Financier		Giedrius Ribakovas	8 February 2018

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Total
Balance as of 31 December 2015		226	29	(21)	11,525	11,759
Net profit for the year		-	-	-	2,988	2,988
Other comprehensive income		-	-	320	-	320
Total comprehensive income		-	-	320	2,988	3,308
Dividends approved	20	-	-	-	(4,000)	(4,000)
Balance as of 31 December 2016		226	29	299	10,513	11,067
Net profit for the year		-	-	-	4,114	4,114
Other comprehensive income		-	-	185	-	185
Total comprehensive income		-	-	185	4,114	4,299
Dividends approved	20	-	-	-	(9,500)	(9,500)
Balance as of 31 December 2017		226	29	484	5,127	5,866

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

Managing Director	_____	Linas Aldonis	_____	8 February 2018
Finance Director	_____	Tomas Stasiškinas	_____	8 February 2018
Chief Financier	_____	Giedrius Ribakovas	_____	8 February 2018

Statements of cash flows

	Notes	Group		Company	
		2017	2016	2017	2016
Cash flows from (to) operating activities					
Net profit		8,151	4,462	4,114	2,988
Adjustments for non-cash items:					
Depreciation and amortisation	3, 4	310	276	265	212
Allowance for doubtful receivables and prepayments made	15	-	(18)	-	(31)
Change in deferred income tax	17	568	447	588	444
Current income tax expenses	17	431	192	161	67
Elimination of financial, investment and other non-cash activity results		747	843	964	932
		10,207	6,202	6,092	4,612
Changes in working capital:					
Decrease in inventories		-	(1)	(1)	-
(Increase) decrease in trade receivables		(89)	143	(9,125)	(596)
(Increase) in other receivables and accrued revenue		136	(2,628)	(184)	(1,725)
Decrease in prepayments and deferred expenses		(2,906)	778	(1,097)	898
Increase (decrease) in trade payables		752	510	6,230	(11)
Increase in advances received		4,114	1,583	1,779	346
Income tax paid		(141)	(124)	(75)	(152)
Increase (decrease) in other accounts payable and accrued expenses		1,616	220	1,266	277
Net cash flows from operating activities		13,689	6,683	4,885	3,649
Cash flows from (to) investing activities					
(Acquisition) of non-current assets (except investments)	3, 4	(290)	(419)	(275)	(381)
Proceeds from sale of non-current assets (except investments)		5	10	95	10
Net cash flows (to) investing activities		(285)	(409)	(180)	(371)

(cont'd on the next page)

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

Statements of cash flows (cont'd)

	Notes	Group		Company	
		2017	2016	2017	2016
Cash flows from financing activities					
Loans received	11	-	2,928	12,000	7,061
(Repayment) of loans	11	-	(1,000)	(5,625)	(1,000)
Interest (paid)		(566)	(489)	(782)	(560)
Dividends (paid)		(9,500)	(6,928)	(9,500)	(6,928)
Acquisition of non-controlling interest	1	-	-	-	-
Net cash flows (to) financing activities		(10,066)	(5,489)	(3,907)	(1,427)
Net increase (decrease) in cash flows		3,338	785	798	1,851
Cash and cash equivalents at the beginning of the year		6,646	5,861	5,073	3,222
Cash and cash equivalents at the end of the year		9,984	6,646	5,871	5,073

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

_____ Managing Director	_____ Linas Aldonis	_____ 8 February 2018
_____ Finance Director	_____ Tomas Staškūnas	_____ 8 February 2018
_____ Chief Financier	_____ Giedrius Ribakovas	_____ 8 February 2018

Notes to the financial statements

1 General information

AB Novaturas (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 av. 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 of December 2017		As of December 2016	
	Number of shares held	Percentage	Number of shares held	Percentage
Central European Tour Operator S.R.A.L.	5,521	70.72%	5,521	70.72%
Vidas Paliūnas	762	9.76%	762	9.76%
Ugnius Radvila	762	9.76%	762	9.76%
Rytis Šūmakaris	762	9.76%	762	9.76%
Total	7,807	100.00%	7,807	100.00%

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

All shares with a nominal value of EUR 28.96 each are ordinary and were fully paid as of 31 December 2017 and 2016. The share capital did not change in 2017 and 2016. Subsidiaries did not hold any shares of the Company as of 31 December 2017 and 2016. The Company also did not hold its own shares.

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

Company	Registration address	Share of the stock held by the Group 31 December 2017	Share of the stock held by the Group 31 December 2016	Main activities
Novatours SIA	Kr. Valdemara st. 100, Riga, Latvia	100%	100%	Organisation and distribution of tours
Novatours OU	Ravala st. 6, Talinas, Estonia	100%	100%	Organisation and distribution of tours
UAB Aviaturas ir partneriai	Konstitucijos av. 15/5, Vilnius, Lithuania	100%	100%	Organisation and distribution of tours
SRL Novatours Holidays	M. Caramfil st. 53, Bucharest, Romania	100%	100%	Organisation and distribution of tours

In 2017 and 2016, the subsidiary of the Company SRL Novatours Holidays was not active.

As of 31 December 2017 and 2016, the Company had a branch with a registered office at Jasinskio st. 16, Vilnius, Lithuania. The registration code of the branch is 125142371. Operating results of the branch are included in the financial statements of the Company.

As of 31 December 2017, the number of employees of the Group was 240 (as of 31 December 2016 – 222 employees) and the number of employees of the Company was 124 (as of 31 December 2016 – 119 employees).

2 Accounting principles

The main accounting principles, which have been applied in preparation of the Company's and the Group's financial statements for the year ended 31 December 2017, are as follows:

2.1. Basis of preparation

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

The Company's management authorised these financial statements on 8 February 2018. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of the financial statements.

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for derivative financial instruments that are carried at fair value.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs, which have been adopted by the Group/Company as of 1 January 2017:

- **Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative***
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Management has not made use of this amendment.
- **Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortisation***
The amendment is effective for annual periods beginning on or after 1 January 2016 and provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. Application of these amendments had no effect on the Group's/Company's financial statements.
- **Amendments to IAS 19 *Employee Benefits***
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group/Company had no plans that fall within the scope of this amendment.
- **Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations***
The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group/Company had no transactions in scope of this amendment.
- The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had an effect on the Group's/Company's financial statements:
 - IFRS 2 *Share-based Payment*;
 - IFRS 3 *Business Combinations*;
 - IFRS 8 *Operating Segments*;
 - IFRS 13 *Fair value Measurement*;
 - IAS 16 *Property, Plant and Equipment*;
 - IAS 24 *Related Party Disclosures*;
 - IAS 38 *Intangible Assets*.
- The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Group's/Company's financial statements:
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
 - IFRS 7 *Financial Instruments: Disclosures*;
 - IAS 19 *Employee Benefits*;
 - IAS 34 *Interim Financial Reporting*.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective

The Group/Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorisation of these financial statements for issue, but which are not yet effective:

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group/Company has not yet evaluated the impact of the implementation of this standard.

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Apart from providing more comprehensive disclosures about revenue transactions, the Group/Company does not anticipate that the application of IFRS 15 will have a significant impact on financial position and/or financial performance of the Group/Company.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)

IFRS 16 replaces IAS 17 and specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group/Company has not yet evaluated the impact of the implementation of this standard.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments) (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group/Company has no share based payment transactions, therefore these amendments will not have any impact on the financial statements of the Group/Company.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group/Company has no associates or joint ventures, therefore these amendments will not have any impact on the financial statements of the Group/Company.

Amendments to IAS 40: Transfers to Investment Property (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group/Company has no investment property, therefore these amendments will not have any impact on the financial statements of the Group/Company.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRIC INTERPETATION 22: *Foreign Currency Transactions and Advance Consideration* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

IFRIC INTERPETATION 23: *Uncertainty over Income Tax Treatments* (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. These amendments will not have any impact on the financial statements of the Group/Company.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

On 12 December 2017 the IASB issued **Annual Improvements to IFRS Standards 2015–2017 Cycle**, which contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are all effective for annual periods beginning on or after 1 January 2019. These annual improvements have not yet been endorsed by the EU. Annual Improvements to IFRS Standards 2015–2017 Cycle makes amendments to the following standards:

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 12 Income Taxes:** The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 23 Borrowing Costs:** The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are expected to have no impact of the Group/Company.

The Group/Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2 Accounting principles (cont'd)

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 recognised in other comprehensive income. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised 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 recognised 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 recognised in other comprehensive income relating to that foreign operation is recognised in the profit (loss).

2.3. Principles of consolidation

The consolidated financial statements of the Group include AB Novaturas 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). 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.

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.

Losses of subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

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

2 Accounting policies (cont'd)

2.3. Principles of consolidation (cont'd)

Business combinations

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

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

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

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

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

2.4. Investments in subsidiaries (the Company)

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

2.5. Intangible assets (other than goodwill)

Intangible assets are measured initially at cost. Intangible assets are recognised 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 amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives.

Software

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised 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 recognised as an expense when the restoration or maintenance work is carried out.

2 Accounting policies (cont'd)

2.6. 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 derecognised 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 derecognised.

2.7. Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

The financial assets that are accounted at fair value through profit and loss includes financial assets that are held for sale, if financial assets were acquired for the purpose of selling it in the near future and assets that have been classified to this category at initial recognition. Gain or losses on investments held for selling are recognised in the statement of comprehensive income.

Derivative financial instruments, for which hedge accounting is not applied, are classified as financial asset at fair value through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group and the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost, using effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written-off) when they are assessed as uncollectible.

2 Accounting principles (cont'd)

2.7. Financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealised gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income.

Hedge accounting

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

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

Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised 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 recognised 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 recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised 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 recognised 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 recognised 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 amortised to profit or loss from that date.

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

2.8. 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/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.

2 Accounting principles (cont'd)

2.8. Fair value (cont'd)

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

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised 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 recognised in the financial statements on a recurring basis, the Group/Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (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/Company's management at each reporting date. For the purpose of fair value disclosures, the Group/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.

2.9. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group / the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group / the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2 Accounting principles (cont'd)

2.10. Cash and cash equivalents

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

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

2.11. 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 2017 and 2016.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings using the effective interest method (except for the capitalised 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.

2.12. Financial and operating leases

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

Financial lease

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

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

Operating lease

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

2.13. Provisions

Provisions are recognised when the Group/Company has a present obligation (legal or constructive) as a result of the 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 recognised as a borrowing cost.

2 Accounting principles (cont'd)

2.14. Income tax

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

Standard income tax rate in Lithuania is 15%.

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

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

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 a recognition of deferred tax asset or liability.

Income tax rate in Romania and Latvia is 16% and 15%, respectively.

Deferred taxes are calculated using the 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 recognised 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 realised, this part of the deferred tax asset is not recognised in the financial statements.

2.15. Revenue recognition

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

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

Advance payments are received from clients, paying according to the standard schedule. According to 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 recognised 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 recognises revenue from the inbound tourism promotion program approved by Turkish and Egyptian governments based on the number of flights, tourists, which arrived to resorts listed by Turkish and Egyptian governments during the period of promotion program, and of a fixed incentive amount, approved by local government. The related accrued revenue is estimated by the management based on historical experience and the information available.

2.16. Commission expenses

Commissions, which are paid to travel agencies for sale of travel packages provided by the Company and the Group, are recognised as operating expenses matching with revenue recognised from related trip.

2 Accounting principles (cont'd)

2.17. Impairment of assets

Financial assets

Financial assets are reviewed for impairment at each reporting date.

For financial assets carried at amortised 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 recognised in the statement of comprehensive income. The reversal of impairment losses previously recognised 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 recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

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

Other assets (excluding goodwill)

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

Goodwill

Goodwill is tested for impairment annually (as of 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 recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.18. Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with the 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 2.6 and 4), amortisation (Notes 2.5 and 3), impairment evaluation of goodwill (Notes 2.3 and 3), impairment evaluation of other assets (Notes 2.17, 5, 6 and 7, 8) and assumptions used while assessing accrued revenue amount (Note 7). Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.19. Contingencies

Contingent liabilities are not recognised 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 recognised in the financial statements but disclosed when an inflow or an economic benefit is probable.

2.20. Subsequent events

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

2.21. 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.

3 Intangible assets

Group	Goodwill	Other intangible assets	Total
Acquisition cost:			
Balance as of 31 December 2015	30,327	604	30,931
Additions	-	306	306
Write offs	-	(26)	(26)
Balance as of 31 December 2016	30,327	884	31,211
Additions	-	206	206
Write offs	-	-	-
Balance as of 31 December 2017	30,327	1,090	31,417
Accumulated amortisation/impairment of goodwill:			
Balance as of 31 December 2015	-	313	313
Charge for the year	-	155	155
Write offs	-	(26)	(26)
Balance as of 31 December 2016	-	442	442
Charge for the year	-	200	200
Write offs	-	-	-
Balance as of 31 December 2017	-	642	642
Net book value as of 31 December 2017	30,327	448	30,775
Net book value as of 31 December 2016	30,327	442	30,769
Net book value as of 31 December 2015	30,327	291	30,618

3 Intangible assets (cont'd)

Company	Goodwill	Other intangible assets	Total
Acquisition cost:			
Balance as of 31 December 2015	30,327	524	30,851
Additions	-	305	305
Write offs		(26)	(26)
Balance as of 31 December 2016	30,327	803	31,130
Additions	-	206	206
Write offs	-	(90)	(90)
Balance as of 31 December 2017	30,327	919	31,246
Accumulated amortisation/impairment of goodwill:			
Balance as of 31 December 2015	-	238	238
Charge for the year	-	150	150
Write offs		(26)	(26)
Balance as of 31 December 2016	-	362	362
Charge for the year	-	198	198
Write offs	-	-	-
Balance as of 31 December 2017	-	560	560
Net book value as of 31 December 2017	30,327	359	30,686
Net book value as of 31 December 2016	30,327	441	30,768
Net book value as of 31 December 2015	30,327	286	30,613

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

For the purposes of measurement of goodwill impairment, the goodwill as of 31 December 2017 and 2016 was allocated to one cash flow generating unit – AB Novaturas and all its subsidiaries owned at the moment of business combination.

The recoverable amount of every cash generating unit as of 31 December 2017 and 2016 was determined based on the expected future cash flows in accordance with 5 year forecasts approved by the management. The main assumptions on which cash flow projections are based in 2017 and 2016 are described below. When determining the recoverable amount of cash generating unit in 2017 and 2016 it was assumed that the level of commissions and related costs would not change and the change in operating expenses will be similar to the increase of revenue. Starting from 2018, there will be a reasonable increase of revenue influenced by rising prices and recovering market. Cash flows after 5 years horizon were extrapolated based on 2% constant annual growth assumption, which reflects the best management's estimate of the situation in this industry. Discount rate was based on weighted average cost of capital and was 8.41% (after tax) for 2017 and 2016, respectively).

Based on the estimated recoverable values of cash generating unit as of 31 December 2017 and 2016, no impairment of goodwill was recognised.

According to management estimate, no reasonable change in the assumptions used in impairment testing of the recoverable amount of cash generating units as of 31 December 2017 and 2016 as described above would result in material impairment.

The Group and the Company has no internally generated intangible assets. The amortisation expenses for the years 2017 and 2016 are included within operating expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 323 thousand as of 31 December 2017 (EUR 232 thousand as of 31 December 2016) was fully amortised, but was still in use by the Group. Software with the acquisition cost of EUR 323 thousand as of 31 December 2017 (EUR 100 thousand as of 31 December 2016) was fully amortised, but was still in use by the Company.

4 Property, plant and equipment

Group	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2015	151	262	218	631
Additions	7	85	21	113
Disposals	(8)	(86)	(9)	(103)
Balance as of 31 December 2016	150	261	230	641
Additions	23	45	16	84
Disposals	-	(5)	-	(5)
Balance as of 31 December 2017	173	301	246	720
Accumulated depreciation:				
Balance as of 31 December 2015	115	88	89	292
Charge for the year	17	42	62	121
Disposals	(7)	(86)	(3)	(96)
Balance as of 31 December 2016	125	44	148	317
Charge for the year	14	51	45	110
Disposals	-	(4)	-	(4)
Balance as of 31 December 2017	139	91	193	423
Net book value as of 31 December 2017	34	210	53	297
Net book value as of 31 December 2016	25	217	82	324
Net book value as of 31 December 2015	36	174	129	339

4 Property, plant and equipment (cont'd)

Company

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Acquisition cost:				
Balance as of 31 December 2015	89	269	73	431
Additions	7	68	1	76
Disposals	(8)	(86)	(6)	(100)
Balance as of 31 December 2016	88	251	68	407
Additions	23	45	1	69
Disposals	-	(5)	-	(5)
Balance as of 31 December 2017	111	291	69	471
Accumulated depreciation:				
Balance as of 31 December 2015	61	113	32	206
Charge for the year	17	37	8	62
Disposals	(7)	(86)	-	(93)
Balance as of 31 December 2016	71	64	40	175
Charge for the year	14	45	8	67
Disposals	-	(4)	-	(4)
Balance as of 31 December 2017	85	105	48	238
Net book value as of 31 December 2017	26	186	21	233
Net book value as of 31 December 2016	17	187	28	232
Net book value as of 31 December 2015	28	156	41	225

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 2017 and 2016 are included within operating expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 173 thousand and EUR 98 thousand, respectively, were fully depreciated as of 31 December 2017 (as of 31 December 2016 – EUR 202 thousand and EUR 128 thousand, respectively), but were still in use. Depreciated property, plant and equipment still in use consist of computer hardware and other equipment.

5 Investments into subsidiaries

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

Subsidiary	2017				2016			
	Acquisition cost	Controlled part, %	Net profit (loss) of subsidiary	Equity of subsidiary	Acquisition cost	Controlled part, %	Net profit (loss) of subsidiary	Equity of subsidiary
Novatours SIA	1,073	100	1,414	4,048	1,073	100	454	2,641
Novatours OU	1,786	100	2,601	7,802	1,786	100	987	5,196
UAB Aviaturas ir Partneriai	361	100	6	155	361	100	33	150
SRL Novatours Holidays	95	100	-	-	95	100	-	-
Less impairment	(95)	-	-	-	(95)	-	-	-
Total carrying value	3,220				3,220			

As of 31 December 2017 and 2016, impairment of investment into subsidiary SRL Novatours Holidays was accounted for.

As of 31 December 2017 and 2016, the shares of SIA Novatours, OU Novatours and UAB Aviaturas ir Partneriai, owned by the Company, were pledged to the AB DNB bankas in accordance with the long-term loan agreement (Note 11).

6 Prepayments and deferred expenses

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Prepayments	5,367	2,390	2,640	1,396
Deferred expenses	739	474	313	146
Less: impairment	(166)	(116)	-	-
	5,940	2,748	2,953	1,542

The main part of the Group's and the Company's prepayments as of 31 December 2017 and 2016 consisted of amounts paid to suppliers for flight tickets and hotels. Change in allowance for doubtful prepayments for the years 2017 and 2016 has been included into operating expenses. Deferred expenses of the Group and the Company consist of cost related to airline tickets, hotel services, visas, ferry boat tickets and other services.

7 Trade, other and long term receivables

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Trade receivables, gross	751	650	480	452
VAT receivable	98	293	54	241
Accrued revenue from government subsidies	2,061	1,301	1,403	841
Accrued supplier discounts	-	291	-	291
Other receivables	44	544	17	8
Less: allowance for doubtful receivables	(230)	(217)	(195)	(195)
	2,724	2,862	1,759	1,638

The Group's and the Company's accrued revenue is based on the inbound tourism promotion program approved by Turkish and Egyptian governments. According to this program, the Group and the Company assessed the size of accrual as of 31 December 2017. Accrual was accounted for according to the approved methodology by assessing the number of flights, tourists, which arrived to resorts listed by Turkish and Egyptian governments during the period of promotion program, and of a fixed incentive amount, approved by local government. The accrued revenue amount is the best estimate as of 31 December 2017 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 2017 and 2016 has been included into operating expenses.

7 Trade, other and long term receivables (cont'd)

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

	<u>Group Individually impaired</u>	<u>Company Individually impaired</u>
Balance as of 31 December 2015	(199)	(164)
Reversal of impairment for the year	3	-
Written off amounts	10	-
Charge for the year	(31)	(31)
Balance as of 31 December 2016	(217)	(195)
Reversal of impairment for the year	-	-
Written off amounts	-	-
Charge for the year	(13)	-
Balance as of 31 December 2017	(230)	(195)

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

	<u>Receivables neither past due nor impaired</u>	<u>Receivables past due, but not impaired</u>					<u>Total</u>
		<u>Less than 30 days</u>	<u>30 – 60 days</u>	<u>60 – 90 days</u>	<u>90 – 120 days</u>	<u>More than 120 days</u>	
2016	682	70	38	14	35	138	977
2017	143	124	40	31	6	221	565

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

	<u>Receivables neither past due nor impaired</u>	<u>Receivables past due, but not impaired</u>					<u>Total</u>
		<u>Less than 30 days</u>	<u>30 – 60 days</u>	<u>60 – 90 days</u>	<u>90 – 120 days</u>	<u>More than 120 days</u>	
2016	152	40	5	7	12	49	265
2017	11	111	42	27	1	110	302

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

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

8 Other current financial assets and other current financial liabilities

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial asset at fair value through other comprehensive income				
Derivative financial instruments that are subject to hedge accounting (effective part)	569	351	569	351
Total financial assets at fair value through other comprehensive income	569	351	569	351
Financial asset at fair value through profit or loss				
Derivative financial instruments that are subject to hedge accounting (ineffective part)	-	127	-	127
Total financial asset at fair value through profit or loss	-	127	-	127
Total other current financial assets	569	478	569	478
	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Other current financial liabilities at other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	-	-	-	-
Total other current and non-current financial liabilities	-	-	-	-

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 recognised 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 recognised in the statement of financial position as assets and negative fair values of contracts are recognised in the statement of financial position as liabilities. Resulting profit or loss from the changes of fair value of derivatives is recognised 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.

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

As of 31 December 2016, the Group and the Company accounted for current asset of EUR 478 thousand which were accounted for in the financial statements under the caption of other current financial assets. Related gain of EUR 376 thousand was accounted for in the other comprehensive income and EUR 127 thousand in the profit or loss in the statement of comprehensive income (Note 16).

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

As of 31 December 2016 the Group and the Company has accounted for the gain of EUR 355 thousand, by decreasing the main activity cost of aviation and hotel respectively by EUR 260 thousand and EUR 95 thousand, in profit or loss of the statement of comprehensive income.

9 Cash, cash equivalents and restricted cash

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Cash at bank	7,929	6,368	3,856	5,063
Cash on hand	55	269	15	10
Cash in transit	-	9	-	-
Restricted cash	2,000	-	2,000	-
	9,984	6,646	5,871	5,073

EUR 2,000 thousand from cash at bank was restricted till 31 December 2018 for the issued bank guarantees according to law requirements.

10 Reserves

Legal reserve

A legal reserve is a compulsory reserve under the 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 of 31 December 2017 and 2016 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 recognised as income or expenses in the same period, when the gain or loss on disposal by investment is recognised.

Cash flow hedge reserve

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

11 Borrowings

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Long term borrowings				
AB DNB bankas loan, annual interest rate – 3 month EURIBOR + 3.50%	14,000	14,000	14,000	14,000
OU Novatours loan, annual interest rate – 3 month EURIBOR + 2.68%	-	-	12,000	-
Total long term borrowings	14,000	14,000	26,000	14,000
Less: current portion of non-current borrowings	(14,000)	(3,158)	(14,000)	(3,158)
	<u>-</u>	<u>10,842</u>	<u>12,000</u>	<u>10,842</u>
Short term borrowings				
Short-term loan granted by OU Novatours (EUR), annual interest rate – 1.7%	-	-	-	4,089
Over-night loan granted by OU Novatours (EUR), interest free	-	-	-	4,568
Over-night loan granted by SIA Novatours (EUR), interest free	-	-	6,826	3,793
	<u>-</u>	<u>-</u>	<u>6,826</u>	<u>12,450</u>

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

	2017	2016
Short term loans	-	1,1 %
Long term loans	3,5 %	3,2 %

In 2017 and 2016 part of the Company's short-term loans were interest-free, since loans have very short maturities, interests would not be material.

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

Year	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
2017	-	3,158	-	3,158
2018	14,000	3,158	14,000	3,158
2019	-	3,158	-	3,158
2020	-	4,526	-	4,526
Later	-	-	12,000	-
	<u>14,000</u>	<u>14,000</u>	<u>26,000</u>	<u>14,000</u>

11 Borrowings (cont'd)

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

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Currency of the borrowing:				
EUR	14,000	14,000	32,826	26,450
	14,000	14,000	32,826	26,450

As of 31 December 2017 and 2016 shares of SIA Novatours, OU Novatours ir UAB Aviaturas ir Partneriai owned by the Company were pledged to AB DNB bankas for non-current loan granted (Note 5).

As of 31 December 2017 and 2016, the Company and the Group had no unused credit facility.

In November 2015, the Company signed agreement with AB DNB bankas regarding new overdraft, which changed previous AB Swedbank overdraft. According to this agreement, the bank set maximum overdraft limit amounting to EUR 2,000 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period does not exceed the maximum credit limit agreed for that particular period. The credit line had to be repaid until 31 October 2016. Credit agreement was prolonged till 31 October 2017.

In November 2015, the Company signed agreement with AB DNB bankas regarding long-term loan. Principal amount of the loan amounts to EUR 15,000 thousand, which maturity is till 31 October 2020.

Breach of loan agreement covenant

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

12 Other current liabilities and accrued expenses

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Payroll related liabilities	268	384	169	290
Taxes payable (except for income tax)	246	421	198	158
Other payables and accrued expenses	2,384	477	1,664	317
	2,898	1,282	2,031	765

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

13 Sales

	Group		Company	
	2017	2016	2017	2016
Flight package tours	120,567	86,447	63,460	46,794
Sightseeing tours by coach	3,785	3,269	3,785	3,269
Sightseeing tours by plane	1,590	1,392	1,590	1,392
Other sales	15,205	10,417	12,395	9,690
	141,147	101,525	81,230	61,145

14 Cost of sales

	Group		Company	
	2017	2016	2017	2016
Cost of flight package tours	94,748	70,384	51,527	39,403
Cost of sightseeing tours by coach	3,351	2,665	3,351	2,665
Cost of sightseeing tours by plane	1,104	980	1,104	980
Cost of other sales	15,142	9,733	10,418	7,819
	114,345	83,762	66,400	50,867

15 Operating expenses

	Group		Company	
	2017	2016	2017	2016
Agency commissions	7,541	4,973	3,757	2,736
Salaries and related taxes	4,528	4,184	2,842	2,109
Advertising and marketing expenses	982	835	583	461
Consulting expenses	364	116	213	116
Depreciation and amortisation	310	278	264	211
Rent and maintenance expenses	304	280	129	120
Business trips expenses	178	153	136	113
Transportation expenses	126	125	85	73
Representation expenses	124	127	79	67
Communication expenses	93	93	45	44
Training expenses	14	13	7	12
Allowance for and write-off of receivables and prepayments made	-	18	-	31
Other	1,909	1,012	455	404
	16,473	12,207	8,595	6,497

Investigation done during year 2017 has uncovered improper management behaviour and accounting in subsidiary in Estonia. Several key employees of the subsidiary received increased salary payments, which were not approved by the supervising bodies. Some amounts were paid to external parties (some of them owned directly or indirectly by employees who committed wrongdoing in the subsidiary) possibly causing damage to the company. The damage made to the Group for the periods of 2017 and 2016 were EUR 534 thousand and EUR 628 thousand EUR respectively and were presented in these financial statements under Other line. Employees involved in the alleged wrongdoing activities were removed from the company as the fact was discovered. Internal operating procedures were updated to prevent from improper behaviour in the future.

The Group and the Company had several contracts of operating lease of offices concluded as of 31 December 2017 and 2016. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

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

	Group		Company	
	2017	2016	2017	2016
Within one year	188	188	131	131
From the second to the fifth year inclusive	391	391	32	163
After five years	269	457	-	-
	848	1,036	163	294

The Company has also several vehicle operating lease agreements with employees, but these agreements are cancellable, therefore minimum lease payments related to those agreements are not presented.

16 Finance income (expenses), net

	Group		Company	
	2017	2016	2017	2016
Foreign currency exchange gain	563	367	253	226
Gain from derivative financial instruments	-	127	-	127
Other financial income (including fines)	1	-	-	-
Total financial income	564	494	253	353
Interest expenses	(566)	(482)	(782)	(553)
Loss from derivative financial instruments	(127)	-	(127)	-
Foreign currency exchange loss	(1,036)	(267)	(748)	(92)
Other financial expenses	(1)	(1)	(1)	(1)
Total financial expenses	(1,730)	(750)	(1,658)	(646)
	(1,166)	(256)	(1,405)	(293)

17 Income tax

	Group		Company	
	2017	2016	2017	2016
Components of the income tax expenses (income)				
Current income tax expenses	431	191	161	67
Deferred income tax (income) expenses	553	447	555	444
Income tax (income) expenses recorded in the statement of comprehensive income	984	638	716	511

17 Income tax (cont'd)

	Group		Company	
	2017	2016	2017	2016
Deferred income tax asset				
Tax loss carry forward	129	505	129	505
Impairment of investments and loans granted	-	-	224	224
Allowance for doubtful accounts receivable	34	33	29	29
Derivative financial instruments	-	-	-	-
Other accruals	121	16	111	7
Deferred income tax asset, before fair value allowance	284	554	493	765
Less: allowance	-	(3)	(224)	(224)
Deferred income tax asset, net of fair value allowance	284	551	269	541
Deferred income tax liability				
Amortisation of goodwill	(2,805)	(2,502)	(2,805)	(2,502)
Derivative financial instruments	(85)	(72)	(85)	(72)
Deferred income tax liability	(2,890)	(2,574)	(2,890)	(2,574)
Deferred income tax, net	(2,606)	(2,023)	(2,621)	(2,033)
Deferred income tax asset	-	10	-	-
Deferred income tax liability	(2,606)	(2,033)	(2,621)	(2,033)

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 2017 and 2016. As of 31 December 2017 and 2016, deferred taxes of Romanian and Latvian entities were calculated using rates of 16% and 15% respectively.

A tax rate of 0% was levied on the retained profits of the Estonian subsidiary. If the management decides to distribute all retained profits of OU Novatours (Estonia), which amount to EUR 7,690 thousand as of 31 December 2017, income tax liability would amount to EUR 1,538 thousand. This income tax calculation is based on 20/80 tax tariff applicable for distributable profits.

17 Income tax (cont'd)

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

	As of 31 December 2016	Recognised in profit (loss)	Recognised in other comprehensive income	As of 31 December 2017
Tax loss carry forward	3,366	(2,507)	-	859
Impairment of investments and loans granted	1	(1)	-	-
Allowance for doubtful accounts receivable	217	13	-	230
Amortisation of goodwill and other intangibles	(16,680)	(2,022)	-	(18,702)
Derivative financial instruments	(478)	127	(218)	(569)
Other accruals	107	770	-	877
Total temporary differences before fair value	(13,467)	(3,620)	(218)	(17,305)
Less: allowance	(20)	20	-	-
Total temporary differences	(13,487)	(3,600)	(218)	(17,305)
Deferred income tax, net	(2,023)	(540)	(33)	(2,596)

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

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

17 Income tax (cont'd)

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

	As of 31 December 2015	Recognised in profit (loss)	Recognised in other comprehensive income	As of 31 December 2016
Tax loss carry forward	4,233	(867)	-	3,366
Impairment of investments and loans granted	1	-	-	1
Allowance for doubtful accounts receivable	200	17	-	217
Amortisation of goodwill and other intangibles	(14,658)	(2,022)	-	(16,680)
Derivative financial instruments	25	(127)	(376)	(478)
Other accruals	107	-	-	107
Total temporary differences before fair value allowance	(10,092)	(2,999)	(376)	(13,467)
Less: allowance	(40)	20	-	(20)
Total temporary differences	(10,132)	(2,979)	(376)	(13,487)
Deferred income tax, net	(1,520)	(447)	(56)	(2,023)

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

	As of 31 December 2015	Recognised in profit (loss)	Recognised in other comprehensive income	As of 31 December 2016
Tax loss carry forward	4,215	(849)	-	3,366
Impairment of investments and loans granted	1,493	-	-	1,493
Allowance for doubtful accounts receivable	164	31	-	195
Derivative financial instruments	25	(127)	(376)	(478)
Other accruals	36	5	-	41
Amortisation of goodwill	(14,658)	(2,022)	-	(16,680)
Total temporary differences before fair value allowance	(8,725)	(2,962)	(376)	(12,063)
Less: allowance	(1,493)	-	-	(1,493)
Total temporary differences	(10,218)	(2,962)	(376)	(13,556)
Deferred income tax, net	(1,533)	(444)	(56)	(2,033)

17 Income tax (cont'd)

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

	Group		Company	
	2017	2016	2017	2016
Income tax expenses (income) computed at statutory rate 15%	1,370	765	725	525
Effect of different tax rate applicable to foreign subsidiaries	(390)	(148)	-	-
Change in deferred tax asset valuation allowance	3	3	-	-
Non-deductible expenses for tax purposes (not taxable income)	1	18	(9)	(14)
Income tax expenses reported in the statement of comprehensive income	984	638	716	511

18 Financial assets and liabilities and risk management

Credit risk

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

The Group and the Company do not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group and the Company consider that their maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the statement of financial position. Moreover, the Group's and the Company's ageing analysis of trade receivables as of 31 December 2017 and 2016 shows that there are no significant debts overdue more than 90 days, except accrued revenue (Note 7) which recovery period is not defined at the date of financial statements.

Interest rate risk

As of 31 December 2017, 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 of 31 December 2017 and 2016.

The sensitivity analyses below have been determined based on the exposure to floating interest rates for loan agreement with AB DNB bankas 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 2017 would decrease/increase by EUR 70 thousand (2016: decrease/increase by EUR 75 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Foreign exchange risk

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

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

18 Financial assets and liabilities and risk management (cont'd)

Foreign exchange risk (cont'd)

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

Group	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Euro	13,801	23,131	10,123	20,094
U.S dollars	16	280	293	193
Indian rupee	-	-	1	-
Tunisian dinar	-	-	2	4
Thai Baht	8	252	5	154
	13,825	23,663	10,424	20,445

Company	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Euro	20,184	31,205	9,923	31,205
U.S. dollars	16	97	23	97
Indian rupee	-	-	1	-
Tunisian dinar	-	4	2	4
Thai Baht	8	164	5	164
	20,208	31,470	9,954	31,470

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

	Group		Company	
	Increase / decrease in basis points	Effect on the profit before tax	Increase / decrease in basis points	Effect on the profit before tax
2017				
U.S dollars	(10%)	(10)	(10%)	7
U.S dollars	10%	10	10%	(7)
2016				
U.S. dollars	(10%)	(10)	(10%)	7
U.S. dollars	10%	10	10%	(7)

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:

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

There were no movements of financial instruments between the levels during 2017 and 2016.

18 Financial assets and liabilities and risk management (cont'd)

Fair value of financial assets and liabilities (cont'd)

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

	Carrying amount		Fair value	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial assets				
Restricted cash	2,000	-	2,000	-
Cash and cash equivalents	7,984	6,646	7,984	6,646
Trade accounts receivable	522	433	522	433
Other current financial assets	569	478	569	478
Other receivables	2,104	2,136	2,104	2,136
Financial liabilities				
Interest bearing borrowings	14,000	14,000	14,000	14,000
Trade accounts payable and payables to related parties	3,882	3,130	3,882	3,130
Other current financial liabilities	-	-	-	-
Other current liabilities and accrued expenses	2,384	477	2,384	477

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

	Carrying amount		Fair value	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Financial assets				
Cash and cash equivalents	5,871	5,073	5,871	5,073
Accounts receivable from related parties	11,508	2,411	11,508	2,411
Trade accounts receivable	285	257	285	257
Other current financial asset	569	478	569	478
Other receivables	1,420	1,140	1,420	1,140
Financial liabilities				
Interest bearing borrowings	26,000	18,089	26,000	18,089
Interest free short term loans	6,826	8,361	6,826	8,361
Trade accounts payable (including trade payables to related parties)	8,611	2,381	8,611	2,381
Other current financial liabilities	-	-	-	-
Other current liabilities and accrued expenses	1,664	318	1,664	318

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

Liquidity management

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

The Group's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / (total current liabilities)) as of 31 December 2017 were 0.58 and 0.58, respectively (0.82 and 0.82 as of 31 December 2016, respectively). The Company's liquidity and quick ratios as of 31 December 2017 were 0.62 and 0.62, respectively (0.51 and 0.51 as of 31 December 2016).

18 Financial assets and liabilities and risk management (cont'd)

Liquidity management (cont'd)

As of 31 December 2017, the Group's current liabilities exceeded current assets by EUR 13,859 thousand. The Group's and the Company's financial statements were prepared under going concern assumption. The Group management's going concern assessment is based on the following main assumptions:

- The main objective of the Group for the year 2018 - to be profitable and to generate positive cash flows. The Group management plans that the Group will generate operating cash flows in 2018 not lower than the actual operating cash flows for the year 2017. The Group management believes that plans for the year 2018 will be achieved also considering the actual interim results of operations in 2018.
- A significant part of EUR 33,178 thousand of current liabilities as at 31 December 2017 is related to advances received from customers, which will not require repayment and will be settled by delivering services in the future. Also, part of future service delivery costs are prepaid to suppliers (EUR 5,940 as of 31 December 2017).

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 summarises the maturity profile of the Group's financial liabilities as of 31 December 2017 and 2016 based on contractual undiscounted payments (the maturity is based on long-term loan not reclassified into current loans as Company received waiver from bank for covenant breach and subsequently signed amendments to long-term loan agreement):

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	123	3,484	11,380	14,987
Trade accounts payable	-	3,882	-	-	3,882
Other current liabilities	-	2,384	-	-	2,384
As of 31 December 2017	-	6,389	3,484	11,380	21,253
Interest bearing borrowings	-	112	3,443	11,407	14,962
Trade accounts payable	-	3,130	-	-	3,130
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	1,282	-	-	1,282
As of 31 December 2016	-	4,524	3,443	11,407	19,374

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2017 and 2016 based on contractual undiscounted payments (the maturity is based on long-term loan not reclassified into current loans as Company received waiver from bank for covenant breach and subsequently signed amendments to long-term loan agreement):

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	201	3,718	12,628	16,547
Interest free short term loans	6,826	-	-	-	6,826
Trade accounts payable (including trade payables to related parties)	-	8,611	-	-	8,611
Other current liabilities	-	1,664	-	-	1,664
As of 31 December 2017	6,826	10,476	3,718	12,628	33,648
Interest bearing borrowings	-	112	7,602	11,406	19,120
Interest free short term loans	8,361	-	-	-	8,361
Trade accounts payable (including trade payables to related parties)	-	2,381	-	-	2,381
Other current financial liabilities	-	-	-	-	-
Other current liabilities	-	317	-	-	317
As of 31 December 2016	8,361	2,810	7,602	11,406	30,179

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

18 Financial assets and liabilities and risk management (cont'd)

Capital management

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

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2017 and 2016.

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 of 31 December 2017 and 2016, the Group and the Company also had external share capital requirements from the bank regarding equity and asset ratio. As of 31 December 2017 and 2016, the Company and the Group were in compliance with the above mentioned requirements.

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

	Group		Company	
	As of 31 December 2017	As of 31 December 2016	As of 31 December 2017	As of 31 December 2016
Non-current liabilities	2,606	12,875	14,621	12,875
Current liabilities	33,178	15,558	36,428	21,774
Total liabilities	35,784	28,433	51,049	34,649
Equity attributable to the equity holders of the parent	14,669	15,833	5,866	11,067
Liabilities and equity ratio	2.44	1.80	8.70	3.13

19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as of 31 December 2017 and 2016 except for required by law Tour Operator commitments insurance or bank guarantees which are for the Group and the Company in amount of EUR 12,000 thousand and EUR 5,450 thousand as of 31 December 2017.

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 2017 and 2016 were as follows (also see the table below):

Subsidiaries:

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

The shareholders of the Company are disclosed in Note 1.

20 Related party transactions (cont'd)

Group

	2017			
	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Management related parties	-	-	-	-
	-	-	-	-

	2016			
	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Management related parties	-	-	-	-
	-	-	-	-

Company

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

	2016			
	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Subsidiaries	2,283	3,941	2,411	12,612
	2,283	3,941	2,411	12,612

As of 31 December 2017 and 2016 there were no guaranties provided or assets pledged for any related party receivable or payable amounts. It is expected to cover receivable and payable amounts with related parties by cash payments or offsetting with payable or receivable amounts from these parties.

Approved dividends per one share amounted to EUR 1,042.91 in 2017 (EUR 571.54 in 2016).

Transactions with related parties of the Company include purchases and sales of travel packages, commissions. 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 2017 and 2016:

	Receivables past due but not impaired					Total
	Receivables neither past due nor impaired	Less than 30 days	31 – 60 days	61 – 90 days	Overdue for more than 91 day	
2016	2,411	-	-	-	-	2,411
2017	11,508	-	-	-	-	11,508

20 Related party transactions (cont'd)

Management remuneration and other payments

In 2017, the remuneration for the management of the Group and the Company amounted to EUR 748 thousand and EUR 748 thousand, respectively (EUR 671 thousand and EUR 470 thousand, respectively, in 2016). The management of the Group comprised 5 persons as of 31 December 2017 (5 persons as of 31 December 2016). The management of the Company consisted of 5 persons as of 31 December 2017 (2 persons as of 31 December 2016).

Investigation done during year 2017 has uncovered improper management behaviour and accounting in subsidiary in Estonia. The management of subsidiary in Estonia has, without any authorization or approval by the subsidiary's shareholder, awarded themselves suspected remuneration of EUR 171 thousand in 2017 and EUR 275 thousand in 2016, in excess of their contractually limited remuneration for respective years. These amounts are not included in the figures of the Group management remuneration above.

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

21 Earnings per share (EPS)

	Group	
	2017	2016
Net profit attributable to ordinary equity holders of the parent company	8,151	4,462
Weighted average number of ordinary shares	7,807	7,807
Basic earnings per share (EUR)	1,044.06	571.54

There are no dilutive instruments.

22 Segment information

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

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

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

22 Segment information (cont'd)

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 the gross margin in the statement of comprehensive income in the financial statements, and segment sales profit, which is measured as gross margin minus related direct sales commission expenses, which is included in operating expenses in the statement of comprehensive income in the financial statements.

Year ended 31 December 2017	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	120,567	3,785	1,590	15,205	141,147
Cost of sales	(94,748)	(3,351)	(1,104)	(15,142)	(114,345)
Gross margin	25,819	434	486	63	26,802
Sales commission expenses	(7,264)	(186)	(91)	-	(7,541)
Sales profit by segment	18,555	248	395	63	19,261

Unallocated income (expenses)

Other operating income					1
Operating expenses (other than sales commission)					(8,932)
Other operating (expenses)					(29)
Profit from operations					10,301
Finance income (expenses), net					(1,166)
Profit before tax					9,135
Income tax (expenses)					(984)
Net profit					8,151

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

Year ended 31 December 2016	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	86,447	3,269	1,392	10,417	101,525
Cost of sales	(70,384)	(2,665)	(980)	(9,733)	(83,762)
Gross margin	16,063	604	412	684	17,763
Sales commission expenses	(4,703)	(179)	(91)	-	(4,973)
Sales profit by segment	11,360	425	321	684	12,790

Unallocated income (expenses)

Other operating income					21
Operating expenses (other than sales commission)					(7,234)
Other operating (expenses)					(221)
Profit from operations					5,356
Finance income (expenses), net					(256)
Profit before tax					5,100
Income tax (expenses)					(638)
Net profit					4,462

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

22 Segment information (cont'd)

Geographic information

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

Year ended 31 December 2017	Lithuania	Latvia	Estonia	Other	Group
Sales	77,197	26,158	37,073	719	141,147
Non-current assets	697	55	49	-	801
Year ended 31 December 2016	Lithuania	Latvia	Estonia	Other	Group
Sales	57,358	17,994	25,609	564	101,525
Non-current assets	673	65	28	-	766

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

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

23 Subsequent events

The Company has signed a loan agreements' appendix with AB Luminor bank on 7 February 2018. The changed borrowing covenants were agreed between the Company and the bank. Moreover, the Company agreed to repay EUR 4,000 thousand of long term loan and change repayment schedule for the remaining part with EUR 2,000 thousand to be repaid during 2018 and EUR 2,000 thousand to be repaid during 2019 while the remaining EUR 6,000 thousand to be repaid in 2020. Additionally Company signed financial limit agreement with maturity till end of 2018 for total amount of EUR 12,000 thousand from which EUR 8,000 thousand will be used for bank guarantees and remaining EUR 4,000 as overdraft.

During the extraordinary general meeting of shareholders of AB Novaturas held on 16 January 2018 at Jasinskio st. 16, Vilnius were decided to increase the authorized capital of AB Novaturas by a sum of EUR 8,119.28, i.e. from EUR 226,090.72 up to EUR 234,210 from Company's funds – retained earnings by increasing the nominal value of the share up to EUR 30.

No other significant subsequent events related with the Group and the Company were recognised after the balance date.

AB NOVATURAS

CONSOLIDATED AND SEPARATE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2016

prepared according to International Financial Reporting
Standards,

as adopted by the European Union,
presented together with Independent Auditor's Report



UAB „Ernst & Young Baltic“
Subačiaus g. 7
LT-01302 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AB Novaturas

Opinion

We have audited the accompanying separate financial statements of AB Novaturas (hereinafter - the Company) and the consolidated financial statements of the Company and its subsidiaries (hereinafter - the Group), which comprise the statements of financial position as at 31 December 2016, the statements of comprehensive income, the statements of changes in equity and the statements of 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 financial statements present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance and their cash flows for the year then ended in accordance with 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 Company and 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 the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information Included in the Consolidated and Company's Annual Report

Other information consists of the information included in the consolidated and Company's Annual Report for the year ended 31 December 2016, other than 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.

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.

We also have to evaluate, if the financial information included in the consolidated and Company's Annual Report corresponds to the financial statements for the same financial year and if the Annual report was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of separate and consolidated financial statements, in all material respects:

- ▶ The financial information included in the consolidated and Company's Annual Report corresponds to the financial information included in the consolidated and separate financial statements for the year ended 31 December 2016; and
- ▶ The consolidated and Company's Annual Report was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting and the Law on the Financial Reporting of the Republic of Lithuania.

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 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 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 or the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Company's and the Group's 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.

Other Matter

As described in Note 21 to the financial statements, these financial statements replace the previous version of the consolidated financial statements of the Group and separate financial statements of the Company for the year ended 31 December 2016 that have been approved by the management on 26 May 2017, on which we issued unmodified auditor's report dated 26 May 2017. Consequently, this auditor's report represents a re-issued auditor's report on the corrected consolidated and separate financial statements of AB Novaturas for the year ended 31 December 2016 as approved by the management on 19 January 2018.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335



Jonas Akelis
Auditor's licence
No. 000003

19 January 2018

AB NOVATURAS, company code 135567698, A. Mickevičiaus av. 27, Kaunas, Lithuania
CONSOLIDATED AND COMPANY'S ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016
(all amounts are in thousand EUR unless otherwise stated)

AB Novaturas (hereinafter the Company) was registered on 16 December 1999.

Company code: 135567698.

Company's address: A. Mickeviciaus str. 27, Kaunas, Lithuania.

The transformation of UAB Novaturas to AB Novaturas was registered in the register of legal entities on 25 November 2014. AB Novaturas took over all UAB Novaturas rights and obligations since the company's restructuring and a new legal status of the date of registration.

The main activity of the Company and its subsidiaries is organization and sales of holiday tours.

The share capital of the Company, amounting to EUR 226,106, consists of 7,807 ordinary shares with a nominal value of EUR 28,96 each. All shares are fully paid.

The Board of Directors has 5 members.

The Head of the Company is General Manager Linas Aldonis, who is the General Manager from October 2010.

As of 31 December 2016 the Company had 119 employees and the Group had 222 employees (respectively 113 and 213 employees as of 31 December 2015).

Subsidiaries of the Company (thereafter – the Group) are stated below:

Subsidiary	Country	Registration address	Share of the stock owned by the Company, (%) as of 31 December	
			2016	2015
SIA Novatours	Republic of Latvia	Kr. Valdemara st. 100, Riga, Latvia	100 %	100 %
OU Novatours	Republic of Estonia	Ravala st. 6, Tallinn, Estonia	100 %	100 %
UAB Aviaturas ir Partneriai	Republic of Lithuania	Konstitucijos av. 15/5, Vilnius, Lithuania	100 %	100 %
SRL Novatours Holidays	Republic of Romania	M. Caramfil st. 53, Bucharest, Romania	100 %	100 %

The Company did not acquire its own shares during the year and had no its own shares at the end of the year. The Company's subsidiaries do not own any shares of the Company as well.

The Company has a branch, established in Vilnius, the results of which are included into the financial statements of the Company.

In 2016, the Company's activities remained tour organization and distribution of tours through the retail network of travel agencies and through own retail channels (own travel agencies, e-commerce sales, tickets only sales through Global Distribution System (GDS). The Group and the Company are selling own charters tickets from/to Vilnius, Riga, Tallinn via GDS and this means that Novaturas' charter tickets are available worldwide in GDS (Amadeus, Galileo, Sabre, Worldspan, etc.) for travel agents and directly for passengers via internet in internet portals for air tickets (such as greitai.lt , skrendu.lt , airtickets.com , eDreams.com , bravofly.com, skyscanner , lastminute.com, etc.). Revenue division by distribution channels is as follows:

	Group	
	2016	2015
Travel agencies	69.5%	69.2%
Own retail	14.2%	15.2%
Web sales	14.9%	14.7%
GDS	1.4%	0.9%
	100.0%	100.0%

Group passenger sales divided by source market is as follows:

	Group	
	2016	2015
Lithuania	101.9	91.7
Latvia	31.9	31.6
Estonia	45.4	42.4
Other	1.0	0.2
	180.2	165.9

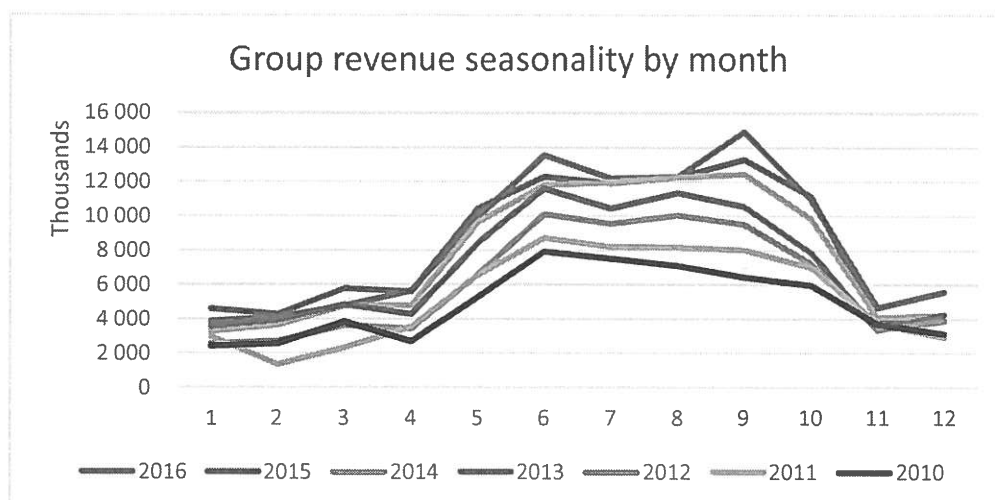
Group passenger sales divided by product category is as follows:

	Group	
	2016	2015
Package travel	144.8	138.3
Round trips by plane	1.3	1.3
Round trips by coach	10.3	8.2
Other products (separate flight and hotel services)	23.8	18.1
	180.2	165.9

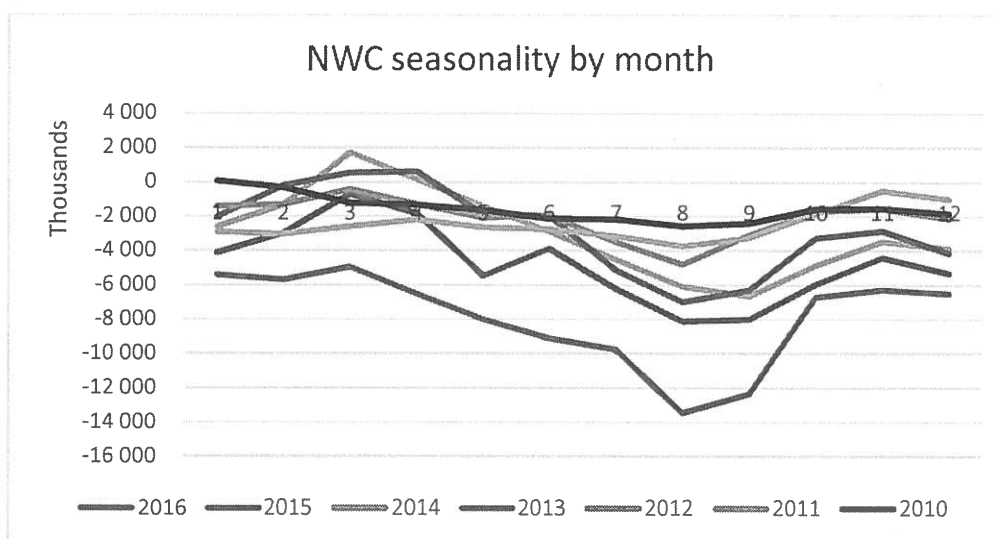
Group package travel revenue division by destinations is as follows:

	Group	
	2016	2015
Turkey	27.7%	38.8%
Greece	22.4%	15.8%
Egypt	9.2%	15.0%
Bulgaria	12.9%	8.8%
Spain (including Canary Islands)	13.7%(9.5%)	9.9%(6.1%)
Skiing	3.1%	2.7%
Long haul	3.1%	1.7%
Other destinations	7.9%	7.3%
	100.0%	100.0%

Group monthly revenue seasonality is as follows:



Group Net Working Capital (excluding free cash) monthly seasonality during the year is as follows:



THE GROUP:

- Sales revenue increased from EUR 99,091 thousand in 2015 to EUR 101,525 thousand in 2016, i.e. by 2.5 %;
- Profit before tax increased from EUR 2,876 thousand in 2015 to EUR 5,100 thousand in 2016;
- Net profit increased from EUR 2,245 thousand in 2015 to EUR 4,462 thousand in 2016.

THE COMPANY:

- Sales revenue increased from EUR 59,815 thousand in 2015 to EUR 61,145 thousand in 2016, i.e. by 2.2 %;
- Profit before tax increased from EUR 2,454 thousand in 2015 to EUR 3,499 thousand in 2016;
- Net profit increased from EUR 1,873 thousand in 2015 to EUR 2,988 thousand in 2016.

Business activities of Romanian subsidiary SRL Novatours Holidays were suspended in the middle of 2009 and not resumed in 2016 due to still rapidly changing business environment.

In order to reduce EUR/USD foreign exchange risk in December 2010 the Company and the Group started to use derivative financial instruments which allow to manage the foreign exchange and fluctuations of jet fuel prices risk. These financial instruments were successfully used by the Company and the Group in 2016 and 2015. Information on financial risk management of the Group and the Company is presented in the Group's and Parent Company's financial statements.

Information about subsequent events in the Group and the Company is disclosed in the notes of financial statements.

The Group and the Company was not engaged in any research and development activities.

Information about financial risk management and information about employees (number of employees and remuneration expenses) is disclosed in the notes to the financial statements.

The main goals for 2017 are:

- To preserve leading market position in Baltic states.
- Introduction of new products and services for profitable growth.
- Maintain well balanced distribution channel mix and develop it further.

19 January 2018



General Manager
Linas Aldonis

Statements of financial position

	Notes	Group		Company	
		As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
ASSETS					
Non-current assets					
Intangible assets	3	30,769	30,618	30,768	30,613
Property, plant and equipment	4	324	339	232	225
Investments into subsidiaries	5	-	-	3,220	3,220
Long term receivables		342	43	329	-
Deferred income tax asset	17	10	13	-	-
Total non-current assets		31,445	31,013	34,549	34,058
Current assets					
Inventories		1	1	-	-
Prepayments and deferred expenses	6	2,748	3,825	1,542	2,769
Trade accounts receivable	7	433	542	257	299
Accounts receivable from related parties	20	-	-	2,411	1,742
Prepaid income tax		86	214	25	-
Other receivables	7	2,429	269	1,381	125
Other current financial assets	8	478	10	478	10
Cash and cash equivalents	9	6,646	5,861	5,073	3,222
Total current assets		12,821	10,722	11,167	8,167
Total assets		44,266	41,735	45,716	42,225

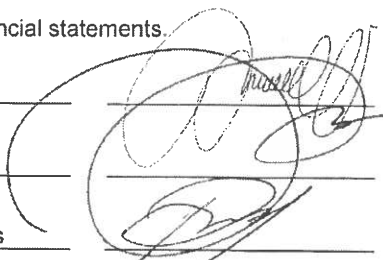
(cont'd on the next page)

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

Statements of financial position (cont'd)

	Notes	Group		Company	
		As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
EQUITY AND LIABILITIES					
Equity					
Share capital	1	226	226	226	226
Cash flow hedge reserve	8, 10	299	(21)	299	(21)
Legal reserve	10	29	29	29	29
Foreign currency translation reserve	10	145	145	-	-
Retained earnings		15,134	14,672	10,513	11,525
Equity attributable to equity holders of the parent		15,833	15,051	11,067	11,759
Non-controlling interests		-	-	-	-
Total equity		15,833	15,051	11,067	11,759
Liabilities					
Non-current liabilities					
Grants and subsidies		-	3	-	-
Non-current borrowings	11	10,842	8,914	10,842	8,914
Deferred income tax liabilities	17	2,033	1,533	2,033	1,533
Total non-current liabilities		12,875	10,450	12,875	10,447
Current liabilities					
Current portion of non-current borrowings	11	3,158	3,158	3,158	3,158
Current borrowings	11	-	-	12,450	8,318
Trade payables		3,130	2,620	2,219	2,229
Payables to related parties	20	-	2,928	162	3,091
Advances received	2.15	7,988	6,405	3,020	2,674
Income tax payable		-	61	-	61
Other current liabilities and accrued expenses	12	1,282	1,027	765	453
Other current financial liabilities	8	-	35	-	35
Total current liabilities		15,558	16,234	21,774	20,019
Total equity and liabilities		44,266	41,735	45,716	42,225

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

General Manager	Linās Aldonis		19 January 2018
Finance Director	Tomas Staškūnas		19 January 2018
Chief Financier	Giedrius Ribakovas		19 January 2018

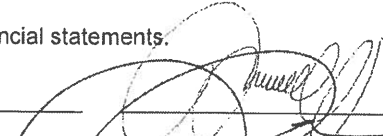

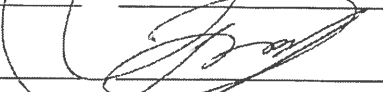
These financial statements replace the financial statements for the year ended 31 December 2016 that had been previously approved by the management on 26 May 2017, please refer to Notes 2.1 and 21.

Statements of comprehensive income

	Notes	Group		Company	
		2016 Restated*	2015 Restated*	2016	2015
Sales	13	101,525	99,091	61,145	59,815
Cost of sales	14	(83,762)	(81,895)	(50,867)	(49,682)
Gross profit		17,763	17,196	10,278	10,133
Operating (expenses)	15	(12,207)	(11,821)	(6,497)	(6,157)
Other operating income		21	45	16	5
Other operating (expenses)		(221)	(101)	(5)	-
Profit from operations		5,356	5,319	3,792	3,981
Finance income	16	494	193	353	117
Finance (expenses)	16	(750)	(2,636)	(646)	(1,644)
Profit before tax		5,100	2,876	3,499	2,454
Income tax (expense)	17	(638)	(631)	(511)	(581)
Net profit		4,462	2,245	2,988	1,873
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	8	376	1,765	376	1,765
Impact of income tax	17	(56)	(265)	(56)	(265)
Total comprehensive income for the year		4,782	3,745	3,308	3,373
Net profit attributable to:					
The shareholders of the Company		4,462	2,241	2,988	1,873
Non-controlling interests		-	4	-	-
		4,462	2,245	2,988	1,873
Total comprehensive income attributable to:					
The shareholders of the Company		4,782	3,741	3,308	3,373
Non-controlling interests		-	4	-	-
		4,782	3,745	3,308	3,373
Earnings per share (EPS) for continuing operations:	22				
Basic, profit for the year attributable to ordinary equity holders of the parent (in EUR)		571.54	287.56		

*Certain amounts shown here do not correspond to the 2016 financial statements previously issued on 26 May 2017 and reflect adjustments made, refer to Note 21.

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

General Manager	Linus Aldonis		19 January 2018
Finance Director	Tomas Staškūnas		19 January 2018
Chief Financier	Giedrius Ribakovas		19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2016 that had been previously approved by the management on 26 May 2017, please refer to Notes 2.1 and 21.

AB NOVATURAS, company code 135567698, A. Mickevičiaus 27 av. 32, Kaunas, Lithuania
 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity

Group	Equity, attributable to the equity holders of the parent							Total
	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Foreign currency translation reserve	Equity attributable to equity holders of the parent	Non-controlling interests	
Balance as of 31 December 2014	226	29	(1,521)	32,443	145	31,322	19	31,341
Net profit for the year	-	-	-	2,241	-	2,241	4	2,245
Other comprehensive income	-	-	1,500	-	-	1,500	-	1,500
Total comprehensive income	-	-	1,500	2,241	-	3,741	4	3,745
Acquisition of non-controlling interest	-	-	-	(12)	-	(12)	(23)	(35)
Dividends approved	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Balance as of 31 December 2015	226	29	(21)	14,672	145	15,051	-	15,051
Net profit for the year	-	-	-	4,462	-	4,462	-	4,462
Other comprehensive income	-	-	320	-	-	320	-	320
Total comprehensive income	-	-	320	4,462	-	4,782	-	4,782
Dividends approved	-	-	-	(4,000)	-	(4,000)	-	(4,000)
Balance as of 31 December 2016	226	29	299	15,134	145	15,833	-	15,833

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

General Manager	Linus Aldonis	19 January 2018
Finance Director	Tomas Staškūnas	19 January 2018
Chief Financier	Giedrius Ribakovas	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2016 that had been previously approved by the management on 26 May 2017, please refer to Notes 2.1 and 21.

AB NOVATURAS, company code 135567698, A. Mickevičiaus 27 av. 32, Kaunas, Lithuania
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Total
Balance as of 31 December 2014		226	29	(1,521)	29,652	28,386
Net profit for the year		-	-	-	1,873	1,873
Other comprehensive income		-	-	1,500	-	1,500
Total comprehensive income		-	-	1,500	1,873	3,373
Dividends approved	20	-	-	-	(20,000)	(20,000)
Balance as of 31 December 2015		226	29	(21)	11,525	11,759
Net profit for the year		-	-	-	2,988	2,988
Other comprehensive income		-	-	320	-	320
Total comprehensive income		-	-	320	2,988	3,308
Dividends approved	20	-	-	-	(4,000)	(4,000)
Balance as of 31 December 2016		226	29	299	10,513	11,067

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

General Manager	_____	Linas Aldonis	_____	19 January 2018
Finance Director	_____	Tomas Staškūnas	_____	19 January 2018
Chief Financier	_____	Giedrius Ribakovas	_____	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2016 that had been previously approved by the management on 26 May 2017, please refer to Notes 2.1 and 21.

Statements of cash flows

	Notes	Group		Company	
		2016	2015	2016	2015
Cash flows from (to) operating activities					
Net profit		4,462	2,245	2,988	1,873
Adjustments for non-cash items:					
Depreciation and amortization	3, 4	276	222	212	154
Allowance for doubtful receivables and prepayments made	15	(18)	3	(31)	12
Change in deferred income tax	17	447	490	444	497
Current income tax expenses	17	192	140	67	84
Elimination of financial, investment and other non-cash activity results		843	1,858	932	1,814
		6,202	4,958	4,612	4,434
Changes in working capital:					
Decrease in inventories		(1)	3	-	-
(Increase) decrease in trade receivables		143	(14)	(596)	(1,622)
(Increase) in other receivables and accrued revenue		(2,628)	(109)	(1,725)	(94)
Decrease in prepayments and deferred expenses		778	891	898	591
Increase (decrease) in trade payables		510	512	(11)	697
Increase in advances received		1,583	416	346	37
Income tax paid		(124)	(291)	(152)	(23)
Increase (decrease) in other accounts payable and accrued expenses		220	243	277	(248)
Net cash flows from operating activities		6,683	6,609	3,649	3,772
Cash flows from (to) investing activities					
(Acquisition) of non-current assets (except investments)	3, 4	(419)	(435)	(381)	(303)
Proceeds from sale of non-current assets (except investments)		10	-	10	-
Net cash flows (to) investing activities		(409)	(435)	(371)	(303)

(cont'd on the next page)

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

Statements of cash flows (cont'd)

	Notes	Group		Company	
		2016	2015	2016	2015
Cash flows from financing activities					
Loans received	11	2,928	12,072	7,061	13,240
(Repayment) of loans	11	(1,000)	-	(1,000)	-
Interest (paid)		(489)	(13)	(560)	(13)
Dividends (paid)		(6,928)	(17,072)	(6,928)	(17,072)
Acquisition of non-controlling interest	1	-	(15)	-	(15)
Net cash flows (to) financing activities		(5,489)	(5,028)	(1,427)	(3,860)
Net increase (decrease) in cash flows		785	1,146	1,851	(391)
Cash and cash equivalents at the beginning of the year		5,861	4,715	3,222	3,613
Cash and cash equivalents at the end of the year		6,646	5,861	5,073	3,222

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

<u>General Manager</u>	<u>Linas Aldonis</u>		<u>19 January 2018</u>
<u>Finance Director</u>	<u>Tomas Staškūnas</u>		<u>19 January 2018</u>
<u>Chief Financier</u>	<u>Giedrius Ribakovas</u>		<u>19 January 2018</u>

These financial statements replace the financial statements for the year ended 31 December 2016 that had been previously approved by the management on 26 May 2017, please refer to Notes 2.1 and 21.

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

Notes to the financial statements**1 General information**

AB Novaturas (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. Mickevicius 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 of December 2016		As of December 2015	
	Number of shares held	Percentage	Number of shares held	Percentage
Central European Tour Operator S.A.R.L.	5,521	70.72 %	5,521	70.72 %
Vidas Paliūnas	762	9.76 %	762	9.76 %
Ugnius Radvila	762	9.76 %	762	9.76 %
Rytis Šūmakaris	762	9.76 %	762	9.76 %
Total	7,807	100.00 %	7,807	100.00 %

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

All shares with a nominal value of EUR 28.96 each are ordinary and were fully paid as of 31 December 2016 and 2015. The share capital did not change in 2016 and 2015. Subsidiaries did not hold any shares of the Company as of 31 December 2016 and 2015. The Company also did not hold its own shares.

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

Company	Registration address	Share of the stock held by the Group 2016.12.31	Share of the stock held by the Group 2015.12.31	Main activities
Novatours SIA	Kr. Valdemara str. 100, Riga, Latvia	100 %	100 %	Organization and distribution of tours
Novatours OU	Ravala pst. 6, Talinas, Estonia	100 %	100 %	Organization and distribution of tours
UAB Aviaturas ir partneriai	Konstitucijos av. 15/5, Vilnius, Lithuania	100 %	100 %	Organization and distribution of tours
SRL Novatours Holidays	M. Caramfil g. 53, Bucharest, Romania	100 %	100 %	Organization and distribution of tours

In 2016 and 2015 the subsidiary of the Company SRL Novatours Holidays was not active.

As of 31 December 2016 and 2015 the Company had a branch with registered office at Jasinskio st. 16, Vilnius, Lithuania. The registration code of the branch is 125142371. Operating results of the branch are included in the financial statements of the Company.

As of 31 December 2016 the number of employees of the Group was 222 (as of 31 December 2015 – 213 employees) and the number of employees of the Company was 119 (as of 31 December 2015 – 113 employees).

2 Accounting principles

The main accounting principles, which have been applied in preparation of the Company's and the Group's financial statements for the year ended 31 December 2016, are as follows:

2.1. Basis of preparation

These 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 19 January 2018. These financial statements replace the financial statements for the year ended 31 December 2016 that had been previously approved by the management on 26 May 2017 and subsequently by the shareholders of the Company. Previously issued financial statements are re-issued based on the decision of the management as requested by the shareholders due to correction of error as a result of discovered management wrongdoing as disclosed in note 21. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of the financial statements.

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for derivative financial instruments that are carried at fair value.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2016:

- **Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative***
The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Management has not made use of this amendment.
- **Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization***
The amendment is effective for annual periods beginning on or after 1 January 2016 and provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. Application of these amendments had no effect on the Group's/Company's financial statements.
- **Amendments to IAS 19 *Employee Benefits***
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group/Company had no plans that fall within the scope of this amendment.
- **Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations***
The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group/Company had no transactions in scope of this amendment.
- The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had an effect on the Group's/Company's financial statements:
 - IFRS 2 *Share-based Payment*;
 - IFRS 3 *Business Combinations*;
 - IFRS 8 *Operating Segments*;
 - IFRS 13 *Fair value Measurement*;
 - IAS 16 *Property, Plant and Equipment*;
 - IAS 24 *Related Party Disclosures*;
 - IAS 38 *Intangible Assets*.
- The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Group's/Company's financial statements:
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
 - IFRS 7 *Financial Instruments: Disclosures*;
 - IAS 19 *Employee Benefits*;
 - IAS 34 *Interim Financial Reporting*.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Standards issued but not yet effective

The Group/Company has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group/Company has not yet evaluated the impact of the implementation of this standard.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group/Company has not yet evaluated the impact of the implementation of this standard and the management plans to assess the impact of the implementation while preparing its 2017 annual financial statements.

IFRS 15: *Revenue from Contracts with Customers (Clarifications)* (effective for annual periods beginning on or after 1 January 2018).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Group/Company has not yet evaluated the impact of the implementation of this standard as noted above.

IFRS 16 *Leases* (effective for financial years beginning on or after 1 January 2019)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group/Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group/Company but may result in changes in disclosures.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial years beginning on or after 1 January 2017)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group/Company has no such unrealized losses, therefore these amendments will not have any impact on the financial statements of the Group/Company.

IFRS 2: *Classification and Measurement of Share based Payment Transactions (Amendments)* (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group/Company has no share based payment transactions, therefore these amendments will not have any impact on the financial statements of the Group/Company.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group/Company has no associates or joint ventures, therefore these amendments will not have any impact on the financial statements of the Group/Company.

Amendments to IAS 40: Transfers to Investment Property (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group/Company has no investment property, therefore these amendments will not have any impact on the financial statements of the Group/Company.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. These amendments will not have any impact on the financial statements of the Group/Company.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

On 12 December 2017 the IASB issued **Annual Improvements to IFRS Standards 2015–2017 Cycle**, which contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are all effective for annual periods beginning on or after 1 January 2019. These annual improvements have not yet been endorsed by the EU. Annual Improvements to IFRS Standards 2015–2017 Cycle makes amendments to the following standards:

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 12 Income Taxes:** The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 23 Borrowing Costs:** The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are expected to have no impact of the Group/Company.

The Group/Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2 Accounting policies (cont'd)

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 and in other Eurozone countries. The functional currencies of foreign subsidiaries are the respective foreign currencies of the country of residence. Items included in the financial statements of these subsidiaries are measured using their functional currency.

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

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

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

2.3. Principles of consolidation

The consolidated financial statements of the Group include AB Novaturas 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). 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.

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.

Losses of subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

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

2 Accounting policies (cont'd)

2.3. Principles of consolidation (cont'd)

Business combinations

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

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

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

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

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

2.4. Investments in subsidiaries (the Company)

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

2.5. 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.

2.6. 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.

2 Accounting policies (cont'd)**2.6. Property, plant and equipment (cont'd)**

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.

2.7. Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

The financial assets that are accounted at fair value through profit and loss includes financial assets that are held for sale, if financial assets was acquired for the purpose of selling it in the near future and assets that have been classified to this category at initial recognition. Gain or losses on investments held for selling are recognized in the statement of comprehensive income.

Derivative financial instruments, for which hedge accounting is not applied, are classified as financial asset at fair value through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group / the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortized cost, using effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized (written-off) when they are assessed as uncollectible.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealized gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income.

2. Accounting principles (cont'd)

2.7. Financial assets (cont'd)

Hedge accounting

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

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

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.

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.

2.8. 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/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.

2 Accounting principles (cont'd)**2.8. Fair value (cont'd)**

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group/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/Company's management at each reporting date. For the purpose of fair value disclosures, the Group/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.

2.9. Derecognition of financial assets and liabilitiesFinancial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group / the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group / the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group / the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group / the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

2 Accounting principles (cont'd)**2.10. Cash and cash equivalents**

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

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

2.11. 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 2016 and 2015.

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.

2.12. Financial and operating leases

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

Financial lease

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

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

Operating lease

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

2.13. Provisions

Provisions are recognized when the Group/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 Accounting principles (cont'd)**2.14. Income tax**

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

Standard income tax rate in Lithuania is 15 %.

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

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

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.

Income tax rate in Romania and Latvia is 16% and 15%, respectively.

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.

2.15. Revenue recognition

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

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

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

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

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

2.16. Commission expenses

Commissions, which are paid to travel agencies for sale of travel packages provided by the Company and the Group, are recognized as operating expenses.

2 Accounting principles (cont'd)**2.17. Impairment of assets**Financial assets

Financial assets are reviewed for impairment at each reporting date.

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

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

Other assets (excluding goodwill)

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

Goodwill

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

2.18. 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 2.6 and 4), amortization (Notes 2.5 and 3), impairment evaluation of goodwill (Notes 2.3 and 3) including judgment on allocation of goodwill to the group of cash generating units (CGU) due to inability to allocate on a non-arbitrary basis to individual CGU, impairment evaluation of other assets (Notes 2.17, 5, 6 and 7, 8) and assumptions used while assessing accrued revenue amount (Note 7) and estimation of error correction as disclosed in Note 21 as judgment was required in concluding which expenses possibly caused damage to the subsidiary as well as assessing the potential additional tax risks. 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.

2.19. 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 economic benefits is probable.

2.20. Subsequent events

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

2.21. 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.

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**
(all amounts are in thousand EUR unless otherwise stated)**3 Intangible assets**

Group	Goodwill	Software	Total
Acquisition cost:			
Balance as of 31 December 2014	30,327	429	30,756
Additions	-	175	175
Balance as of 31 December 2015	30,327	604	30,931
Additions	-	306	306
Write offs	-	(26)	(26)
Balance as of 31 December 2016	30,327	884	31,211
Accumulated amortization/impairment of goodwill:			
Balance as of 31 December 2014	-	191	191
Charge for the year	-	122	122
Balance as of 31 December 2015	-	313	313
Charge for the year	-	155	155
Write offs	-	(26)	(26)
Balance as of 31 December 2016	-	442	442
Net book value as of 31 December 2016	30,327	442	30,769
Net book value as of 31 December 2015	30,327	291	30,618
Net book value as of 31 December 2014	30,327	238	30,565

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets (cont'd)**Company**

	Goodwill	Software	Total
Acquisition cost:			
Balance as of 31 December 2014	30,327	352	30,679
Additions	-	172	172
Balance as of 31 December 2015	30,327	524	30,851
Additions	-	305	305
Write offs	-	(26)	(26)
Balance as of 31 December 2016	30,327	803	31,130
Accumulated amortization/impairment of goodwill:			
Balance as of 31 December 2014	-	129	129
Charge for the year	-	109	109
Balance as of 31 December 2015	-	238	238
Charge for the year	-	150	150
Write offs	-	(26)	(26)
Balance as of 31 December 2016	-	362	362
Net book value as of 31 December 2016	30,327	441	30,768
Net book value as of 31 December 2015	30,327	286	30,613
Net book value as of 31 December 2014	30,327	223	30,550

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

For the purposes of measurement of goodwill impairment, total goodwill as of 31 December 2016 and 2015 was allocated to AB Novaturas and all subsidiaries of AB Novaturas (units generating cash flows from tour organizing and distribution, flight package tours segment) owned at the moment of business combination.

The recoverable amount of every cash generating unit as of 31 December 2016 and 2015 was determined based on the expected future cash flows of these units in accordance with 5 year forecasts approved by the management. The main assumptions on which cash flow projections are based in 2016 and 2015 are described below. When determining the recoverable amount of cash generating units in 2016 and 2015 it was assumed that the level of commissions and related costs would not change and the change in operating expenses will be similar to the increase of revenue. Starting from 2017, there will be a reasonable increase of revenue influenced by rising prices and recovering market. Cash flows after 5 years horizon were extrapolated based on 2 % constant annual growth assumption, which reflects the best management's estimate of the situation in this industry. Discount rates were based on weighted average cost of capital applicable to each cash generating unit individually, and are as follows: 8.41 % (after tax) - for Lithuanian, 8.41 % (after tax) – for Latvian, 8.41 % (after tax) – for Estonian cash generating units (in 2015 (after tax) – 12.84 %, 12.84 %, 12.84 %, respectively).

Based on the estimated total recoverable values of group of cash generating units as of 31 December 2016 and 2015, 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 of 31 December 2016 and 2015 as described above would result in material impairment.

The Group and the Company has no internally generated intangible assets. The amortization expenses for the years 2016 and 2015 are included within operating expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 232 thousand as of 31 December 2016 (EUR 258 thousand as of 31 December 2015) was fully amortized, but was still in use by the Group. Software with the acquisition cost of EUR 100 thousand as of 31 December 2016 (EUR 126 thousand as of 31 December 2015) was fully amortized, but was still in use by the Company.

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment**Group**

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2014	214	211	105	530
Additions	13	125	122	260
Disposals	(76)	(74)	(9)	(159)
Balance as of 31 December 2015	151	262	218	631
Additions	7	85	21	113
Disposals	(8)	(86)	(9)	(103)
Balance as of 31 December 2016	150	261	230	641
Accumulated depreciation:				
Balance as of 31 December 2014	174	141	36	351
Charge for the year	17	21	62	100
Disposals	(76)	(74)	(9)	(159)
Balance as of 31 December 2015	115	88	89	292
Charge for the year	17	42	62	121
Disposals	(7)	(86)	(3)	(96)
Balance as of 31 December 2016	125	44	148	317
Net book value as of 31 December 2016	25	217	82	324
Net book value as of 31 December 2015	36	174	129	339
Net book value as of 31 December 2014	40	70	69	179

AB NOVATURAS

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment (cont'd)

Company

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Acquisition cost:				
Balance as of 31 December 2014	152	235	64	451
Additions	13	109	9	131
Disposals	(76)	(75)	-	(151)
Balance as of 31 December 2015	89	269	73	431
Additions	7	68	1	76
Disposals	(8)	(86)	(6)	(100)
Balance as of 31 December 2016	88	251	68	407
Accumulated depreciation:				
Balance as of 31 December 2014	120	168	24	312
Charge for the year	17	20	8	45
Disposals	(76)	(75)	-	(151)
Balance as of 31 December 2015	61	113	32	206
Charge for the year	17	37	8	62
Disposals	(7)	(86)	-	(93)
Balance as of 31 December 2016	71	64	40	175
Net book value as of 31 December 2016	17	187	28	232
Net book value as of 31 December 2015	28	156	41	225
Net book value as of 31 December 2014	32	67	40	139

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 2016 and 2015 are included within operating expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 202 thousand and EUR 128 thousand, respectively, were fully depreciated as of 31 December 2016 (as of 31 December 2015 – EUR 298 thousand and EUR 221 thousand, respectively), but were still in use. Depreciated property, plant and equipment still in use consist of computer hardware and other equipment.

AB NOVATURAS
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in thousand EUR unless otherwise stated)

5 Investments into subsidiaries

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

Subsidiary	2016				2015			
	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	454	2,641	1,073	100	37	2,187
Novatours OU	1,786	100	987	5,196	1,786	100	327	4,209
UAB Aviaturas ir Partneriai	361	100	33	150	361	100	9	117
SRL Novatours Holidays	95	100	-	-	95	100	-	-
Less impairment	(95)	-	-	-	(95)	-	-	-
Total carrying value	3,220				3,220			

As of 31 December 2016 and 2015 impairment of investment into subsidiary SRL Novatours Holidays was accounted for. As of 31 December 2016 and 2015 the shares of SIA Novatours, OU Novatours and UAB Aviaturas ir Partneriai, owned by the Company, were pledged to the AB DNB bankas in accordance with the non-current loan agreement (Note 11).

6 Prepayments and deferred expenses

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Prepayments	2,390	3,457	1,396	2,721
Deferred expenses	474	484	146	48
Less: impairment	(116)	(116)	-	-
	2,748	3,825	1,542	2,769

The main part of the Group's and the Company's prepayments as of 31 December 2016 and 2015 consisted of amounts paid to suppliers for flight tickets and hotels. Change in allowance for doubtful prepayments for the years 2016 and 2015 has been included into operating expenses. Deferred expenses of the Group and the Company consist of cost related to airline tickets, hotel services, visas, ferry boat tickets and other services.

7 Trade and other receivables

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Trade receivables, gross	650	742	452	464
VAT receivable	293	112	241	112
Accrued revenue	1,301	-	841	-
Accrued supplier discounts	291	-	291	-
Other receivables	544	156	8	12
Less: allowance for doubtful receivables	(217)	(199)	(195)	(164)
	2,862	811	1,638	424

The Group and the Company accrued revenue is based on the inbound tourism promotion program approved by Turkish and Egyptian governments. According to this program, the Group and the Company assessed the size of accrual as of 31 December 2016. Accrual was accounted for according to the approved methodology by assessing the number of flights, tourists, which arrived to resorts listed by Turkish and Egyptian governments during the period of promotion program, and of a fixed incentive amount, approved by local government. The accrued revenue amount is the best estimate as of 31 December 2016 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. The Group and the Company subsequently collected EUR 1,137 thousand and EUR 677 thousand, respectively. The Company and the Group subsequently has not yet received EUR 198 thousand and EUR 198 thousand respectively of revenue accrued as of 31 December 2016,

Change in allowance for doubtful receivables for the year 2016 and 2015 has been included into operating expenses.

AB NOVATURAS
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in thousand EUR unless otherwise stated)

7 Trade and other receivables (cont'd)

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

	Group		Company	
	Individually impaired		Individually impaired	
Balance as of 31 December 2014	(196)		(152)	
Reversal of impairment for the year	29		20	
Charge for the year	(32)		(32)	
Balance as of 31 December 2015	(199)		(164)	
Reversal of impairment for the year	3		-	
Written off amounts	10		-	
Charge for the year	(31)		(31)	
Balance as of 31 December 2016	(217)		(195)	

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

	Receivables neither past due nor impaired	Receivables past due, but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2015	284	64	162	56	53	80	699
2016	682	70	38	14	35	138	977

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

	Receivables neither past due nor impaired	Receivables past due, but not impaired					Total
		Less than 30 days	30 – 60 days	60 – 90 days	90 – 120 days	More than 120 days	
2015	72	62	16	52	51	59	312
2016	152	40	5	7	12	49	265

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

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

8 Other current financial assets and other current financial liabilities

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Financial asset at fair value through other comprehensive income				
Derivative financial instruments that are subject to hedge accounting (effective part)	351	10	351	10
Total financial assets at fair value through other comprehensive income	351	10	351	10
Financial asset at fair value through profit or loss				
Derivative financial instruments that are subject to hedge accounting (ineffective part)	127	-	127	-
Total financial asset at fair value through profit or loss	127	-	127	-
Total other current financial assets	478	10	478	10

AB NOVATURAS

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in thousand EUR unless otherwise stated)

8 Other current financial assets and other current financial liabilities (cont'd)

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Other current financial liabilities at other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	-	35	-	35
Total other current and non-current financial liabilities	-	35	-	35

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.

As of 31 December 2016 the Group and the Company accounted for current asset of EUR 478 thousand which were accounted for in the financial statements under the caption of other current financial assets. Related gain of EUR 376 thousand was accounted for in the other comprehensive income and EUR 127 thousand in the profit or loss in the statement of comprehensive income (Note 16).

As of 31 December 2015 the Group and the Company accounted for current liability of EUR 35 thousand as well as asset of EUR 10 thousand which were respectively accounted for in the financial statements under the captions of other current assets and other current liabilities. Related gain of EUR 1,765 thousand was accounted for in the other comprehensive income.

As of 31 December 2016 the Group and the Company has accounted for the gain of EUR 355 thousand, by decreasing the main activity cost of aviation and hotel respectively by EUR 260 thousand and EUR 95 thousand, in profit or loss of the statement of comprehensive income.

As of 31 December 2015 the Group and the Company has accounted for the loss of EUR 926 thousand, by increasing the main activity cost of aviation and hotel respectively by EUR 610 thousand and EUR 316 thousand, in profit or loss of the statement of comprehensive income.

9 Cash and cash equivalents

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Cash at bank	6,368	5,054	5,063	3,183
Cash on hand	269	128	10	30
Cash in transit	9	26	-	9
Term deposits with maturities of less than 3 months	-	653	-	-
	6,646	5,861	5,073	3,222

AB NOVATURAS

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in thousand EUR unless otherwise stated)

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 of 31 December 2016 and 2015 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 presented in equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the exchange differences accumulated in the translation reserve are recognized as income or expenses in the same period, when the gain or loss on disposal by investment is recognized.

Cash flow hedge reserve

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

11 Borrowings

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Long term borrowings				
AB DNB bankas loan, annual interest rate – 3 month EURIBOR + 3.20 %	14,000	12,072	14,000	12,072
Total long term borrowings	14,000	12,072	14,000	12,072
Less: current portion of non-current borrowings	(3,158)	(3,158)	(3,158)	(3,158)
	<u>10,842</u>	<u>8,914</u>	<u>10,842</u>	<u>8,914</u>
Short term borrowings				
Short-term loan granted by Novatours OU (EUR), annual interest rate – 1.7 %	-	-	4,089	4,089
Over-night loan granted by Novatours OU (EUR), interest free	-	-	4,568	1,715
Over-night loan granted by UAB Aviaturas ir Partneriai (EUR), interest free	-	-	-	75
Over-night loan granted by Novatours SIA (EUR), interest free	-	-	3,793	2,439
	<u>-</u>	<u>-</u>	<u>12,450</u>	<u>8,318</u>

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

	2016	2015
Short term loans	1.1 %	1.5 %
Long term loans	3.2 %	3.2 %

In 2016 and 2015 part of the Company's short-term loans were interest-free, since loans have very short maturities, interests would not be material.

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

11 Borrowings (cont'd)

Terms of repayment of long term borrowings are as follows:

Year	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
2016	-	3,158	-	3,158
2017	3,158	3,158	3,158	3,158
2018	3,158	3,158	3,158	3,158
2019	3,158	2,598	3,158	2,598
2020	4,526	-	4,526	-
	14,000	12,072	14,000	12,072

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

Currency of the borrowing:	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
EUR	14,000	12,072	26,450	20,390
	14,000	12,072	26,450	20,390

As of 31 December 2016 and 2015 shares of SIA Novatours, OU Novatours ir UAB Aviaturas ir Partneriai owned by the Company were pledged to AB DNB bankas for non-current loan granted (Note 5).

As of 31 December 2016 the Company and the Group had no unused credit facility (as of 31 December 2015 – EUR 4,928 thousand).

In November, 2015 the Company signed agreement with AB DNB bankas regarding new overdraft which changed previous AB Swedbank overdraft. According to this agreement the bank set maximum overdraft limit amounting to EUR 2,000 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period does not exceed the maximum credit limit agreed for that particular period. The credit line had to be repaid until 31 October 2016. Credit agreement was subsequently prolonged in 2017 (Note 24).

In November, 2015 the Company signed agreement with AB DNB bankas regarding long-term loan. Principal amount of the loan amounts to EUR 15,000 thousand, which maturity is till 31 October 2020. As of 31 December 2015 the unused balance of this loan amounted to EUR 2,928 thousand.

According to credit and loan agreements of the bank the Group and the Company must comply with financial and non-financial ratios and covenants. According to the management's assessment, as of 31 December 2016 and 2015 the Group and the Company complied with these covenants.

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

12 Other current liabilities and accrued expenses

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Payroll related liabilities	384	362	290	252
Taxes payable (except for income tax)	421	193	158	-
Other payables and accrued expenses	477	472	317	201
	1,282	1,027	765	453

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

13 Sales

	Group		Company	
	2016*	2015*	2016	2015
Flight package tours	86,447*	84,658*	46,794	46,118
Sightseeing tours by coach	3,269	2,809	3,269	2,809
Sightseeing tours by plane	1,392	1,225	1,392	1,225
Other sales	10,417	10,399	9,690	9,663
	101,525	99,091	61,145	59,815

*The amounts shown here do not correspond to the 2016 financial statements previously issued on 26 May 2017 and reflect adjustments made, refer to Note 21.

14 Cost of sales

	Group		Company	
	2016*	2015*	2016	2015
Cost of flight package tours	70,384*	68,844*	39,403	38,864
Cost of sightseeing tours by coach	2,665	2,272	2,665	2,272
Cost of sightseeing tours by plane	980	868	980	868
Cost of other sales	9,733*	9,911*	7,819	7,678
	83,762	81,895	50,867	49,682

*The amounts shown here do not correspond to the 2016 financial statements previously issued on 26 May 2017 and reflect adjustments made, refer to Note 21.

AB NOVATURAS
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in thousand EUR unless otherwise stated)

15 Operating expenses

	Group		Company	
	2016*	2015*	2016	2015
Commissions	4,973	4,859	2,736	2,714
Salaries and related taxes	4,184	3,556	2,109	1,686
Advertising and marketing expenses	835	1,052	461	568
Rent and maintenance expenses	280	295	120	122
Depreciation and amortization	278	222	211	154
Allowance for and write-off of receivables and prepayments made	18	12	31	12
Business trips expenses	153	137	113	103
Communication expenses	93	95	44	43
Consulting expenses	116	198	116	211
Transportation expenses	125	115	73	72
Representation expenses	127	91	67	14
Training expenses	13	23	12	22
Other	1,012*	1,166*	404	436
	12,207	11,821	6,497	6,157

*These amounts shown here do not correspond to the 2016 financial statements previously issued on 26 May 2017 and reflect adjustments made, refer to Note 21.

The Group and the Company had several contracts of operating lease of offices and vehicles concluded as of 31 December 2016 and 2015. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

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

	Group		Company	
	2016	2015	2016	2015
Within one year	188	152	131	50
From the second to the fifth year inclusive	391	404	163	83
After five years	457	445	-	-
	1,036	1,001	294	133

The Company has also several vehicle operating lease agreements with employees, but these agreements are cancellable, therefore minimum lease payments related to those agreements are not presented.

16 Finance income (expenses), net

	Group		Company	
	2016	2015	2016	2015
Foreign currency exchange gain	326	186	226	110
Gain from derivative financial instruments (Note 8)	127	-	127	-
Other financial income (including fines)	-	7	-	7
Total financial income	494	193	353	117
Interest expenses	(482)	(13)	(553)	(13)
Loss from derivative financial instruments	-	(2,274)	-	(1,333)
Foreign currency exchange loss	(267)	(258)	(92)	(215)
Other financial expenses	(1)	(91)	(1)	(83)
Total financial expenses	(750)	(2,636)	(646)	(1,644)
	(256)	(2,443)	(293)	(1,527)

Loss from derivative financial instruments in 2015 represents the effect of termination of hedging relationship due to early termination of derivatives contracts by the Company/The Group in the process of changing the Group's bank.

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (cont'd)

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 2016 and 2015. As of 31 December 2016 and 2015, deferred taxes of Romanian and Latvian entities were calculated using rates of 16% and 15% respectively.

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 5,084 thousand as of 31 December 2016, income tax liability would amount to EUR 1,271 thousand. This income tax calculation is based on 20/80 tax tariff applicable for distributable profits.

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

	As of 31 December 2015	Recognized in profit (loss)	Recognized in other comprehensive income	As of 31 December 2016
Tax loss carry forward	4,233	(867)	-	3,366
Impairment of investments and loans granted	1	-	-	1
Allowance for doubtful accounts receivable	200	17	-	217
Amortization of goodwill and other intangibles	(14,658)	(2,022)	-	(16,680)
Derivative financial instruments	25	(127)	(376)	(478)
Other accruals	107	-	-	107
Total temporary differences before fair value allowance	(10,092)	(2,999)	(376)	(13,467)
Less: allowance	(40)	20	-	(20)
Total temporary differences	(10,132)	(2,979)	(376)	(13,487)
Deferred income tax, net	(1,520)	(447)	(56)	(2,023)

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

	As of 31 December 2015	Recognized in profit (loss)	Recognized in other comprehensive income	As of 31 December 2016
Tax loss carry forward	4,215	(849)	-	3,366
Impairment of investments and loans granted	1,493	-	-	1,493
Allowance for doubtful accounts receivable	164	31	-	195
Derivative financial instruments	25	(127)	(376)	(478)
Other accruals	36	5	-	41
Amortization of goodwill	(14,658)	(2,022)	-	(16,680)
Total temporary differences before fair value allowance	(8,725)	(2,962)	(376)	(12,063)
Less: allowance	(1,493)	-	-	(1,493)
Total temporary differences	(10,218)	(2,962)	(376)	(13,556)
Deferred income tax, net	(1,533)	(444)	(56)	(2,033)

AB NOVATURAS
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (cont'd)

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

	As of 31 December 2014	Recognized in profit (loss)	Recognized in other comprehensive income	As of 31 December 2015
Tax loss carry forward	5,504	(1,271)	-	4,233
Impairment of investments and loans granted	(1)	-	-	(1)
Allowance for doubtful accounts receivable	196	4	-	200
Amortization of goodwill and other intangibles	(12,636)	(2,022)	-	(14,658)
Derivative financial instruments	1,789	-	(1,764)	25
Other accruals	88	19	-	107
Total temporary differences before fair value allowance	(5,060)	(3,270)	(1,764)	(10,094)
Less: allowance	(40)	-	-	(40)
Total temporary differences	(5,100)	(3,270)	(1,764)	(10,134)
Deferred income tax, net	(765)	(491)	(265)	(1,520)

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

	As of 31 December 2014	Recognized in profit (loss)	Recognized in other comprehensive income	As of 31 December 2015
Tax loss carry forward	5,504	(1,289)	-	4,215
Impairment of investments and loans granted	996	-	-	996
Allowance for doubtful accounts receivable	152	12	-	164
Derivative financial instruments	1,789	-	(1,764)	25
Other accruals	54	(18)	-	36
Amortization of goodwill	(12,636)	(2,022)	-	(14,658)
Total temporary differences before fair value allowance	(4,141)	(3,317)	(1,764)	(9,222)
Less: allowance	(996)	-	-	(996)
Total temporary differences	(5,137)	(3,317)	(1,764)	(10,218)
Deferred income tax, net	(771)	(498)	(265)	(1,533)

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

	Group		Company	
	2016	2015	2016	2015
Income tax expenses (income) computed at statutory rate 15%	765	431	525	368
Effect of different tax rate applicable to foreign subsidiaries	(148)	(49)	-	-
Change in deferred tax asset valuation allowance	3	-	-	-
Non-deductible expenses for tax purposes (not taxable income)	18	249	(14)	213
Income tax expenses reported in the statement of comprehensive income	638	631	511	581

18 Financial assets and liabilities and risk management

Credit risk

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

The Group and the Company do not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group and the Company consider that their maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognized at the statement of financial position. Moreover, the Group's and the Company's ageing analysis of trade receivables as of 31 December 2016 and 2015 shows that there are no significant debts overdue more than 90 days, except accrued revenue (Note 7) which recovery period is not defined at the date of financial statements.

Interest rate risk

As of 31 December 2016 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 of 31 December 2016 and 2015.

Based on the Group's and the Company's management assessment, possible changes in interest rates do not have significant effect on profit before tax of the Group and the Company.

Foreign exchange risk

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

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

AB NOVATURAS
CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
 (all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)
Foreign exchange risk (cont'd)

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

Group	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Euro	10,123	20,094	6,827	19,253
U.S dollars	293	193	105	930
Indian rupee	1	-	1	-
Tunisian dinar	2	4	11	5
Thai Baht	5	154	8	88
	10,424	20,445	6,952	20,276

Company	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Euro	9,923	31,205	5,295	26,865
U.S. dollars	23	97	82	834
Indian rupee	1	-	1	-
Tunisian dinar	2	4	2	5
Thai Baht	5	164	8	88
	9,954	31,470	5,398	27,792

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

	Group		Company	
	Increase/decrease in basis points	Effect on the profit before tax	Increase/decrease in basis points	Effect on the profit before tax
2016				
U.S dollars	(10%)	(10)	(10%)	7
U.S dollars	10%	10	10%	(7)
2015				
U.S. dollars	(10%)	83	(10%)	75
U.S. dollars	10%	(83)	10%	(75)

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**
(all amounts are in thousand EUR unless otherwise stated)**18 Financial assets and liabilities and risk management (cont'd)**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 debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile (level 2). The fair value of non-current borrowings with variable interest rates approximates their carrying amounts. The fair value of borrowings with fixed interest rates has been calculated by discounting the expected future cash flows using market interest rates.
- c) Fair value of the derivative financial instruments are defined as level 2 based on market observable inputs.

There were no movements of financial instruments between the levels during 2016 and 2015.

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

	Carrying amount		Fair value	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Financial assets				
Cash and cash equivalents	6,646	5,861	6,646	5,861
Trade accounts receivable	433	542	433	542
Other current financial assets	478	10	478	10
Other receivables	2,136	156	2,136	156
Financial liabilities				
Interest bearing borrowings	14,000	12,072	14,000	12,072
Trade accounts payable and payables to related parties	3,130	5,548	3,130	5,548
Other current financial liabilities	-	35	-	35
Other current liabilities and accrued expenses	477	472	477	472

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)Fair value of financial assets and liabilities (cont'd)

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

	Carrying amount		Fair value	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Financial assets				
Cash and cash equivalents	5,073	3,222	5,073	3,222
Accounts receivable from related parties	2,411	1,742	2,411	1,742
Trade accounts receivable	257	299	257	299
Other current financial asset	478	10	478	10
Other receivables	1,140	12	1,140	12
Financial liabilities				
Interest bearing borrowings	18,089	16,161	18,089	16,161
Interest free short term loans	8,361	4,229	8,361	4,229
Trade accounts payable (including trade payables to related parties)	2,381	5,320	2,381	5,320
Other current financial liabilities	-	35	-	35
Other current liabilities and accrued expenses	318	201	318	201

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

Liquidity management

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

The Group's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as of 31 December 2016 were 0.82 and 0.82, respectively (0.66 and 0.66 as of 31 December 2015, respectively). The Company's liquidity and quick ratios as of 31 December 2016 were 0.51 and 0.51, respectively (0.41 and 0.41 as of 31 December 2015).

As at 31 December 2016 the Group's current liabilities exceeded current assets by EUR 2,737 thousand. The Group's and the Company's financial statements were prepared under going concern assumption. The Group management's going concern assessment is based on the following main assumptions:

- The main objective of the Group for the year 2017 - to be profitable and to generate positive cash flows. The Group management plans that the Group will generate operating cash flows in 2017 not lower than the actual operating cash flows for the year 2016. The Group management believes, that plans for the year 2017 will be achieved also considering the actual interim results of operations in 2017.
- A significant part of EUR 7,988 thousand of current liabilities as at 31 December 2016 is related to advances received from customers, which will not require repayment and will be settled by delivering services in the future. Also part of future service delivery costs are prepaid to suppliers (EUR 2,274 as at 31 December 2016).

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.

AB NOVATURAS

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)

The table below summarizes the maturity profile of the Group's financial liabilities as of 31 December 2016 and 2015 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	112	3,443	11,407	14,962
Trade accounts payable and payables to related parties	-	3,130	-	-	3,130
Other current liabilities	-	477	-	-	477
As of 31 December 2016	-	4,524	3,443	11,407	19,374
Interest bearing borrowings	-	97	3,378	9,355	12,830
Trade accounts payable and payables to related parties	-	5,548	-	-	5,548
Other current financial liabilities	-	-	35	-	35
Other current liabilities	-	472	-	-	472
As of 31 December 2015	-	6,117	3,413	9,355	18,885

The table below summarizes the maturity profile of the Company's financial liabilities as of 31 December 2016 and 2015 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	112	7,602	11,406	19,120
Interest free short term loans	8,361	-	-	-	8,361
Trade accounts payable (including trade payables to related parties)	-	2,381	-	-	2,381
Other current liabilities	-	317	-	-	317
As of 31 December 2016	8,361	3,258	7,602	11,406	30,627
Interest bearing borrowings	-	97	7,537	9,355	16,989
Interest free short term loans	4,229	-	-	-	4,229
Trade accounts payable (including trade payables to related parties)	-	5,320	-	-	5,320
Other current financial liabilities	-	-	35	-	35
Other current liabilities	-	201	-	-	201
As of 31 December 2015	4,229	5,618	7,572	9,355	26,774

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

18 Financial assets and liabilities and risk management (cont'd)

Capital management

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

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2016 and 2015.

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 of 31 December 2016 and 2015 the Group and the Company also had external share capital requirements from the bank regarding equity and asset ratio. As of 31 December 2016 and 2015 the Company and the Group were in compliance with the above mentioned requirements.

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

	Group		Company	
	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
Non-current liabilities	12,875	10,450	12,875	10,447
Current liabilities	15,558	16,234	21,774	20,019
Total liabilities	28,433	26,684	34,649	30,466
Equity attributable to the equity holders of the parent	15,833	15,051	11,067	11,759
Liabilities and equity ratio	1.80	1.77	3.13	2.59

19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as of 31 December 2016 and 2015.

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 2016 and 2015 were as follows (also see the table below):

Subsidiaries:

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

The shareholders of the Company are disclosed in Note 1.

AB NOVATURAS

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016
(all amounts are in thousand EUR unless otherwise stated)

20 Related party transactions (cont'd)

Group

2016

	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Management related parties	-	-	-	-
	-	-	-	-

2015

	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	2,928
Management related parties	-	-	-	-
	-	-	-	2,928

In addition, as outlined in Note 21, previously not identified related parties – entities related to the management of Estonian subsidiary were identified. Transactions amounts are not included in the table above, but are presented in Note 21 below.

Company

2016

	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Subsidiaries	2,283	3,941	2,411	12,612
	2,283	3,941	2,411	12,612

2015

	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	2,928
Subsidiaries	1,489	5,537	1,742	8,481
	1,489	5,537	1,742	11,409

As of 31 December 2016 and 2015 there were no guaranties provided or assets pledged for any related party receivable or payable amounts. It is expected to cover receivable and payable amounts with related parties by cash payments or offsetting with payable or receivable amounts from these parties.

Approved dividends per one share amounted to EUR 0.51 thousand in 2016 (EUR 2.56 in 2015).

As of 31 December 2015 the Group and the Company have accounted for EUR 2,928 thousand dividends payable in the caption of payables to related parties.

Transactions with related parties of the Company include purchases and sales of travel packages, commissions. 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 2016 and 2015:

	Receivables past due but not impaired					Total
	Receivables neither past due nor impaired	less than 30 days	31 – 60 days	61 – 90 days	overdue for more than 91 day	
2015	1,742	-	-	-	-	1,742
2016	2,411	-	-	-	-	2,411

20 Related party transactions (cont'd)

Management remuneration and other payments

In 2016, the remuneration for the management of the Group and the Company amounted to EUR 671 thousand and EUR 470 thousand, respectively (EUR 367 thousand and EUR 163 thousand, respectively, in 2015). The management of the Group comprised 5 persons as of 31 December 2016 (5 persons as of 31 December 2015). The management of the Company consisted of 2 persons as of 31 December 2016 (2 persons as of 31 December 2015).

In addition, as outlined in Note 21, the management of subsidiary in Estonia has, without any authorization or approval by the subsidiary's shareholder, awarded themselves suspected remuneration of EUR 275 thousand in 2016 and EUR 89 thousand in 2015, in excess of their contractually limited remuneration for respective years. These amounts are not included in the figures of the Group management remuneration above.

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

21 Correction of errors

Investigation done during year 2017 has uncovered improper management behavior and accounting in subsidiary in Estonia. Part of the expenses related to subsidiary's activities (salaries, consultation expenses, business trip expenses, other expenses) were reported improperly as cost of goods sold. Also some income of fines to customers for termination of contracts were not reported as income. Several key employees of the subsidiary received increased salary payments which were not approved by the supervising bodies. Some amounts were paid to external parties (some of them owned directly or indirectly by employees who committed wrongdoing in the subsidiary) possibly causing damage to the company. The amounts related to all of the above for the periods of 2016 and 2015 were EUR 628 thousand and EUR 399 thousand EUR respectively (including unauthorized remuneration) and were reclassified for proper presentation in these financial statements as shown below. The statement of financial position, statement of changes in equity and cash flows statement were not affected by the aforementioned transactions. Employees involved in the alleged wrongdoing activities were removed from the company as the fact was discovered. Internal operating procedures were updated to prevent from improper behavior in the future.

The Group management believes that payments made in the wrongdoing by subsidiary's management as described above are the result of a proprietary crime and therefore should not bring any additional tax liabilities to the Group, considering the management's judgment about the relevance of similar courts practice based on the interpretation of facts and circumstances known.

The error has been corrected by restating each of the affected financial statements line items for the prior periods, as follows: Impact on statements of comprehensive income (increase/(decrease) in profit)

	Group	
	2016	2015
Sales	58	-
Cost of sales	394	344
Gross profit	452	344
Operating (expenses)	(452)	(344)
Other operating income	-	-
Other operating (expenses)	-	-
Profit from operations	-	-

In addition, the management noted, that previously issued financial statements did not include elimination of intercompany transactions from other income and respectively cost of sales reported in the consolidated statement of comprehensive income in the amount of EUR 521 thousand in 2016 and the same amount in 2015. This error was corrected in these financial statements by reducing other income and cost of sales by EUR 521 thousand in 2016 and 2015. Also representative daily allowances were reported in operating expenses instead of cost of sales and this was corrected in these financial statements by reducing operating expenses and increasing cost of sales by EUR 278 thousand in 2016 and EUR 271 thousand in 2015. And additional price discounts from hotels that were included as reduction of sales in previously issued financial statements were reclassified to reduce cost of sales instead by EUR 120 thousand in 2016 and EUR 217 thousand in 2015.

The correction of errors had no effect on earnings per share.

In addition to correcting the classification errors in the income statement as described above, in these financial statements, which replace the financial statements for the year ended 31 December 2016 that had been previously approved by the management on 26 May 2017, the management added disclosures about segment information (Note 23) and earnings per share (Note 22) taking into account plans of the initial public offering (IPO) of shares.

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

22 Earnings per share (EPS)

	Group	
	2016	2015
Net profit attributable to ordinary equity holders of the parent company	4,462	2,245
Weighted average number of ordinary shares	7,807	7,807
Basic earnings per share (EUR)	571.54	287.56

There are no dilutive instruments.

23 Segment information

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

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

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

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 the gross margin in the statement of comprehensive income in the financial statements, and segment sales profit, which is measured as gross margin minus related direct sales commission expenses, which is included in operating expenses in the statement of comprehensive income in the financial statements.

Year ended 31 December 2016	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	86,447	3,269	1,392	10,417	101,525
Cost of sales	(70,384)	(2,665)	(980)	(9,733)	(83,762)
Gross margin	16,063	604	412	684	17,763
Sales commission expenses	(4,703)	(179)	(91)	-	(4,973)
Sales profit by segment	11,360	425	321	684	12,790

Unallocated income (expenses)

Other operating income	21
Operating expenses (other than sales commission)	(7,234)
Other operating (expenses)	(221)
Profit from operations	5,356
Finance income (expenses), net	(256)
Profit before tax	5,100
Income tax (expenses)	(638)
Net profit	4,462

AB NOVATURAS**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

(all amounts are in thousand EUR unless otherwise stated)

23 Segment information (cont'd)

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

Year ended 31 December 2015	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	84,658	2,809	1,225	10,399	99,091
Cost of sales	(68,844)	(2,272)	(868)	(9,911)	(81,895)
Gross margin	15,814	537	357	488	17,196
Sales commission expenses	(4,627)	(157)	(75)	-	(4,859)
Sales profit by segment	11,187	380	282	488	12,337

Unallocated income (expenses)

Other operating income					45
Operating expenses (other than sales commission)					(6,962)
Other operating (expenses)					(101)
Profit from operations					5,319
Finance income (expenses), net					(2,443)
Profit before tax					2,876
Income tax (expenses)					(631)
Net profit					2,245

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, i.e. based on location of customers, for revenue and based on location of the assets for non-current assets and is as follows:

Year ended 31 December 2016	Lithuania	Latvia	Estonia	Other	Group
Sales	57,358	17,994	25,609	564	101,525
Non-current assets	673	65	28	-	766
Year ended 31 December 2015	Lithuania	Latvia	Estonia	Other	Group
Sales	54,675	18,916	25,380	120	99,091
Non-current assets	511	69	50	-	630

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.

24 Subsequent events

During the year 2017 shareholders decided to distribute 9,500 thousand EUR as dividends (EUR 1.22 per share). 5,000 thousands EUR were distributed after general shareholders meeting in May of 2017, additionally 4,500 thousand EUR were distributed after extraordinary shareholders meeting in December 2017.

The Company has signed a loan agreements' appendix with AB DNB bankas in 2017. The interest rate for bank loan was changed and new borrowing covenants were agreed between the Company and the bank. Moreover, the Company has signed agreement to change the credit limit, which matured in 2016, to financial liability limit of EUR 4,000 thousand. Financial liability limit will be used as the Company's assurance based on Law on Tourism of the Republic of Lithuania.

In June 2017 Company shareholders signed preliminary agreement to sell 100% of shares of the Company to Itaka Holdings subject Itaka Holdings gets antimonopoly approval till the end of October 2017. In November 2017 the preliminary agreement was terminated. No liabilities or payments related to the signing and termination of agreement has aroused to the Company. After termination of agreement with Itaka Holdings shareholders announced about IPO plans.

No other significant subsequent events related with the Group and the Company were recognized after the balance date.

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2015

prepared according to International Financial Reporting
Standards,

as adopted by the European Union,
presented together with Independent Auditor's Report



UAB „Ernst & Young Baltic“
Subačiaus g. 7
LT-01302 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com/lt
Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

Independent auditor's report to the shareholders of AB Novaturas

Report on the Financial Statements

We have audited the accompanying separate financial statements of AB Novaturas (hereinafter - the Company) and the consolidated financial statements of AB Novaturas and its subsidiaries (hereinafter - the Group), which comprise the statements of financial position as at 31 December 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory information).

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AB Novaturas and the Group as at 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

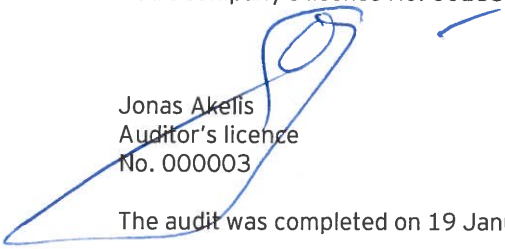
Report on Other Legal and Regulatory Requirements

Furthermore, we have read the accompanying consolidated and Company's Annual Report for the year ended 31 December 2015 and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2015.

Other Matter

As described in Note 21 to the financial statements, these financial statements replace the previous version of the consolidated financial statements of the Group and separate financial statements of the Company for the year ended 31 December 2015 that have been approved by the management on 27 June 2016, on which we issued unmodified audit report dated 27 June 2016. Consequently, this audit report represents a re-issued audit report on the corrected consolidated and separate financial statements of AB Novaturas for the year ended 31 December 2015 as approved by the management on 19 January 2018.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335



Jonas Akelis
Auditor's licence
No. 000003

The audit was completed on 19 January 2018.

AB NOVATURAS, company code 135567698, A. Mickevičiaus av. 27, Kaunas, Lithuania
CONSOLIDATED AND SEPERATE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts are in thousand EUR unless otherwise stated)

AB Novaturas (hereinafter the Company) was registered on 16 December 1999.

Company code: 135567698.

Company's address: A. Mickeviciaus str. 27, Kaunas, Lithuania.

The transformation of UAB Novaturas to AB Novaturas was registered in the register of legal entities on 25 November 2014. AB Novaturas took over all UAB Novaturas rights and obligations since the company's restructuring and a new legal status of the date of registration.

The main activity of the Company and its subsidiaries is organization and sales of holiday tours.

The share capital of the Company, amounting to EUR 226,106, consists of 7,807 ordinary shares with a nominal value of EUR 28,96 each. All shares are fully paid.

The Board of Directors has 5 members.

The Head of the Company is General Manager Linas Aldonis, who is the General Manager from October 2010.

As of 31 December 2015 the Company had 113 employees and the Group had 213 employees (respectively 107 and 198 employees as of 31 December 2014).

Subsidiaries of the Company (thereafter – the Group) are stated below:

Subsidiary	Country	Registration address	Share of the stock owned by the Company, (%) as of 31 December	
			2015	2014
SIA Novatours	Republic of Latvia	Kr. Valdemara st. 100, Riga, Latvia	100 %	99,14 %
OU Novatours	Republic of Estonia	Ravala st. 6, Tallinn, Estonia	100 %	100 %
UAB Aviaturas ir Partneriai	Republic of Lithuania	Konstitucijos av. 15/5, Vilnius, Lithuania	100 %	100 %
SRL Novatours Holidays	Republic of Romania	M. Caramfil st. 53, Bucharest, Romania	100 %	100 %

On 10 December 2015 the Company acquired 1,499 ordinary registered shares of Novatours SIA from LATTUR SIA, which comprise 0.86% of Novatours SIA's ownership and paid EUR 15 thousand.

The Company did not acquire its own shares during the year and had no its own shares at the end of the year. The Company's subsidiaries do not own any shares of the Company as well.

The Company has a branch, established in Vilnius, the results of which are included into the financial statements of the Company.

In 2015, the Company's activities remained tour organization and distribution of tours through the retail network of travel agencies and through own retail channels (own travel agencies, e-commerce sales, tickets only sales through Global Distribution System (GDS). The Group and the Company are selling own charters tickets from/to Vilnius, Riga, Tallinn via GDS and this means that Novaturas' charter tickets are available worldwide in GDS (Amadeus, Galileo, Sabre, Worldspan, etc.) for travel agents and directly for passengers via internet in internet portals for air tickets (such as greitai.lt , skrendu.lt , airtickets.com , eDreams.com , bravofly.com, skyscanner , lastminute.com, etc.). Revenue division by distribution channels is as follows:

	Group	
	2015	2014
Travel agencies	69.2%	69.8%
Own retail	15.2%	17.4%
Web sales	14.7%	11.9%
GDS	0.9%	0.9%
	100.0%	100.0%

Group passenger sales divided by source market is as follows:

	Group	
	2015	2014
Lithuania	91.7	80.9
Latvia	31.6	27.9
Estonia	42.4	37.5
Other	0.2	0.2
	165.9	146.5

Group passenger sales divided by product category is as follows:

	Group	
	2015	2014
Package travel	138.3	123.1
Round trips by plane	1.3	1.0
Round trips by coach	8.2	6.6
Other products (separate flight and hotel services)	18.1	15.8
	165.9	146.5

Group package travel revenue division by destinations is as follows:

	Group	
	2015	2014
Turkey	38.8%	37.3%
Greece	15.8%	15.7%
Egypt	15.0%	15.2%
Bulgaria	8.8%	9.6%
Spain (including Canary Islands)	9.9%(6.1%)	11.1%(6.5%)
Skiing	2.7%	2.2%
Long haul	1.7%	1.5%
Other destinations	7.3%	7.4%
	100.0%	100.0%

THE GROUP:

- Sales revenue increased from EUR 90,910 thousand in 2014 to EUR 99,091 thousand in 2015, i.e. by 9.0 %;
- Profit before tax decreased from EUR 4,901 thousand in 2014 to EUR 2,876 thousand in 2015;
- Net profit decreased from EUR 4,235 thousand in 2014 to EUR 2,245 thousand in 2015.

THE COMPANY:

- Sales revenue increased from EUR 54,546 thousand in 2014 to EUR 59,815 thousand in 2015, i.e. by 9.7 %;
- Profit before tax decreased from EUR 4,005 thousand in 2014 to EUR 2,454 thousand in 2015;
- Net profit decreased from EUR 3,404 thousand in 2014 to EUR 1,873 thousand in 2015.

Business activities of Romanian subsidiary SRL Novatours Holidays were suspended in the middle of 2009 and not resumed in 2015 due to still rapidly changing business environment.

In November, 2015 the Company signed agreements with AB DNB bankas regarding new overdraft which replaced AE Swedbank overdraft. According to this agreement the bank set maximum overdraft limit amounting to EUR 2,000 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period is not exceeding the maximum credit limit agreed for that particular period.

In order to reduce EUR/USD foreign exchange risk in December 2010 the Company and the Group started to use derivative financial instruments which allow to manage the foreign exchange and fluctuations of jet fuel prices risk. These financial instruments were successfully used by the Company and the Group in 2015 and 2014. Information on financial risk management of the Group and the Company is presented in the Group's and Parent Company's financial statements.

Information about subsequent events in the Group and the Company is disclosed in the notes of financial statements.

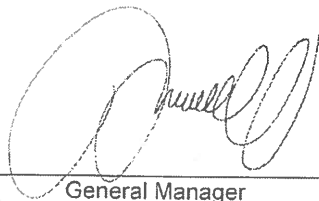
The Group and the Company was not engaged in any research and development activities.

Information about financial risk management and information about employees (number of employees and remuneration expenses) is described in the notes to the financial statements.

The main goals for 2016 are:

- To preserve leading market position in Baltic states.
- Introduction of new products and services for profitable growth.
- Maintain well balanced distribution channel mix and develop it further.

19 January 2018



General Manager
Linas Aldonis

Statements of financial position

	Notes	Group		Company	
		As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
ASSETS					
Non-current assets					
Intangible assets	3	30,618	30,565	30,613	30,550
Property, plant and equipment	4	339	179	225	139
Investments into subsidiaries	5	-	-	3,220	3,206
Long term receivables		43	45	-	-
Deferred income tax asset	17	13	6	-	-
Total non-current assets		31,013	30,795	34,058	33,895
Current assets					
Inventories		1	4	-	-
Prepayments and deferred expenses	6	3,825	4,676	2,769	3,248
Trade accounts receivable	7	542	531	299	234
Accounts receivable from related parties	20	-	-	1,742	197
Prepaid income tax		214	2	-	-
Other receivables	7	269	247	125	120
Other current financial assets	8	10	2,427	10	2,427
Cash and cash equivalents	9	5,861	4,715	3,222	3,613
Total current assets		10,722	12,602	8,167	9,839
Total assets		41,735	43,397	42,225	43,734

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

(cont'd on the next page)

Statements of financial position (cont'd)

	Notes	Group		Company	
		As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
EQUITY AND LIABILITIES					
Equity					
Share capital	1	226	226	226	226
Cash flow hedge reserve	8, 10	(21)	(1,521)	(21)	(1,521)
Legal reserve	10	29	29	29	29
Foreign currency translation reserve	10	145	145	-	-
Retained earnings		14,672	32,443	11,525	29,652
Equity attributable to equity holders of the parent		15,051	31,322	11,759	28,386
Non-controlling interests		-	19	-	-
Total equity		15,051	31,341	11,759	28,386
Liabilities					
Non-current liabilities					
Grants and subsidies		3	11	-	-
Non-current borrowings	11	8,914	-	8,914	-
Other non-current liabilities	8	-	863	-	863
Deferred income tax liabilities	17	1,533	771	1,533	771
Total non-current liabilities		10,450	1,645	10,447	1,634
Current liabilities					
Current portion of non-current borrowings	11	3,158	-	3,158	-
Current borrowings	11	-	-	8,318	7,150
Trade payables		2,620	2,108	2,229	1,532
Payables to related parties	20	2,928	-	3,091	369
Advances received	2.15	6,405	5,989	2,674	2,637
Income tax payable		61	89	61	89
Other current liabilities and accrued expenses	12	1,027	784	453	496
Other current financial liabilities	8	35	1,441	35	1,441
Total current liabilities		16,234	10,411	20,019	13,714
Total equity and liabilities		41,735	43,397	42,225	43,734

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

General Manager	Linas Aldonis	19 January 2018
Finance Director	Tomas Staškūnas	19 January 2018
Chief Financier	Giedrius Ribakovas	19 January 2018

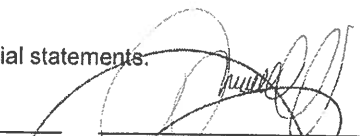

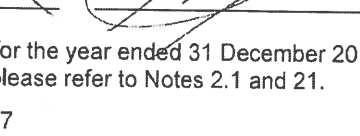
These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

Statements of comprehensive income

	Notes	Group		Company	
		2015 Restated*	2014 Restated*	2015	2014
Sales	13	99,091	90,910	59,815	54,546
Cost of sales	14	(81,895)	(75,223)	(49,682)	(45,034)
Gross profit		17,196	15,687	10,133	9,512
Operating (expenses)	15	(11,821)	(10,664)	(6,157)	(5,402)
Other operating income		45	157	5	17
Other operating (expenses)		(101)	(113)	-	(5)
Profit from operations		5,319	5,067	3,981	4,122
Finance income	16	193	2	117	1
Finance (expenses)	16	(2,636)	(168)	(1,644)	(118)
Profit before tax		2,876	4,901	2,454	4,005
Income tax (expense)	17	(631)	(666)	(581)	(601)
Net profit		2,245	4,235	1,873	3,404
Other comprehensive income, to be reclassified to profit or loss in subsequent periods					
Result of changes in cash flow hedge reserve	8	1,765	(1,789)	1,765	(1,789)
Impact of income tax	17	(265)	268	(265)	268
Total comprehensive income for the year		3,745	2,714	3,373	1,883
Net profit attributable to:					
The shareholders of the Company		2,241	4,216	1,873	3,404
Non-controlling interests		4	19	-	-
		2,245	4,235	1,873	3,404
Total comprehensive income attributable to:					
The shareholders of the Company		3,741	2,695	3,373	1,883
Non-controlling interests		4	19	-	-
		3,745	2,714	3,373	1,883
Earnings per share (EPS) for continuing operations:	22				
Basic, profit for the year attributable to ordinary equity holders of the parent (in EUR)		287.56	542.46		

*Certain amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

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

General Manager	Linās Aldonis		19 January 2018
Finance Director	Tomas Staškūnas		19 January 2018
Chief Financier	Giedrius Ribakovas		19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

Statements of changes in equity

Group	Notes	Equity, attributable to the equity holders of the parent					Non-controlling interests	Total	
		Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings	Foreign currency translation reserve			Equity attributable to equity holders of the parent
Balance as of 31 December 2013		226	29	-	28,095	145	28,495	165	28,660
Net profit for the year		-	-	-	4,216	-	4,216	19	4,235
Other comprehensive income		-	-	(1,521)	-	-	(1,521)	-	(1,521)
Total comprehensive income		-	-	(1,521)	4,216	-	2,695	19	2,714
Acquisition of non-controlling interest	1	-	-	-	132	-	132	(165)	(33)
Balance as of 31 December 2014		226	29	(1,521)	32,443	145	31,322	19	31,341
Net profit for the year		-	-	-	2,241	-	2,241	4	2,245
Other comprehensive income		-	-	1,500	-	-	1,500	-	1,500
Total comprehensive income		-	-	1,500	2,241	-	3,741	4	3,745
Acquisition of non-controlling interest	1	-	-	-	(12)	-	(12)	(23)	(35)
Dividends approved	20	-	-	-	(20,000)	-	(20,000)	-	(20,000)
Balance as of 31 December 2015		226	29	(21)	14,672	145	15,051	-	15,051

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

General Manager	Linus Aldonis	19 January 2018
Finance Director	Tomas Staškūnas	19 January 2018
Chief Financier	Giedrius Ribakovas	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

AB NOVATURAS, company code 135567698, A. Mickevičius 27 av. 32, Kaunas, Lithuania
 CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
 (all amounts are in thousand EUR unless otherwise stated)

Statements of changes in equity (cont'd)

Company	Notes	Share capital	Legal reserve	Cash flow hedge reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2013		226	29	-	26,248	26,503
Net profit for the year		-	-	-	3,404	3,404
Other comprehensive income		-	-	(1,521)	-	(1,521)
Total comprehensive income		-	-	(1,521)	3,404	1,883
Balance as of 31 December 2014		226	29	(1,521)	29,652	28,386
Net profit for the year		-	-	-	1,873	1,873
Other comprehensive income		-	-	1,500	-	1,500
Total comprehensive income		-	-	1,500	1,873	3,373
Dividends approved	20	-	-	-	(20,000)	(20,000)
Balance as of 31 December 2015		226	29	(21)	11,525	11,759

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

General Manager	_____	Linas Aldonis	_____	19 January 2018
Finance Director	_____	Tomas Staskūnas	_____	19 January 2018
Chief Financier	_____	Giedrius Ribakovas	_____	19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

Statements of cash flows

	Notes	Group		Company	
		2015	2014	2015	2014
Cash flows from (to) operating activities					
Net profit		2,245	4,235	1,873	3,404
Adjustments for non-cash items:					
Depreciation and amortization	3, 4	222	43	154	11
Allowance for doubtful receivables and prepayments made	15	3	(4)	12	11
Change in deferred income tax	17	490	515	497	512
Current income tax expenses	17	140	151	84	89
Elimination of financial, investment and other non-cash activity results		1,858	(2,858)	1,814	(2,762)
		4,958	2,082	4,434	1,265
Changes in working capital:					
Decrease in inventories		3	2	-	-
(Increase) decrease in trade receivables		(14)	(184)	(1,622)	2,489
(Increase) decrease in other receivables		(109)	228	(94)	(27)
(Increase) decrease in prepayments and deferred expenses		891	(2,179)	591	(1,634)
Increase in trade payables		512	254	697	108
Increase in advances received		416	1,544	37	1,073
Income tax (paid)		(291)	(140)	(23)	-
Increase (decrease) in other accounts payable and accrued expenses		243	699	(248)	840
Net cash flows from operating activities		6,609	2,306	3,772	4,114
Cash flows from (to) investing activities					
(Acquisition) of non-current assets (except investments)	3, 4	(435)	(315)	(303)	(295)
Proceeds from sale of non-current assets (except investments)		-	1	-	-
Interest received		-	1	-	1
Collected loans		-	8	-	8
Net cash flows (to) investing activities		(435)	(305)	(303)	(286)

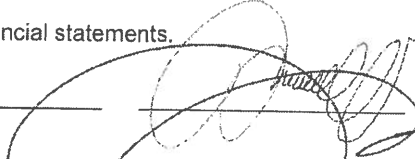
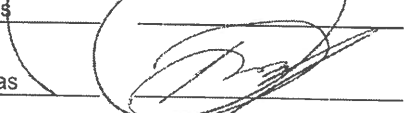
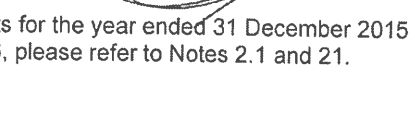
The accompanying notes are an integral part of these financial statements.

(cont'd on the next page)

Statements of cash flows (cont'd)

	Notes	Group		Company	
		2015	2014	2015	2014
Cash flows from financing activities					
Loans received	11	12,072	-	13,240	-
(Repayment) of loans		-	(4,123)	-	(6,387)
Interest (paid)		(13)	(150)	(13)	(150)
Dividends (paid)		(17,072)	-	(17,072)	-
Acquisition of non-controlling interest	1	(15)	(33)	(15)	(33)
Net cash flows (to) financing activities		(5,028)	(4,306)	(3,860)	(6,570)
Net increase (decrease) in cash flows		1,146	(2,304)	(391)	(2,742)
Cash and cash equivalents at the beginning of the year		4,715	7,019	3,613	6,355
Cash and cash equivalents at the end of the year		5,861	4,715	3,222	3,613

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

General Manager	Linus Aldonis		19 January 2018
Finance Director	Tomas Staškūnas		19 January 2018
Chief Financier	Giedrius Ribakovas		19 January 2018

These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, please refer to Notes 2.1 and 21.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**
(all amounts are in thousand EUR unless otherwise stated)**Notes to the financial statements****1 General information**

AB Novaturas (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. Mickevicius st. 27, Kaunas,
Lithuania.

The transformation of UAB Novaturas to AB Novaturas was registered in the register of legal entities on 25 November 2014. AB Novaturas took over all UAB Novaturas rights and obligations since the company's restructuring and a new legal status of the date of registration.

The Company operates as a tour operator and travel agency. The Company was registered on 16 December 1999.

The shareholders of the Company were:

	As of December 2015		As of December 2014	
	Number of shares held	Percentage	Number of shares held	Percentage
Central European Tour Operator S.R.A.L.	5,521	70.72 %	5,521	70.72 %
Vidas Paliūnas	762	9.76 %	762	9.76 %
Ugnius Radvila	762	9.76 %	762	9.76 %
Rytis Šūmakaris	762	9.76 %	762	9.76 %
Total	7,807	100.00 %	7,807	100.00 %

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

All shares with a nominal value of EUR 28.96 each are ordinary and were fully paid as of 31 December 2015 and 2014. The share capital did not change in 2015 and 2014. Subsidiaries did not hold any shares of the Company as of 31 December 2015 and 2014. The Company also did not hold its own shares.

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

Company	Registration address	Share of the stock held by the Group 2015.12.31	Share of the stock held by the Group 2014.12.31	Main activities
Novatours SIA	Kr. Valdemara str. 100, Riga, Latvia	100 %	99.14 %	Organization and distribution of tours
Novatours OU	Ravala pst. 6, Talinas, Estonia	100 %	100 %	Organization and distribution of tours
UAB Aviaturas ir partneriai	Konstitucijos av. 15/5, Vilnius, Lithuania	100 %	100 %	Organization and distribution of tours
SRL Novatours Holidays	M. Caramfil g. 53, Bucharest, Romania	100 %	100 %	Organization and distribution of tours

In 2015 and 2014 the subsidiary of the Company SRL Novatours Holidays was not active.

As of 31 December 2015 the Company had a branch with registered office at Jasinskio st. 16, Vilnius, Lithuania. The registration code of the branch is 125142371. Operating results of the branch are included in the financial statements of the Company.

As of 31 December 2015 the number of employees of the Group was 213 (as of 31 December 2014 – 198 employees) and the number of employees of the Company was 113 (as of 31 December 2014 – 107 employees).

2 Accounting principles

The main accounting principles, which have been applied in preparation of the Company's and the Group's financial statements for the year ended 31 December 2015, are as follows:

2.1. Basis of preparation

These 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 19 January, 2018. These financial statements replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016 and subsequently by the shareholders of the Company. Previously issued financial statements are re-issued based on the decision of the management as requested by the shareholders due to correction of error as a result of discovered management wrongdoing as disclosed in note 21. 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 financial statements.

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for derivative financial instruments that are carried at fair value.

Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group/Company as of 1 January 2015:

- Annual Improvements to IFRSs 2011 – 2013 Cycle
- IFRIC Interpretation 21: Levies
- **Annual Improvements to IFRSs 2011 – 2013 Cycle** is a collection of amendments to the following IFRSs:
 - **IFRS 3 *Business Combinations***: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
 - **IFRS 13 *Fair value Measurement***: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
 - **IAS 40 *Investment property***: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

IFRIC Interpretation 21 Levies

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs.

The implementation of these standards had no effect on the financial statements of the Group and the Company.

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The Group and the Company expects no material impact of the implementation of this standard.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* (effective for financial years beginning on or after 1 January 2017)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group and the Company but may result in changes in disclosures.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial years beginning on or after 1 January 2017)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group and the Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group and the Company does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group and the Company.

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 January 2016)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The implementation of these amendments will not have any impact on the financial position or performance of the Company.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group and the Company has no interest in a joint operations.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group and the Company has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception* (effective for financial years beginning on or after 1 January 2016)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The implementation of this standard will not have any impact on the Company as the Company is not investment entity.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group/Company has no associates or joint ventures, therefore these amendments will not have any impact on the financial statements of the Group/Company.

2 Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group/Company has not yet evaluated the impact of the implementation of this standard and the management plans to assess the impact of the implementation while preparing its 2017 annual financial statements.

IFRS 15: Revenue from Contracts with Customers (Clarifications) (effective for annual periods beginning on or after 1 January 2018).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The Group/Company has not yet evaluated the impact of the implementation of this standard as noted above.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group and the Company has not yet evaluated the impact of the implementation of this standard.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments) (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group/Company has no share based payment transactions, therefore these amendments will not have any impact on the financial statements of the Group/Company.

Amendments to IAS 40: Transfers to Investment Property (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group/Company has no investment property, therefore these amendments will not have any impact on the financial statements of the Group/Company.

IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group/Company has not yet evaluated the impact of the implementation of this interpretation.

Accounting principles (cont'd)

2.1. Basis of preparation (cont'd)

Improvements to IFRSs

In December 2013 IASB issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle** (effective for financial years beginning on or after 1 February 2015):

- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments*;
- IFRS 13 *Fair value Measurement*;
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures*;
- IAS 38 *Intangible Assets*.

In September 2014 IASB issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle** (effective for financial years beginning on or after 1 January 2016):

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
- IFRS 7 *Financial Instruments: Disclosures*;
- IAS 19 *Employee Benefits*;
- IAS 34 *Interim Financial Reporting*.

The adoption of the above amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group and the Company.

The IASB has issued the **Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. These amendments will not have any impact on the financial statements of the Group/Company.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

On 12 December 2017 the IASB issued **Annual Improvements to IFRS Standards 2015 – 2017 Cycle**, which contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are all effective for annual periods beginning on or after 1 January 2019. These annual improvements have not yet been endorsed by the EU. Annual Improvements to IFRS Standards 2015–2017 Cycle makes amendments to the following standards:

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 12 Income Taxes:** The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises. The Group/Company has not yet evaluated the impact of these amendments.
- **IAS 23 Borrowing Costs:** The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. These amendments are expected to have no impact of the Group/Company.

The Group and the Company plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2 Accounting policies (cont'd)**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 and in other Eurozone countries. 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.

Starting from 1 January 2015 euro has become the local currency of the Republic of Lithuania. As a result of transition to euro, all balances were converted from Litas (LTL) to euro at the official fixed rate of 3.4528 Litas for 1 euro.

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

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

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

2.3. Principles of consolidation

The consolidated financial statements of the Group include AB Novaturas 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). 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.

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.

Losses of subsidiaries are attributed to the non-controlling interest even if that results in a deficit balance.

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

2 Accounting policies (cont'd)**2.3. Principles of consolidation (cont'd)**Business combinations

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

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

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

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

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

2.4. Investments in subsidiaries (the Company)

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

2.5. 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.

2.6. 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.

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

2 Accounting policies (cont'd)

2.6. Property, plant and equipment (cont'd)

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.

2.7. Financial assets

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets at fair value through profit or loss

The financial assets that are accounted at fair value through profit and loss includes financial assets that are held for sale, if financial assets was acquired for the purpose of selling it in the near future and assets that have been classified to this category at initial recognition. Gain or losses on investments held for selling are recognized in the statement of comprehensive income.

Derivative financial instruments, for which hedge accounting is not applied, are classified as financial asset at fair value through profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group / the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortized cost, using effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized (written-off) when they are assessed as uncollectible.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealized gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of comprehensive income.

2 Accounting principles (cont'd)

2.7. Financial assets (cont'd)

Hedge accounting

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

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

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.

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.

2.8. 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/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.

2 Accounting principles (cont'd)**2.8. Fair value (cont'd)**

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group/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/Company's management at each reporting date. For the purpose of fair value disclosures, the Group/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.

2.9. Derecognition of financial assets and liabilitiesFinancial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group / the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group / the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group / the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group / the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

2.10. Cash and cash equivalents

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

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

2 Accounting principles (cont'd)

2.11. 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 2014 and 2015.

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.

2.12. Financial and operating leases

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

Financial lease

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

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

Operating lease

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

2.13. Provisions

Provisions are recognized when the Group / 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 Accounting principles (cont'd)**2.14. Income tax**

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

Standard income tax rate in Lithuania is 15 %.

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

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

According to Estonian legislation, profit of Estonian entities is not subject to income tax, if the profits are retained in the Company. 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.

Income tax rate in Romania and Latvia is 16% and 15%, respectively.

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.

2.15. Revenue recognition

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

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

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

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

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

2.16. Commission expenses

Commissions, which are paid to travel agencies for sale of travel packages provided by the Company and the Group, are recognized as operating expenses.

2 Accounting principles (cont'd)**2.17. Impairment of assets**Financial assets

Financial assets are reviewed for impairment at each reporting date.

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

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

Other assets (excluding goodwill)

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

Goodwill

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

2.18. 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 2.6 and 4), amortization (Notes 2.5 and 3), impairment evaluation of goodwill (Notes 2.3 and 3), including judgment on allocation of goodwill to the group of cash generating units (CGU) due to inability to allocate on a non-arbitrary basis to individual CGU, impairment evaluation of other assets (Notes 2.18, 5, 6 and 7, 8) and assumptions used while assessing accrued revenue amount (Note 7) and estimation of error correction as disclosed in Note 21 as judgment was required in concluding which expenses possibly caused damage to the subsidiary as well as assessing the potential additional tax risks. 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.

2.19. 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 economic benefits is probable.

2.20. Subsequent events

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

2.21. 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.

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets

Group	Goodwill	Software	Total
Acquisition cost:			
Balance as of 31 December 2013	30,326	253	30,579
Additions	-	179	179
Write-offs	-	(2)	(2)
Balance as of 31 December 2014	30,326	430	30,756
Additions	-	175	175
Balance as of 31 December 2015	30,326	605	30,931
Accumulated amortization/impairment of goodwill:			
Balance as of 31 December 2013	-	200	200
Charge for the year	-	19	19
Write-offs	-	(28)	(28)
Balance as of 31 December 2014	-	191	191
Charge for the year	-	122	122
Balance as of 31 December 2015	-	313	313
Net book value as of 31 December 2015	30,326	292	30,618
Net book value as of 31 December 2014	30,326	239	30,565
Net book value as of 31 December 2013	30,326	53	30,379

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

3 Intangible assets (cont'd)**Company**

	Goodwill	Software	Total
Acquisition cost:			
Balance as of 31 December 2013	30,327	173	30,500
Additions	-	179	179
Balance as of 31 December 2014	30,327	352	30,679
Additions	-	172	172
Balance as of 31 December 2015	30,327	524	30,851
Accumulated amortization /impairment of goodwill:			
Balance as of 31 December 2013	-	146	146
Charge for the year	-	17	17
Write-offs	-	(34)	(34)
Balance as of 31 December 2014	-	129	129
Charge for the year	-	109	109
Balance as of 31 December 2015	-	238	238
Net book value as of 31 December 2015	30,327	286	30,613
Net book value as of 31 December 2014	30,327	223	30,550
Net book value as of 31 December 2013	30,327	27	30,354

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

For the purposes of measurement of goodwill impairment, total goodwill as of 31 December 2015 and 2014 was allocated to all subsidiaries of UAB Novaturas (units generating cash flows from tour organizing and distribution, flight package tours segment) owned at the moment of business combination.

The recoverable amount of every cash generating unit as of 31 December 2015 and 2014 was determined based on the expected future cash flows of these units in accordance with 5 year forecasts approved by the management. The main assumptions on which cash flow projections are based in 2015 and 2014 are described below. When determining the recoverable amount of cash generating units in 2015 and 2014 it was assumed that the level of commissions and related costs would not change and the increase of operating expenses will be lower than increase of revenue due to increased efficiency of work organization. Starting from 2016, there will be a reasonable increase of revenue influenced by rising prices and recovering market. Cash flows after 5 years horizon were extrapolated based on 2 % constant annual growth assumption, which reflects the best management's estimate of the situation in this industry. Discount rates were based on weighted average cost of capital applicable to each cash generating unit individually, and are as follows: 12.84 % (after tax) - for Lithuanian, 12.84 % (after tax) – for Latvian, 12.84 % (after tax) – for Estonian cash generating units (in 2015 (after tax) – 12.84 %, 12.84 %, 12.84 %, respectively).

Based on the total estimated recoverable values of group of cash generating units as of 31 December 2015 and 2014, 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 of 31 December 2015 and 2014 as described above would result in material impairment.

The Group and the Company has no internally generated intangible assets. The amortization expenses for the years 2015 and 2014 are included within operating expenses in the statement of comprehensive income.

Software with the acquisition cost of EUR 258 thousand as of 31 December 2015 (EUR 241 thousand as of 31 December 2014) was fully amortized, but was still in use by the Group. Software with the acquisition cost of EUR 126 thousand as of 31 December 2015 (EUR 121 thousand as of 31 December 2014) was fully amortized, but was still in use by the Company.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment**Group**

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:				
Balance as of 31 December 2013	206	223	75	504
Additions	20	52	63	135
Disposals	(12)	(64)	(33)	(109)
Balance as of 31 December 2014	214	211	105	530
Additions	13	125	122	260
Disposals	(76)	(74)	(9)	(159)
Balance as of 31 December 2015	151	262	218	631
Accumulated depreciation:				
Balance as of 31 December 2013	175	190	37	402
Charge for the year	11	14	33	58
Disposals	(12)	(63)	(34)	(109)
Balance as of 31 December 2014	174	141	36	351
Charge for the year	17	21	62	100
Disposals	(76)	(74)	(9)	(159)
Balance as of 31 December 2015	115	88	89	292
Net book value as of 31 December 2015	36	174	129	339
Net book value as of 31 December 2014	40	70	69	179
Net book value as of 31 December 2013	31	33	38	102

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

4 Property, plant and equipment (cont'd)**Company**

	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Acquisition cost:				
Balance as of 31 December 2013	144	246	44	434
Additions	20	52	44	116
Disposals	(12)	(63)	(24)	(99)
Balance as of 31 December 2014	152	235	64	451
Additions	13	109	9	131
Disposals	(76)	(75)	-	(151)
Balance as of 31 December 2015	89	269	73	431
Accumulated depreciation:				
Balance as of 31 December 2013	121	217	44	382
Charge for the year	11	14	4	29
Disposals	(12)	(63)	(24)	(99)
Balance as of 31 December 2014	120	168	24	312
Charge for the year	17	20	8	45
Disposals	(76)	(75)	-	(151)
Balance as of 31 December 2015	61	113	32	206
Net book value as of 31 December 2015	28	156	41	225
Net book value as of 31 December 2014	32	67	40	139
Net book value as of 31 December 2013	23	29	-	52

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 2015 and 2014 are included within operating expenses.

Property, plant and equipment of the Group and the Company with acquisition cost of EUR 298 thousand and EUR 221 thousand, respectively, were fully depreciated as of 31 December 2015 (as of 31 December 2014 – EUR 303 thousand and EUR 258 thousand, respectively), but were still in use. Depreciated property, plant and equipment still in use consist of computer hardware and other equipment.

AB NOVATURAS
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

5 Investments into subsidiaries

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

Subsidiary	2015				2014			
	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	37	176	1,059	99.14	334	176
Novatours OU	1,786	100	327	102	1,786	100	625	102
UAB Aviaturas ir Partneriai	361	100	9	36	361	100	5	36
SRL Novatours Holidays	95	100	-	-	95	100	-	-
Less impairment	(95)	-	-	-	(95)	-	-	-
Total carrying value	3,220				3,206			

As of 31 December 2015 and 2014 impairment of investment into subsidiary SRL Novatours Holidays was accounted for.

As of 31 December 2015 the shares of SIA Novatours, OU Novatours and UAB Aviaturas ir Partneriai, owned by the Company, were pledged to the AB DNB bankas in accordance with the credit line agreement (Note 11).

As of 31 December 2014 the shares of SIA Novatours, OU Novatours and UAB Aviaturas ir Partneriai, owned by the Company, were pledged to the bank Swedbank, AB in accordance with the credit line agreement (Note 11).

6 Prepayments and deferred expenses

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Prepayments	3,457	4,509	2,721	3,180
Deferred expenses	484	283	48	68
Less: impairment	(116)	(116)	-	-
	3,825	4,676	2,769	3,248

The main part of the Group's and the Company's prepayments as of 31 December 2015 and 2014 consisted of amounts paid to suppliers for flight tickets and hotels. Change in allowance for doubtful prepayments for the years 2015 and 2014 has been included into operating expenses. Deferred expenses of the Group and the Company consist of cost related to airline tickets, hotel services, visas, ferry boat tickets and other services.

7 Trade and other receivables

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Trade receivables, gross	742	727	464	386
VAT receivable	112	103	112	103
Other receivables	156	144	12	17
Less: allowance for doubtful receivables	(199)	(196)	(164)	(152)
	811	778	424	354

Change in allowance for doubtful receivables for the year 2015 and 2014 has been included into operating expenses.

AB NOVATURAS
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

7 Trade and other receivables (cont'd)

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

	Group	Company
	<u>Individually impaired</u>	<u>Individually impaired</u>
Balance as of 31 December 2013	(200)	(141)
Charge for the year	15	-
Reversal of impairment for the year	(11)	(11)
Balance as of 31 December 2014	(196)	(152)
Reversal of impairment for the year	29	20
Charge for the year	(32)	(32)
Balance as of 31 December 2015	<u>(199)</u>	<u>(164)</u>

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

	<u>Receivables neither past due nor impaired</u>	<u>Receivables past due, but not impaired</u>					<u>Total</u>
		<u>Less than 30 days</u>	<u>30 – 60 days</u>	<u>60 – 90 days</u>	<u>90 – 120 days</u>	<u>More than 120 days</u>	
2014	200	30	158	60	109	118	675
2015	284	64	162	56	53	80	699

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

	<u>Receivables neither past due nor impaired</u>	<u>Receivables past due, but not impaired</u>					<u>Total</u>
		<u>Less than 30 days</u>	<u>30 – 60 days</u>	<u>60 – 90 days</u>	<u>90 – 120 days</u>	<u>More than 120 days</u>	
2014	48	20	57	45	27	54	251
2015	72	62	16	52	51	59	312

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

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

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

	Group		Company	
	<u>As of 31 December 2015</u>	<u>As of 31 December 2014</u>	<u>As of 31 December 2015</u>	<u>As of 31 December 2014</u>
Financial asset at fair value through other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	10	514	10	514
Total financial assets at fair value through other comprehensive income	<u>10</u>	<u>514</u>	<u>10</u>	<u>514</u>
Financial asset at fair value through profit or loss				
Derivatives deposit	-	1,913	-	1,913
Total financial asset at fair value through profit or loss	<u>-</u>	<u>1,913</u>	<u>-</u>	<u>1,913</u>
Total other current financial assets	<u>10</u>	<u>2,427</u>	<u>10</u>	<u>2,427</u>

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

8 Other current financial assets and other current and non-current financial liabilities (cont'd)

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Other non-current financial liabilities at fair value other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	-	863	-	863
Other current financial liabilities at other comprehensive income				
Derivative financial instruments that are subject to hedge accounting	35	1,441	35	1,441
Total other current and non-current financial liabilities	35	2,304	35	2,304

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, until the factual date when hedge transaction occurs. The transactions, which are hedged by the instruments are expected to occur within next financial year.

As of 31 December 2015 the Group and the Company accounted for current liability of EUR 35 thousand as well as asset of EUR 10 thousand which were respectively accounted for in the financial statements under the captions of other current assets and other current liabilities.

As of 31 December 2015 the Group and the Company has accounted for the loss of EUR 926 thousand, by increasing the main activity cost of aviation and hotel respectively by EUR 610 thousand and EUR 316 thousand, in profit or loss of the statement of comprehensive income.

As of 31 December 2014 the Group and the Company accounted for non-current liability of EUR 863 thousand and current liability of EUR 1,441 thousand as well as asset of EUR 514 thousand which were respectively accounted for in the financial statements under the captions of other current assets and other current and non-current liabilities. In the statement of comprehensive income the Group and the Company has accounted for the gain of EUR 188 thousand under the caption of result of changes in cash flow hedge.

9 Cash and cash equivalents

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Cash at bank	5,054	4,410	3,183	3,546
Cash on hand	128	147	30	41
Cash in transit	26	39	9	26
Term deposits with maturities of less than 3 months	653	119	-	-
	5,861	4,715	3,222	3,613

As of 31 December 2014 the Company's cash held in AB Swedbank bank accounts was pledged for a credit line provided by the bank (Note 11), however, there were no limitations to use those funds.

AB NOVATURAS
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

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 of 31 December 2015 and 2014 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 presented in equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding investment, the exchange differences accumulated in the translation reserve are recognized as income or expenses in the same period, when the gain or loss on disposal by investment is recognized.

Cash flow hedge reserve

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

11 Borrowings

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Long term borrowings				
AB DNB bankas loan, annual interest rate as at 31 December 2015 – 3 month EURIBOR + 3.20 %	12,072	-	12,072	-
Total long term borrowings	12,072	-	12,072	-
Less: current portion of non-current borrowings	(3,158)	-	(3,158)	-
	<u>8,914</u>	<u>-</u>	<u>8,914</u>	<u>-</u>
Short term borrowings				
Short-term loan granted by Novatours OU (EUR), annual interest rate as at 31 December 2015 – 1.7 %	-	-	4,089	-
Over-night loan loan granted by Novatours OU (EUR), interest free	-	-	1,715	4,596
Over-night loan loan granted by UAB Aviaturas ir Partneriai (EUR), interest free	-	-	75	-
Over-night loan loan granted by Novatours SIA (EUR), interest free	-	-	2,439	2,554
	<u>--</u>	<u>-</u>	<u>8,318</u>	<u>7,150</u>

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

	2015	2014
Short term loans	1.7 %	-
Long term loans	3.2 %	-

In 2015 and 2014 part of the Company's short-term loans were interest-free, since loans have very short maturities, interests would not be material.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

11 Borrowings (cont'd)

Terms of repayment of debts are as follows:

Year	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
2016	3,158	-	3,158	-
2017	3,158	-	3,158	-
2018	3,158	-	3,158	-
2019	2,598	-	2,598	-
	12,072	-	12,072	-

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

Currency of the borrowing:	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
EUR	12,072	-	20,390	7,150
	12,072	-	20,390	7,150

As of 31 December 2015 shares of SIA Novatours, OU Novatours ir UAB Aviaturas ir Partneriai owned by the Company were pledged to AB DNB bankas for non-current loan and credit line granted (Note 5).

As of 31 December 2014 shares of SIA Novatours, OU Novatours ir UAB Aviaturas ir Partneriai owned by the Company were pledged to AB Swedbank bank for credit line granted (Note 5).

As of 31 December 2014 the Company's cash held in AB Swedbank bank accounts was pledged for the credit line provided by the bank (Note 10).

As of 31 December 2015 total amount of unused credit facility of the Company and the Group was equal to EUR 4,928 thousand (as of 31 December 2015 – EUR 2,000 thousand).

In November, 2015 the Company signed agreement with AB DNB bankas regarding new overdraft which changed previous AB Swedbank overdraft. According to this agreement the bank set maximum overdraft limit amounting to EUR 2,000 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period does not exceed the maximum credit limit agreed for that particular period.

In November, 2015 the Company signed agreement with AB DNB bankas regarding long-term loan. Principal amount of the loan amounts to EUR 15,000 thousand, which maturity is till 31 October 2020. As of 31 December 2015 the unused balance of this loan amounted to EUR 2,928 thousand.

In October, 2014 the Company signed an agreement with the Swedbank AB bank regarding changes and supplements of credit contract terms. The bank set the maximum overdraft amount of EUR 2,000 thousand for 2015 as well as committed to provide an additional credit line of EUR 1,500 thousand. The Company will be able to take or repay all or a part of a credit if the total amount of the credit outstanding in a particular period does not exceed the maximum credit limit agreed for that particular period. The credit amount which will be provided and not paid back have to be repaid until 28 November 2015. The credit line had to be repaid until 28 November 2015. In 2015 the Company has not used this overdraft.

According to credit and loan agreements of the bank the Group and the Company must comply with financial and non-financial ratios and covenants. According to the management's assessment, as of 31 December 2015 and 2014 the Group and the Company complied with these covenants.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

12 Other current liabilities and accrued expenses

	Group		Company	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Payroll related liabilities	362	365	252	251
Taxes payable (except for income tax)	193	70	-	-
Other payables and accrued expenses	472	349	201	245
	1,027	784	453	496

13 Sales

	Group		Company	
	2015*	2014*	2015	2014
Flight package tours	84,658*	77,468*	46,118	40,199
Sightseeing tours by coach	2,809	2,547	2,809	2,547
Sightseeing tours by plane	1,225	876	1,225	876
Other sales	10,399	10,019	9,663	10,924
	99,091	90,910	59,815	54,546

*The amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

14 Cost of sales

	Group		Company	
	2015*	2014*	2015	2014
Cost of flight package tours	68,844*	62,643*	38,864	32,903
Cost of sightseeing tours by coach	2,272	2,046	2,272	2,046
Cost of sightseeing tours by plane	868	691	868	691
Cost of other sales	9,911*	9,843	7,678	9,394
	81,895	75,223	49,682	45,034

*Certain amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

AB NOVATURAS
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
 (all amounts are in thousand EUR unless otherwise stated)

15 Operating expenses

	Group		Company	
	2015*	2014*	2015	2014
Commissions	4,859	4,488	2,714	2,403
Salaries and related taxes	3,556	3,086	1,686	1,549
Advertising and marketing expenses	1,052	968	568	546
Rent and maintenance expenses	295	284	122	114
Depreciation and amortization	222	78	154	46
Allowance for and write-off of receivables and prepayments made	12	148	12	11
Business trips expenses	137	84	103	57
Communication expenses	95	83	43	36
Consulting expenses	198	299	211	246
Transportation expenses	115	123	72	76
Representation expenses	91	64	14	24
Training expenses	23	52	22	52
Other	1,166*	907*	436	242
	11,821	10,664	6,157	5,402

*Certain amounts shown here do not correspond to the 2015 financial statements previously issued on 22 June 2016 and reflect adjustments made, refer to Note 21.

The Group and the Company had several contracts of operating lease of offices and vehicles concluded as of 31 December 2015 and 2014. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements.

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

	Group		Company	
	2015	2014	2015	2014
Within one year	152	138	50	50
From the second to the fifth year inclusive	404	392	83	85
After five years	445	336	-	-
	1,001	866	133	135

The Company has also several vehicle operating lease agreements with employees, but these agreements are cancellable, therefore minimum lease payments related to those agreements are not presented.

16 Finance income (expenses), net

	Group		Company	
	2015	2014	2015	2014
Interest income	-	1	-	1
Foreign currency exchange gain	186	-	110	-
Other financial income (including fines)	7	1	7	-
Total financial income	193	2	117	1
Interest (expenses)	(13)	(72)	(13)	(72)
Loss from derivative financial instruments	(2,274)	(31)	(1,333)	(31)
Foreign currency exchange (loss)	(258)	(60)	(215)	(10)
Other financial expenses	(91)	(5)	(83)	(5)
Total financial (expenses)	(2,636)	(168)	(1,644)	(118)
	(2,443)	(166)	(1,527)	(117)

Loss from derivative financial instruments in 2015 represents the effect of termination of hedging relationship due to the early termination of derivatives contracts by the Company/the Group in the process of changing the Group's bank.

AB NOVATURAS
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015
 (all amounts are in thousand EUR unless otherwise stated)

17 Income tax

	Group		Company	
	2015	2014	2015	2014
Components of the income tax expenses (income)				
Current income tax expenses	140	155	84	90
Deferred income tax (income) expenses	491	511	497	511
Income tax (income) expenses recorded in the statement of comprehensive income	631	666	581	601
	Group		Company	
	2015	2014	2015	2014
Deferred income tax asset				
Tax loss carry forward	635	825	632	825
Impairment of investments and loans granted	-	-	224	224
Allowance for doubtful accounts receivable	30	30	25	23
Derivative financial instruments	4	268	4	268
Other accruals	16	14	5	9
Deferred income tax asset, before fair value allowance	685	1,137	890	1,349
Less: allowance	(6)	(6)	(224)	(224)
Deferred income tax asset, net of fair value allowance	679	1,131	666	1,125
Deferred income tax liability				
Amortization of goodwill and other intangibles	(2,199)	(1,896)	(2,199)	(1,896)
Deferred income tax liability	(2,199)	(1,896)	(2,199)	(1,896)
Deferred income tax, net	(1,520)	(765)	(1,533)	(771)
Deferred income tax asset	13	6	-	-
Deferred income tax liability	(1,533)	(771)	(1,533)	(771)

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (cont'd)

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 2015 and 2014. As of 31 December 2015 and 2014, deferred taxes of Estonian, Romanian and Latvian entities were calculated using rates of 0%, 16% and 15% respectively.

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 4,096 thousand as of 31 December 2015, income tax liability would amount to EUR 1,089 thousand. This income tax calculation is based on 20/80 tax tariff applicable for distributable profits.

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

	As of 31 December 2014	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2015
Tax loss carry forward	5,504	(1,271)	-	4,233
Impairment of investments and loans granted	(1)	-	-	(1)
Allowance for doubtful accounts receivable	196	4	-	200
Amortization of goodwill and other intangibles	(12,636)	(2,022)	-	(14,658)
Derivative financial instruments	1,789	-	(1,764)	25
Other accruals	88	19	-	107
Total temporary differences before fair value allowance	(5,060)	(3,270)	(1,764)	(10,094)
Less: allowance	(40)	-	-	(40)
Total temporary differences	(5,100)	(3,270)	(1,764)	(10,134)
Deferred income tax, net	(765)	(491)	(265)	(1,520)

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

	As of 31 December 2014	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2015
Tax loss carry forward	5,504	(1,289)	-	4,215
Impairment of investments and loans granted	996	-	-	996
Allowance for doubtful accounts receivable	152	12	-	164
Derivative financial instruments	1,789	-	(1,764)	25
Other accruals	54	(18)	-	36
Amortization of goodwill	(12,636)	(2,022)	-	(14,658)
Total temporary differences before fair value allowance	(4,141)	(3,317)	(1,764)	(9,222)
Less: allowance	(996)	-	-	(996)
Total temporary differences	(5,137)	(3,317)	(1,764)	(10,218)
Deferred income tax, net	(771)	(498)	(265)	(1,533)

AB NOVATURAS
CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

17 Income tax (cont'd)

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

	As of 31 December 2013	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2014
Tax loss carry forward	6,896	(1,392)	-	5,504
Impairment of investments and loans granted	-	(1)	-	(1)
Allowance for doubtful accounts receivable	189	7	-	196
Amortization of goodwill and other intangibles	(10,622)	(2,014)	-	(12,636)
Derivative financial instruments	31	(31)	1,789	1,789
Other accruals	68	20	-	88
Total temporary differences before allowance	<u>(3,438)</u>	<u>(3,411)</u>	<u>1,789</u>	<u>(5,060)</u>
Less: allowance	(47)	7	-	(40)
Total temporary differences	<u>(3,485)</u>	<u>(11,752)</u>	<u>1,789</u>	<u>(5,100)</u>
Deferred income tax, net	(522)	(510)	267	(765)

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

	As of 31 December 2013	Recognized in statement of comprehensive income	Recognized in other comprehensive income	As of 31 December 2014
Tax loss carry forward	6,896	(1,392)	-	5,504
Impairment of investments and loans granted	1,496	(500)	-	996
Allowance for doubtful accounts receivable	141	11	-	152
Derivative financial instruments	31	(31)	1,789	1,789
Other accruals	24	30	-	54
Amortization of goodwill	(10,622)	(2,014)	-	(12,636)
Total temporary differences before allowance	<u>(2,034)</u>	<u>(3,896)</u>	<u>1,789</u>	<u>(4,141)</u>
Less: allowance	(1,496)	500	-	(996)
Total temporary differences	<u>(3,530)</u>	<u>(3,396)</u>	<u>1,789</u>	<u>(5,137)</u>
Deferred income tax, net	(527)	(511)	267	(771)

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

	Group		Company	
	2015	2014	2015	2014
Income tax expenses (income) computed at statutory rate 15%	431	735	368	601
Effect of different tax rate applicable to foreign subsidiaries	(49)	(94)	-	-
Change in deferred tax asset valuation allowance	-	(1)	-	-
Non-deductible expenses for tax purposes (not taxable income)	249	26	213	-
Income tax expenses reported in the statement of comprehensive income	<u>631</u>	<u>666</u>	<u>581</u>	<u>601</u>

18 Financial assets and liabilities and risk management

Credit risk

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

The Group and the Company do not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the statement of financial position. Consequently, the Group and the Company consider that their maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognized at the statement of financial position. Moreover, the Group's and the Company's ageing analysis of trade receivables as of 31 December 2015 and 2014 shows that there are no significant debts overdue more than 90 days.

Interest rate risk

As of 31 December 2015 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 of 31 December 2015 and 2014. As of 31 December, 2014 the Group and the Company did not have any loans with fluctuating interest rate.

Based on the Group's and the Company's management assessment, possible changes in interest rates do not have significant effect on profit before tax of the Group and the Company.

Foreign exchange risk

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

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

As of 31 December 2015 the Group and the Company has accounted for the loss of EUR 926 thousand, by increasing the main activity cost of aviation and hotel respectively by EUR 610 thousand and EUR 316 thousand, in profit or loss of the statement of comprehensive income.

As of 31 December 2014 the Group and the Company has accounted for the profit of EUR 188 thousand, by reducing the main activity cost of aviation and hotel respectively by EUR 128 thousand and EUR 66 thousand, in profit or loss of the statement of comprehensive income.

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)

Foreign exchange risk (cont'd)

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

Group	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Lithuanian litas	-	-	3,556	4,386
Euro	6,827	19,253	4,324	1,044
U.S dollars	105	930	90	540
Indian rupee	1	-	1	-
Tunisian dinar	11	5	2	5
Thai Baht	8	88	-	81
	6,952	20,276	7,973	6,056

Company	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Lithuanian litas	-	-	3,063	4,245
Euro	5,295	26,865	3,443	7,932
U.S. dollars	82	834	72	448
Indian rupee	11	-	11	-
Tunisian dinar	2	5	2	5
Thai Baht	8	88	-	80
	5,398	27,792	6,591	12,710

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

	Group		Company	
	Increase/decrease in basis points	Effect on the profit before tax	Increase/decrease in basis points	Effect on the profit before tax
2015				
U.S dollars	(10%)	83	(10%)	75
U.S dollars	10%	(83)	10%	(75)
2014				
U.S. dollars	(10%)	45	(10%)	38
U.S. dollars	10%	(45)	10%	(38)

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)Fair value of financial assets and liabilities

The Group's and the Company's principal financial instruments not carried at fair value are trade and other receivables, trade, related parties and other payables, long-term and short-term borrowings.

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

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

There were no movements on the financial instruments between the levels during 2015 and 2014.

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

	Carrying amount		Fair value	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Financial assets				
Cash and cash equivalents	5,861	4,715	5,861	4,715
Trade accounts receivable	542	531	542	531
Other current financial assets	10	2,427	10	2,427
Other receivables	156	144	156	144
Financial liabilities				
Interest bearing borrowings	12,072	-	12,072	-
Trade accounts payable and payables to related parties	5,548	2,108	5,548	2,108
Other current financial liabilities	35	2,303	35	2,303
Other current liabilities and accrued expenses	472	348	472	348

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)Fair value of financial assets and liabilities (cont'd)

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

	Carrying amount		Fair value	
	As of 31 December 2015	As of 31 December 2014	As of 31 December 2015	As of 31 December 2014
Financial assets				
Cash and cash equivalents	3,222	3,613	3,222	3,613
Accounts receivable from related parties	1,742	197	1,742	197
Trade accounts receivable	299	234	299	234
Other current financial asset	10	2,427	10	2,427
Other receivables	12	17	12	17
Financial liabilities				
Interest bearing borrowings	16,161	-	16,161	-
Interest free short term loans	4,229	7,150	4,229	7,150
Trade accounts payable (including trade payables to related parties)	5,320	1,901	5,320	1,901
Other current financial liabilities	35	2,303	35	2,303
Other current liabilities and accrued expenses	201	245	201	245

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

Liquidity management

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

The Group's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets – inventories) / total current liabilities) as of 31 December 2015 were 0.66 and 0.66, respectively (1.21 and 1.21 as of 31 December 2014, respectively). The Company's liquidity and quick ratios as of 31 December 2015 were 0.41 and 0.41, respectively (0.72 and 0.72 as of 31 December 2014).

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:

- As of 31 December 2015 total amount of unused credit facility for the Group and the Company was equal to EUR 4,928 thousand (as of 31 December 2014 – EUR 2,000 thousand).
- As the main objective in 2015 of the Group and the Company is the same for the year 2016 - to be profitable and to generate positive cash flows, the management believes, that plans for the year 2016 will be achieved.

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 and plan to manage the effect of seasonality to cash flows by the use of credit line. Company's going concern assessment is made in the context of the Group as the Company can use free financial resources of its subsidiaries.

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)

The table below summarizes the maturity profile of the Group's financial liabilities as of 31 December 2015 and 2014 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	97	3,378	9,355	12,830
Trade accounts payable and payables to related parties	-	5,548	-	-	5,548
Other current financial liabilities	-	-	35	-	35
Other current liabilities	-	472	-	-	472
As of 31 December 2015	-	6,117	3,413	9,355	18,885
Trade accounts payable and payables to related parties	-	2,108	-	-	2,108
Other non-current financial liabilities	-	-	-	863	863
Other current financial liabilities	-	-	1,441	-	1,441
As of 31 December 2014	-	2,108	1,441	863	4,412

The table below summarizes the maturity profile of the Company's financial liabilities as of 31 December 2015 and 2014 based on contractual undiscounted payments:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest bearing borrowings	-	97	7,537	9,355	16,989
Interest free short term loans	4,229	-	-	-	4,229
Trade accounts payable (including trade payables to related parties)	-	5,320	-	-	5,320
Other current financial liabilities	-	-	35	-	35
Other current liabilities	-	201	-	-	201
As of 31 December 2015	4,229	5,618	7,572	9,355	26,774
Interest free short term loans	7,150	-	-	-	7,150
Trade accounts payable (including trade payables to related parties)	-	1,901	-	-	1,901
Other non-current financial liabilities	-	-	-	863	863
Other current financial liabilities	-	-	1,441	-	1,441
As of 31 December 2014	7,150	1,901	1,441	863	11,355

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

18 Financial assets and liabilities and risk management (cont'd)Capital management

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

The Group and the Company manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of their activities. To maintain or adjust the capital structure, the Group and the Company may issue new shares, adjust the dividend payment to shareholders and return capital to shareholders. No changes were made in the objectives, policies or processes of capital management during the years ended 31 December 2015 and 2014.

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 of 31 December 2015 The Company and the Group had external share capital requirements from the bank regarding equity and asset ratio. There were no other externally imposed capital requirements on the Group and the Company as of 31 December 2014. As of 31 December 2015 and 2014 the Company and the Group were in compliance with the above mentioned requirement.

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

	<u>Group</u>		<u>Company</u>	
	<u>As of 31 December 2015</u>	<u>As of 31 December 2014</u>	<u>As of 31 December 2015</u>	<u>As of 31 December 2014</u>
Non-current liabilities	10,450	1,645	10,447	1,634
Current liabilities	16,234	10,411	20,019	13,714
Total liabilities	26,684	12,056	30,466	15,348
Equity attributable to the equity holders of the parent	15,051	31,322	11,759	28,386
Liabilities and equity ratio	1.77	0.38	2.59	0.54

19 Commitments and contingencies

The Group and the Company had no material commitments or contingencies as of 31 December 2015 and 2014.

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 2015 and 2014 were as follows (also see the table below):

Subsidiaries:

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

The shareholders of the Company are disclosed in the Note 1.

AB NOVATURAS

CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(all amounts are in thousand EUR unless otherwise stated)

20 Related party transactions (cont'd)

Group	2015			
	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	2,928
Management related parties	-	-	-	-
	-	-	-	2,928
2014	2014			
	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Management related parties	-	-	-	-
	-	-	-	-

In addition, as outlined in Note 21 **Error! Reference source not found.**, previously not identified related parties – entities related to the management of Estonian subsidiary were identified. Transactions amounts are not included in the table above, but are presented in Note 21 below.

Company

2015	2015			
	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	2,928
Subsidiaries	1,489	5,537	1,742	8,481
	1,489	5,537	1,742	11,409
2014	2014			
	Purchases	Sales	Receivable amounts (including loans)	Payable amounts (including loans)
The shareholders of the Company	-	-	-	-
Subsidiaries	1,302	8,907	197	7,568
	1,302	8,907	197	7,568

As of 31 December 2015 and 2014 there were no guaranties provided or assets pledged for any related party receivable or payable amounts. It is expected to cover receivable and payable amounts with related parties by cash payments or offsetting with payable or receivable amounts from these parties.

Approved dividends per one share amounted to EUR 2.56 thousand in 2015. There were no dividends approved in 2014.

As of 31 December 2015 the Group and the Company have accounted for EUR 2,928 thousand dividends payable in the caption of payables to related parties.

Transactions with related parties of the Company include purchases and sales of travel packages, commissions. 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 2015 and 2014:

	Receivables past due but not impaired					Total
	Receivables neither past due nor impaired	less than 30 days	31 – 60 days	61 – 90 days	overdue for more than 91 day	
2014	197	-	-	-	-	197
2015	1,742	-	-	-	-	1,742

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**
(all amounts are in thousand EUR unless otherwise stated)**20 Related party transactions (cont'd)**Management remuneration and other payments

In 2015, the remuneration for the management of the Group and the Company amounted to EUR 367 thousand and EUR 163 thousand, respectively (EUR 322 thousand and EUR 152 thousand, respectively, in 2014). The management of the Group comprised 6 persons as of 31 December 2015 (5 persons as of 31 December 2014). The management of the Company consisted of 2 persons as of 31 December 2015 (2 persons as of 31 December 2014).

In addition, as outlined in Note 21, the management of subsidiary in Estonia has, without any authorization or approval by the subsidiary's shareholder, awarded themselves suspected remuneration EUR 89 thousand in 2015 (EUR 11 thousand in 2014) in excess of their contractually limited remuneration for respective years. These amounts are not included in the figures of the Group management remuneration above.

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

21 Correction of an error

Investigation done during year 2017 has uncovered improper management behavior and accounting in subsidiary in Estonia. Part of the expenses related to subsidiary's activities (salaries, consultation expenses, business trip expenses, other expenses) were reported improperly as cost of goods sold. Also some income of fines to customers for termination of contracts were not reported as income. Several key employees of the subsidiary received increased salary payments which were not approved by the supervising bodies. Some amounts were paid to external parties (some of them owned directly or indirectly by employees who committed wrongdoing in the subsidiary) possibly causing damage to the company. The amount related to all of the above for the period of 2015 and 2014 were EUR 399 thousand and EUR 668 thousand respectively (including unauthorized remuneration) and were reclassified for proper presentation in these financial statements as shown below. The statement of financial position, statement of changes in equity and cash flows statement were not affected by the aforementioned transactions. Employees involved in the alleged wrongdoing activities were removed from the company as the fact was discovered. Internal operating procedures were updated to prevent from improper behavior in the future.

The Group management believes that payments made in the wrongdoing by subsidiary's management as described above are the result of a proprietary crime and therefore should not bring any additional tax liabilities to the Group, considering the management's judgment about the relevance of similar courts practice based on the interpretation of facts and circumstances known.

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

Impact on statements of comprehensive income (increase/(decrease) in profit)

	Group 2015	Group 2014
Sales	-	49
Cost of sales	344	586
Gross profit	344	635
Operating (expenses)	(344)	(635)
Other operating income	-	-
Other operating (expenses)	-	-
Profit from operations	-	-

In addition, the management noted, that previously issued financial statements did not include elimination of intercompany transactions from other income and respectively cost of sales reported in the consolidated statement of comprehensive income in the amount of EUR 521 thousand in 2015 and EUR 458 thousand in 2014. This error was corrected in these financial statements by reducing other income and cost of sales by EUR 521 thousand in 2015 and EUR 458 thousand in 2014. Also representative daily allowances were reported in operating expenses instead of cost of sales and this was corrected in these financial statements by reducing operating expenses and increasing cost of sales by EUR 271 thousand in 2015 and EUR 241 thousand in 2014. And additional price discounts from hotels that were included as reduction of sales in previously issued financial statements were reclassified to reduce cost of sales instead by EUR 217 thousand in 2015 and EUR 300 thousand in 2014.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

21 Correction of error (cont'd)

The correction of errors had no effect on earnings per share.

In addition to correcting the classification error in the income statement as described above, in these financial statements, which replace the financial statements for the year ended 31 December 2015 that had been previously approved by the management on 22 June 2016, the management added disclosures about segment information (Note 23) and earnings per share (Note 22) taking into account plans of the initial public offering (IPO) of shares.

22 Earnings per share (EPS)

	Group	
	2015	2014
Net profit attributable to ordinary equity holders of the parent company	2,245	4,235
Number of ordinary shares	7,807	7,807
Basic earnings per share	287.56	542.46

There are no dilutive instruments.

23 Segment information

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

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

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

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 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.

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

23 Segment information (cont'd)

Year ended 31 December 2015	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	84,658	2,809	1,225	10,399	99,091
Cost of sales	(68,844)	(2,272)	(868)	(9,911)	(81,895)
Gross margin	15,814	537	357	488	17,196
Sales commission expenses	(4,627)	(157)	(75)	-	(4,859)
Sales profit by segment	11,187	380	282	488	12,337
Unallocated income (expenses)					
Other operating income					45
Operating expenses (other than sales commission)					(6,962)
Other operating (expenses)					(101)
Profit from operations					5,319
Finance income (expenses), net					(2,443)
Profit before tax					2,876
Income tax (expenses)					(631)
Net profit					2,245

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

AB NOVATURAS**CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

(all amounts are in thousand EUR unless otherwise stated)

23 Segment information (cont'd)

Year ended 31 December 2014	Flight package tours	Sightseeing tours by coach	Sightseeing tours by plane	Other sales	Group
Sales	77,468	2,547	876	10,019	90,910
Cost of sales	(62,643)	(2,046)	(691)	(9,843)	(75,223)
Gross margin	14,825	501	185	176	15,687
Sales commission expenses	(4,286)	(147)	(55)	-	(4,488)
Sales profit by segment	10,539	354	130	176	11,199
Unallocated income (expenses)					
Other operating income					157
Operating expenses (other than sales commission)					(6,176)
Other operating (expenses)					(113)
Profit from operations					5,067
Finance income (expenses), net					(166)
Profit before tax					4,901
Income tax (expenses)					(666)
Net profit					4,235

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

Geographic information

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

Year ended 31 December 2015	Lithuania	Latvia	Estonia	Other	Group
Sales	54,675	18,916	25,380	120	99,091
Non-current assets	511	69	50	-	630
Year ended 31 December 2014	Lithuania	Latvia	Estonia	Other	Group
Sales	50,041	17,361	23,384	124	90,910
Non-current assets	362	31	25	-	418

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.

24 Subsequent events

During year 2016 shareholders decided to distribute 4,000 thousand EUR as dividend. During year 2017 shareholders decided to distribute 9,500 thousand EUR as dividends. 5,000 thousands EUR were distributed after general shareholders meeting in May of 2017, additionally 4,500 thousand EUR were distributed after extraordinary shareholders meeting in December 2017.

The Company has signed a loan agreements' appendix with AB DNB bankas in 2017. The interest rate for bank loan was changed and new borrowing covenants were agreed between the Company and the bank. Moreover, the Company has signed agreement to change the credit limit, which matured in 2016, to financial liability limit of EUR 4,000 thousand. Financial liability limit will be used as the Company's assurance based on Law on Tourism of the Republic of Lithuania.

In June 2017 Company shareholders sign preliminary agreement to sell 100% of shares of the Company to Itaka Holdings subject the Itaka Holdings will get antimonopoly approval till the end of October 2017. In November 2017 the preliminary agreement was terminated. No liabilities or payments related to the signing and termination of agreement has arised to the Company. After termination of agreement with Itaka Holdings shareholders announced about IPO plans.

No other significant subsequent events related with the Group and the Company were recognized after the balance date.

ANNEX II – ARTICLES OF ASSOCIATION



AKCINĖS BENDROVĖS „NOVATURAS“ ĮSTATAI

ARTICLES OF ASSOCIATION OF PUBLIC LIMITED LIABILITY COMPANY “NOVATURAS”

1. Bendroji dalis

1.1. Akcinė bendrovė „Novaturas“ (toliau – **Bendrovė**) yra ribotos civilinės atsakomybės privatusis juridinis asmuo, kurio įstatinis kapitalas padalytas į akcijas.

1.2. Bendrovė savo veikloje vadovaujasi Lietuvos Respublikos akcinių bendrovių įstatymu (toliau – **Akcinių bendrovių įstatymas**), kitais Lietuvos Respublikoje taikomais teisės aktais ir šiais įstatais (toliau – **įstatai**).

1.3. Bendrovė atsako pagal savo prievolės jai nuosavybės teise priklausančiu turtu. Bendrovė neatsako pagal akcininkų prievolės, o akcininkai neatsako pagal Bendrovės prievolės. Akcininkai neturi kitų turtinių įsipareigojimų Bendrovei, išskyrus įsipareigojimą nustatyta tvarka apmokėti visas pasirašytas akcijas emisijos kaina.

1.4. Bendrovės teisinė forma: akcinė bendrovė.

1.5. Bendrovės pavadinimas: akcinė bendrovė „Novaturas“.

1.6. Bendrovės veiklos laikotarpis neribotas.

1.7. Bendrovės finansiniai metai yra kalendoriniai metai, prasidedantys sausio 1 d. ir pasibaigiantys gruodžio 31 d.

2. Bendrovės veiklos tikslai, objektas

2.1. Pagrindinis Bendrovės veiklos tikslas – privačių interesų tenkinimas, vykdant pelno siekiančią ūkinę komercinę veiklą, kurios pobūdis nurodytas žemiau.

2.2. Pagrindinė Bendrovės veikla – kelionių operatoriaus ir kita su tuo susijusi turizmo veikla.

2.3. Bendrovė gali vykdyti ir kitą veiklą, nedraudžiamą Lietuvos Respublikos įstatymų. Licencijuojamą veiklą ar veiklą, kuriai reikia gauti leidimus, Bendrovė gali vykdyti tik gavusi įstatymų nustatyta tvarka išduotas atitinkamas licencijas ar leidimus.

1. General Provisions

1.1. Public limited liability company “Novaturas” (hereinafter, the **“Company”**) is a limited civil liability private legal entity, the authorised capital of which has been divided into shares.

1.2. The Company acts pursuant to Law on Companies of the Republic of Lithuania (hereinafter, the **“Law on Companies”**), other regulations applicable in the Republic of Lithuania and these Articles of Association (hereinafter, the **“Articles of Association”**).

1.3. In respect of its obligations, the Company’s liability shall be limited exclusively to the assets it owns. The Company shall not be liable for any obligations of its shareholders and its shareholders shall not be liable for any obligations of the Company. Shareholders shall have no other property obligations to the Company except for the obligation to pay for all the subscribed shares at their issue price under the set procedure.

1.4. The legal form of the Company: a public limited liability company.

1.5. The name of the Company: public limited liability company “Novaturas”.

1.6. The duration of the Company’s activities shall be unlimited.

1.7. Financial year of the Company shall be a calendar year, beginning on 1st of January and ending on 31st of December.

2. The Purpose and Object of the Company’s Activities

2.1. The Company’s core activity – meeting private interests by operating profit-generating business activities the nature of which is described under the Paragraph below.

2.2. The nature of the Company’s business activities – tour and travel operator and other related tourism and travel business.

2.3. The Company may carry on any other activities that are not prohibited by the legislation of the Republic of Lithuania. The Company may carry on licensed activities or activities subject to receipt of a permit only upon receipt of relevant licenses or permits issued under the procedure set by the law.

3. Bendrovės filialai ir atstovybės

3.1. Bendrovė gali steigti bei likviduoti savo filialus ir atstovybes Lietuvos Respublikos įstatymų nustatyta tvarka. Bendrovės filialų ir atstovybių skaičius neribojamas.

3.2. Sprendimus dėl Bendrovės filialų ir atstovybių steigimo bei jų veiklos nutraukimo priima valdyba. Valdyba taip pat skiria ir atšaukia Bendrovės filialų ir atstovybių vadovus.

3.3. Filialas ar atstovybė veikia pagal valdybos patvirtintus filialo ar atstovybės nuostatus.

3.4. Valdyba, priėmusi sprendimą nutraukti filialo ar atstovybės veiklą, paskiria atsakingą asmenį veiklos nutraukimo procedūrai atlikti.

4. Įstatinis kapitalas. Akcijų skaičius pagal klases, jų nominali vertė bei suteikiamos teisės

4.1. Bendrovės įstatinis kapitalas: 234 210 EUR (du šimtai trisdešimt keturi tūkstančiai du šimtai dešimt eurų).

4.2. Akcijų skaičius: 7 807 000 (septyni milijonai aštuoni šimtai septyni tūkstančiai) paprastosios vardinės akcijos (toliau viena paprastoji vardinė Bendrovės akcija – **Akcija**).

4.3. Akcijos nominali vertė: 0,03 EUR (trys centai).

4.4. Viena Akcija Bendrovės visuotiniame akcininkų susirinkime (toliau – **Akcininkų susirinkimas**) suteikia jos savininkui vieną balsą.

4.5. Visos Akcijos yra nematerialios ir fiksuojamos įrašais akcininkų asmeninėse vertybinių popierių sąskaitose, kurios tvarkomos vadovaujantis taikytiniais įstatymais bei kitais teisės aktais.

4.6. Įstatinio kapitalo dydis gali būti keičiamas (didinamas arba mažinamas) arba vienos klasės akcijos gali būti keičiamos į kitos klasės akcijas Akcininkų susirinkimui šiuose įstatuose nustatyta tvarka priėmus atitinkamą sprendimą ir pakeitus įstatus, išskyrus Lietuvos Respublikos įstatymų numatytus atvejus. Bendrovės įstatinis kapitalas ir akcijų klasė laikomi pakeistais įregistravus pakeistus įstatus Lietuvos Respublikos juridinių asmenų registre (toliau – **Juridinių asmenų registras**). Išleisti naujas akcijas arba didinti akcijų nominalią vertę Bendrovė gali tik tuomet, kai pilnai

3. Affiliates and Representative Offices of the Company

3.1. The Company may establish affiliates and representative offices and terminate its activities under the procedure set by the laws of the Republic of Lithuania. The number of the Company's affiliates and representative offices shall be unlimited.

3.2. Decisions with respect to establishment and termination of activities of the Company's affiliates and representative offices shall be made by the Board. The Board shall also appoint and remove heads of the Company's affiliates and representative offices.

3.3. An affiliate or representative office shall carry on its activities under the regulations of a respective affiliate or representative office approved by the Board.

3.4. Board, having decided to terminate the activities of an affiliate or representative office, shall appoint a person in charge of the termination procedures.

4. The Authorised Capital. The Number of Shares by Class, their Nominal Value and Rights Carried by them

4.1. The authorised capital of the Company shall be EUR 234,210 (two hundred thirty four thousand two hundred ten euros).

4.2. Number of shares: 7,807,000 (seven million eight hundred seven thousand) ordinary registered shares (hereinafter one ordinary registered share of the Company, the "**Share**").

4.3. The nominal value of Share: EUR 0.03 (three cents).

4.4. One Share of the Company shall entitle its owner to one vote in the General Meeting of Shareholders of the Company (hereinafter, the "**General Meeting**").

4.5. The Company's Shares shall be incorporeal and shall be recorded as entries in personal securities accounts of shareholders managed pursuant to applicable laws and regulations.

4.6. The amount of authorised capital can be changed (increased or reduced) or shares of one class can be exchanged for shares of another class upon a relevant decision made by the General Meeting under the procedure set herein and upon a relevant amendment of the Articles of Association, except for cases provided for in laws of the Republic of Lithuania. The authorised capital of the Company and a class of shares shall be deemed changed upon the registration of the amended Articles of Association of the Company with the Register of Legal Entities of the Republic

apmokėtas jos įstatinis kapitalas.

4.7. Bendrovės akcininkai turi toliau nurodytas turtines teises:

- (i) gauti Bendrovės pelno dalį (dividendą);
- (ii) gauti Bendrovės lėšų, kai Bendrovės įstatinis kapitalas mažinamas siekiant akcininkams išmokėti bendrovės lėšų;
- (iii) neatlygintinai gauti akcijų, kai įstatinis kapitalas didinamas iš bendrovės lėšų, išskyrus Akcinių bendrovių įstatymo nustatytas išimtis;
- (iv) pirmumo teise įsigyti Bendrovės išleidžiamų akcijų ar konvertuojamųjų obligacijų, išskyrus atvejį, kai Akcininkų susirinkimas Akcinių bendrovių įstatymo nustatyta tvarka nusprendžia pirmumo teisę visiems akcininkams atšaukti;
- (v) įstatymų nustatytais būdais skolinti Bendrovei, tačiau Bendrovė, skolindamasi iš savo akcininkų, neturi teisės įkeisti akcininkams savo turto. Bendrovei skolinantis iš akcininko, palūkanos negali viršyti paskolos davėjo gyvenamojoje ar verslo vietoje esančių komercinių bankų vidutinės palūkanų normos, galiojusios paskolos sutarties sudarymo momentu. Tokiu atveju Bendrovei ir akcininkams draudžiama susitarti dėl didesnių palūkanų dydžio;
- (vi) gauti likviduojamos Bendrovės turto dalį;
- (vii) kitas Akcinių bendrovių įstatymo ir kitų įstatymų nustatytas turtines teises.

4.8. Įstatų 4.7 straipsnio (i), (ii), (iii) ir (iv) punktuose nurodytas teises Bendrovėje turi asmenys, kurie buvo Bendrovės akcininkai dešimtos darbo dienos po atitinkamą sprendimą priėmusio Akcininkų susirinkimo pabaigoje.

4.9. Bendrovės akcininkai turi toliau nurodytas neturtines teises:

- (i) dalyvauti Akcininkų susirinkimuose;
- (ii) iš anksto pateikti Bendrovei klausimų, susijusių su Akcininkų susirinkimų

of Lithuania (hereinafter, the “**Register of Legal Entities**”). The Company may issue new shares or to increase the par value of shares only after its authorised capital has been fully paid.

4.7. The shareholders of the Company shall have the following property rights:

- (i) to receive a portion of the Company's profit (dividend);
- (ii) to receive the Company's funds, when the capital of the Company is reduced with a view to paying out the Company's funds to the shareholders;
- (iii) to receive shares without payment if the capital is increased out of the Company funds, except for cases provided in the Law on Companies;
- (iv) to have the pre-emption right in acquiring the shares or convertible bonds issued by the Company, except for the case when the General Meeting decides to withdraw the pre-emption right for all the shareholders according to the procedure provided by the Law on Companies;
- (v) to lend to the Company in the manner prescribed by laws; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the Company and shareholders shall be prohibited from negotiating a higher interest rate;
- (vi) to receive a part of assets of the Company in liquidation;
- (vii) other property rights established by the Law on Companies and other laws.

4.8. The rights specified in points (i), (ii), (iii) and (iv) of Clause 4.7 shall be held in Company by persons who were shareholders at the close of the tenth business day after adopting the relevant decision of the General Meeting.

4.9. The shareholders of the Company shall have the following non-property rights:

- (i) to attend the General Meetings;
- (ii) to submit to the Company in advance the questions related to the issues on

- | | | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | darbotvarkės klausimais; | | the agenda of the General Meetings; |
| (iii) | pagal Akcijų suteikiamas teises balsuoti Akcininkų susirinkimuose; | (iii) | to vote at the General Meetings according to voting rights carried by their Shares; |
| (iv) | gauti informaciją apie Bendrovę tokios apimties ir tvarka, kaip numatyta šiuose Įstatuose ir taikytinuose įstatymuose; | (iv) | to obtain information about the Company – of the scope and pursuant to the procedure provided in these Articles of Association and in applicable laws; |
| (v) | kreiptis į teismą su ieškiniu, prašydami atlyginti Bendrovei žalą, kuri susidarė dėl Bendrovės vadovo ir valdybos narių pareigų, nustatytų Akcinių bendrovių įstatyme ir kituose įstatymuose, taip pat šiuose Įstatuose, nevykdymo ar netinkamo vykdymo, taip pat kitais įstatymų nustatytais atvejais; | (v) | to bring an action for damages to the Company caused by non-performance or improper performance of office duties of the Manager and Board members of the Company provided for in the Law on Companies, other laws and these Articles of Association, as well as in other cases stated in the law; |
| (vi) | kitas Akcinių bendrovių įstatymo ir kitų įstatymų nustatytas neturtines teises. | (vi) | other non-property rights established by the Law on Companies and other laws. |

4.10. Kai Bendrovės išleistais vertybiniais popieriais yra prekiaujama skirtingose šalyse (arba skirtingose rinkose) ir skirtingose teisinėse sistemose, Bendrovė turėtų stengtis užtikrinti, kad korporaciniai įvykiai, susiję su akcininkų teisių įgijimu, vyktų tomis pačiomis dienomis visose šalyse, kur yra prekiaujama tokiais vertybiniais popieriais.

4.10. Where securities issued by the Company are traded in different countries (or in different markets) and in different legal systems, the Company should strive to ensure that corporate events related to the acquisition of rights by shareholders would take place on the same dates in all the countries where such securities are traded.

5. Bendrovės organai ir valdymas

5. The Bodies and Governance of the Company

5.1. Bendrovės organai yra:

5.1. The bodies of the Company shall be:

- (i) Akcininkų susirinkimas;
- (ii) stebėtojų taryba;
- (iii) valdyba;
- (iv) Bendrovės vadovas – generalinis direktorius (toliau – **Bendrovės vadovas** arba **Generalinis direktorius**).

- (i) the General Meeting;
- (ii) Supervisory Council;
- (iii) the Board;
- (iv) the Manager of the Company (hereinafter, the “**Manager of the Company**” or the “**General Director**”).

6. Akcininkų susirinkimas

6. The General Meeting

6.1. Visuotinis akcininkų susirinkimas yra aukščiausias Bendrovės organas.

6.1. The General Meeting shall be the supreme body of the Company.

6.2. Akcininkų susirinkime ar pakartotiniame Akcininkų susirinkime turi teisę dalyvauti ir balsuoti asmenys, susirinkimo apskaitos dienos pabaigoje buvę Bendrovės akcininkais, asmeniškai, išskyrus įstatymų nustatytas išimtis, arba jų įgalioti asmenys, arba asmenys, su kuriais sudaryta balsavimo teisės perleidimo sutartis. Susirinkimo apskaitos diena yra penktoji darbo diena iki Akcininkų susirinkimo arba penktoji darbo diena iki pakartotinio Akcininkų susirinkimo. Akcininkų susirinkime dalyvauti ir kalbėti turi teisę taip pat ir

6.2. The persons who were shareholders at the end of the record date of the meeting shall have the right to attend and vote at the General Meeting or repeated General Meeting in person, unless otherwise provided for by laws, or may authorise other persons to vote for them as proxies or may conclude an agreement with other persons on the disposal of the voting right. The record date of the meeting shall be the fifth business day preceding the General Meeting or the fifth business day preceding the repeated General Meeting. The

Bendrovės valdybos nariai, stebėtojų tarybos nariai, Bendrovės vadovas, Akcininkų susirinkimo inspektorius, auditoriaus išvadą ir finansinių ataskaitų audito ataskaitą parengęs auditorius.

6.3. Eilinis Akcininkų susirinkimas turi įvykti kasmet ne vėliau kaip per 4 (keturis) mėnesius nuo finansinių metų pabaigos, neeilinis Akcininkų susirinkimas šaukiamas Akcinių bendrovių įstatymo nustatyta tvarka ir terminais.

6.4. Bendrovės Akcininkų susirinkimo sušaukimo iniciatyvos teisę turi stebėtojų taryba, valdyba bei akcininkai, kuriems priklausančios Akcijos suteikia ne mažiau kaip 1/10 visų balsų.

6.5. Akcininkų susirinkimo sušaukimo iniciatoriai, nurodyti Įstatų 6.4 straipsnyje, valdybai arba Akcinių bendrovių įstatyme numatytais atvejais, Bendrovės vadovui, pateikia paraišką, kurioje turi būti nurodytos susirinkimo sušaukimo priežastys ir tikslai, pateikti pasiūlymai dėl darbotvarkės, datos ir vietos, siūlomų sprendimų projektai.

6.6. Akcininkų susirinkimas turi įvykti ne vėliau kaip per 30 (trisdešimt) dienų nuo paraiškos, numatytos Įstatų 6.5 straipsnyje, gavimo dienos.

6.7. Jeigu Įstatų 6.5 straipsnyje nurodyti organai per 10 (dešimt) dienų nuo paraiškos, numatytos Įstatų 6.5 straipsnyje, gavimo dienos nepriima sprendimo sušaukti Akcininkų susirinkimą, Akcininkų susirinkimas gali būti šaukiamas akcininkų, kuriems priklausančios Akcijos suteikia daugiau kaip 1/2 visų balsų, sprendimu.

6.8. Akcininkų susirinkimo darbotvarkė gali būti pildoma stebėtojų tarybos, valdybos, taip pat akcininkų, kuriems priklausančios Akcijos suteikia ne mažiau kaip 1/20 visų balsų, siūlymu. Siūlymas pildyti darbotvarkę pateikiamas raštu arba elektroninių ryšių priemonėmis. Kartu su siūlymu turi būti pateikti sprendimų projektai siūlomais klausimais arba, kai sprendimų priimti nereikia, paaiškinimai dėl kiekvieno siūlomo Akcininkų susirinkimo darbotvarkės klausimo.

6.9. Darbotvarkė pildoma, jeigu siūlymas gaunamas ne vėliau kaip likus 14 (keturiolikai) kalendorinių dienų iki Akcininkų susirinkimo dienos.

6.10. Informacija apie Akcininkų susirinkimo sušaukimą pateikiama interneto svetainėje www.novaturas.lt. Taip pat Bendrovės akcininkai informuojami apie Akcininkų susirinkimo sušaukimą, Akcinių bendrovių įstatymo ir vertybinių popierių rinką reglamentuojančių teisės aktų

members of the Board, the members of the Supervisory Council and the Manager of the Company, the inspector of the General Meeting and an auditor who prepared the auditor's report and the audit report of financial statements have a right to participate and speak at the General Meeting.

6.3. An Annual General Meeting must be held every year not later than within 4 (four) months from the end of the financial year, the Extraordinary General Meeting shall be convened under the terms and conditions of the Law on Companies.

6.4. The right to initiate to convene the General Meeting shall be vested in the Supervisory Council, the Board and the shareholders who hold the Shares, carrying at least 1/10 of all the votes.

6.5. The initiators of convening the General Meeting, indicated in Clause 6.4, shall submit to the Board, or in cases, provided by the Law on Companies, to the Manager of the Company, a request, which must state the reasons of convening the meeting and its purposes, present the proposals regarding the agenda, date and venue of the meeting, drafts of the proposed decision.

6.6. The General Meeting must be held not later than within 30 (thirty) calendar days from the date of receipt of the request, indicated in Clause 6.5 hereof.

6.7. If the bodies, indicated in Clause 6.5 hereof, fails to adopt decision on convening of the General Meeting within 10 (ten) days as of receipt of request, indicated in Clause 6.5 hereof, the General Meeting may be convened by a decision of the shareholders, whose Shares carry more than 1/2 of all the votes.

6.8. The agenda of the General Meeting may be supplemented by the Supervisory Council, the Board or by the shareholders who hold Shares carrying at least 1/20 of all the votes. The proposal to supplement the agenda shall be submitted in writing or by means of electronic communications. Draft decisions on the proposed issues or, when it is not mandatory to adopt decisions, explanatory notes on each proposed issue of the agenda of the General Meeting shall be submitted alongside with the proposal.

6.9. The agenda shall be supplemented where the proposal is received not later than 14 (fourteen) calendar days before the day of the General Meeting.

6.10. Information on the convocation of the General Meeting shall be published in website www.novaturas.lt. Also, the shareholders of the Company shall be informed on the convocation of the General Meeting under the procedure, established in these Articles of Association, the

nustatyta tvarka.

6.11. Išsamią Bendrovės eilinių (neeilinių) Akcininkų susirinkimų šaukimo tvarką nustato ir reglamentuoja šie Įstatai, Akcinių bendrovių įstatymas ir kiti įstatymai.

6.12. Akcininkų susirinkimas turi išimtinę teisę:

- (i) keisti Bendrovės Įstatus, išskyrus Akcinių bendrovių įstatyme nustatytas išimtis;
- (ii) keisti Bendrovės buveinę;
- (iii) rinkti stebėtojų tarybos narius;
- (iv) atšaukti stebėtojų tarybą ar jos narius;
- (v) rinkti ir atšaukti auditorių ar audito įmonę metinių finansinių ataskaitų rinkinio auditui atlikti, nustatyti audito paslaugų apmokėjimo sąlygas;
- (vi) nustatyti Bendrovės išleidžiamų akcijų klasę, skaičių, nominalią vertę ir minimalią emisijos kainą;
- (vii) priimti sprendimą konvertuoti bendrovės vienos klasės akcijas į kitos, tvirtinti akcijų konvertavimo tvarkos aprašą;
- (viii) priimti sprendimą keisti Bendrovės išleistų tos pačios klasės akcijų skaičių ir akcijos nominalią vertę, nekeičiant įstatinio kapitalo dydžio;
- (ix) tvirtinti metinių finansinių ataskaitų rinkinį;
- (x) priimti sprendimą dėl pelno (nuostolių) už praėjusius finansinius metus paskirstymo, įskaitant dividendų skyrimą;
- (xi) priimti sprendimą dėl rezervų sudarymo, naudojimo, sumažinimo ir naikinimo;
- (xii) tvirtinti tarpinių finansinių ataskaitų rinkinį, sudarytą siekiant priimti sprendimą dėl dividendų už trumpesnį negu finansiniai metai laikotarpį skyrimo;
- (xiii) priimti sprendimą dėl dividendų už trumpesnį negu finansiniai metai laikotarpį skyrimo;
- (xiv) priimti sprendimą išleisti

Law on Companies and legal acts regulating securities markets.

6.11. Detailed procedure for the convocation of Company's Annual (Extraordinary) or repeatedly convened General Meetings shall be established by these Articles of Association, the Law on Companies and other laws.

6.12. The General Meeting shall have the exclusive right to:

- (i) amend the Articles of Association of the Company, except where otherwise stipulated by the Law on Companies;
- (ii) change the registered office of the Company;
- (iii) elect the members of the Supervisory Council;
- (iv) remove the Supervisory Council or its members;
- (v) elect and remove the auditor or the audit firm for the carrying out of the audit of a set of annual financial statements, set conditions for payment for audit services;
- (vi) determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- (vii) take a decision on conversion of the Company's shares of one class into shares of another class, approve the share conversion procedure;
- (viii) take a decision to change the number of issued shares of one class and nominal value of the share, without changing the authorised capital;
- (ix) approve the set of annual financial statements;
- (x) take a decision on profit/loss distribution for the previous financial year, including allocation of dividends;
- (xi) take a decision on the formation, use, reduction and liquidation of reserves;
- (xii) approve the set of interim financial statements drawn up for the purpose of adoption of a decision on the allocation of dividends for a period shorter than the financial year;
- (xiii) take a decision on the allocation of dividends for a period shorter than the financial year;
- (xiv) take a decision on the issue of

	konvertuojamąsias obligacijas;		convertible bonds;
(xv)	priimti sprendimą atšaukti visiems akcininkams pirmumo teisę įsigyti konkrečios emisijos Bendrovės akcijų ar konvertuojamųjų obligacijų;	(xv)	take a decision on withdrawal for all the shareholders the right of pre-emption in acquiring the Company's shares or convertible bonds of a specific issue;
(xvi)	priimti sprendimą padidinti įstatinį kapitalą;	(xvi)	take a decision on increase of the capital;
(xvii)	priimti sprendimą sumažinti įstatinį kapitalą, išskyrus Akcinių bendrovių įstatymo nustatytas išimtis;	(xvii)	take a decision on reduction of the capital, except where otherwise provided for by the Law on Companies;
(xviii)	priimti sprendimą Bendrovei įsigyti savų akcijų, išskyrus Akcinių bendrovių įstatyme nustatytas išimtis;	(xviii)	take a decision on the Company's acquisition of its own shares, except where otherwise provided for by the Law on Companies;
(xix)	priimti sprendimą dėl akcijų suteikimo darbuotojams ir (ar) organų nariams taisyklių patvirtinimo;	(xix)	take a decision on approval of the rules for issuing shares to the employees and (or) to the members of the bodies of the Company;
(xx)	priimti sprendimą dėl Bendrovės reorganizavimo ar atskyrimo ir patvirtinti reorganizavimo ar atskyrimo sąlygas, išskyrus Akcinių bendrovių įstatymo nustatytas išimtis;	(xx)	take a decision on the reorganisation or spin-off of the Company and approve the terms of reorganisation or spin-off, except where otherwise provided for by the Law on Companies;
(xxi)	priimti sprendimą pertvarkyti Bendrovę;	(xxi)	take a decision on conversion of the Company;
(xxii)	priimti sprendimus dėl Bendrovės restruktūrizavimo Lietuvos Respublikos įmonių restruktūrizavimo įstatymo nustatytais atvejais;	(xxii)	take a decision on the restructuring of the Company in the cases specified by the Law on Restructuring of Enterprises of the Republic of Lithuania;
(xxiii)	priimti sprendimą likviduoti Bendrovę, atšaukti Bendrovės likvidavimą, išskyrus Akcinių bendrovių įstatyme nustatytas išimtis;	(xxiii)	take a decision on liquidation of the Company or on cancellation of the liquidation of the Company, except where otherwise provided for by the Law on Companies;
(xxiv)	rinkti ir atšaukti bendrovės likvidatorių, išskyrus Akcinių bendrovių įstatyme nustatytas išimtis;	(xxiv)	elect and remove the liquidator of the Company, except where otherwise provided for by the Law on Companies;
(xxv)	priimti sprendimą išbraukti Bendrovės akcijas iš prekybos reguliuojamose rinkose, į kurias įtrauktos Bendrovės akcijos.	(xxv)	take a decision to delist the shares of the Company from the trading on the regulated markets to which the shares of the Company are admitted.

6.13. Akcininkų susirinkimas gali spręsti ir kitus Akcinių bendrovių įstatyme ar įstatuose jo kompetencijai priskirtus klausimus, jeigu pagal Akcinių bendrovių įstatymą tai nepriskirta kitų bendrovės organų kompetencijai ir jeigu pagal esmę tai nėra valdymo organų funkcijos.

6.14. Akcininkų susirinkimas gali priimti sprendimus ir laikomas įvykusi, kai jame dalyvauja

6.13. The General Meeting may also decide on other matters assigned to its powers by the Law on Companies, Articles of Association, unless these have been assigned under the Law on Companies to the powers of other bodies of the Company and provided that, in their essence, these are not the functions of the management bodies.

6.14. The General Meeting may take decisions and shall be held valid if attended by the

akcininkai, kuriems priklausančios Akcijos suteikia daugiau kaip 1/2 (vieną antrąją) visų balsų.

6.15. Jeigu Akcininkų susirinkime nėra kvorumo, nurodyto Įstatų 6.14 straipsnyje, Akcininkų susirinkimas laikomas neįvykusiu. Tokiu atveju ne anksčiau kaip praėjus 14 (keturiolikai) dienų ir ne vėliau kaip praėjus 21 (dvidešimt vienai) dienai nuo neįvykusio Akcininkų susirinkimo dienos turi būti sušauktas pakartotinis Akcininkų susirinkimas. Pakartotiniam Akcininkų susirinkimui nėra taikomas kvorumo reikalavimas.

6.16. Akcininkai, kuriems priklausančios Akcijos yra apskaitomos per vertybinių popierių sąskaitas, tvarkomas Lenkijos ar kitų šalių depozitoriumo dalyvių, turės galimybę dalyvauti ir balsuoti Akcininkų susirinkime, per įgaliotinį arba asmeniškai, pateikdami prašymą Lenkijos ar kitos atitinkamos šalies vertybinių popierių depozitoriumo dalyviui (t.y. finansų maklerio įmonei, pas kurią akcininkas laiko akcijas), kad akcininkas būtų registruojamas Akcininkų susirinkimui ir/arba jam būtų pateikti reikiami su tuo susiję dokumentai. Šis prašymas turi būti pateiktas iki Akcininkų susirinkimo apskaitos dienos pabaigos.

6.17. Akcininkų susirinkimo sprendimas laikomas priimtu, kai už jį gauta daugiau Akcininkų susirinkime dalyvaujančių akcininkų balsų negu prieš, išskyrus:

- (i) šių Įstatų 6.12 straipsnio (i), (vi), (vii), (viii), (x), (xi), (xiii), (xiv), (xvi), (xvii), (xix), (xx), (xxii) punktuose numatytus sprendimus, kuriems priimti reikia kvalifikuotos ne mažesnės kaip 2/3 (dviejų trečiųjų) Akcininkų susirinkime dalyvaujančių akcininkų balsų daugumos;
- (ii) šių Įstatų 6.12 straipsnio (xv) punkte numatytą sprendimą, kuriam priimti reikia kvalifikuotos ne mažesnės kaip 3/4 (trijų ketvirtųjų) Akcininkų susirinkime dalyvaujančių akcininkų balsų daugumos;
- (iii) šių Įstatų 6.12 straipsnio (xxi), (xxiii) ir (xxv) punktuose numatytus sprendimus, kuriems priimti reikia kvalifikuotos ne mažesnės kaip 9/10 (devynių dešimtųjų) Akcininkų susirinkime dalyvaujančių akcininkų balsų daugumos.

6.18. Akcininkų susirinkimas gali priimti sprendimą nepriimti sprendimo dėl Akcininkų susirinkimo darbotvarkėje numatyto klausimo tik dėl svarbių priežasčių. Akcininkų susirinkimo sprendimas pašalinti sprendimą iš darbotvarkės arba nesvarstyti darbotvarkėje įtraukto klausimo gali būti

shareholders who hold the Shares carrying not less than 1/2 (half) of all votes.

6.15. If the quorum, indicated in the Clause 6.14, at the General Meeting is not present, the General Meeting shall be held invalid. In this case, after the lapse of at least 14 (fourteen) days and not later than after the lapse of 21 (twenty one) day following the day of the General Meeting, which was not held, a repeated General Meeting must be convened. The quorum requirement for the repeated General Meeting shall not apply.

6.16. Shareholders of the Company that will hold the Shares through securities accounts maintained by the participants of Polish or other countries' Depository for Securities will be given the opportunity to participate in and vote at the General Meeting, either by proxy or personally, by requesting the participant of the Polish or respective countries' Depository for Securities (i.e. brokerage firm where the shareholder holds its shares), to register him/her/it for the General Meeting and/or he/she/it is provided with documents in connection therewith. This request shall be submitted before end of the General Meeting record date.

6.17. A decision shall be deemed adopted by the General Meeting when more shareholders attending the meeting have voted in favour of than against it except for the following cases:

- (i) adoption of decisions under points (i), (vi), (vii), (viii), (x), (xi), (xiii), (xiv), (xvi), (xvii), (xix), (xx), (xxii) of Clause 6.12 which shall be taken by a qualified majority vote of not less than 2/3 (two-thirds) of all the votes carried by the shares held by the shareholders attending the General Meeting;
- (ii) adoption of a decision under point (xv) of Clause 6.12 hereof which shall be taken by a qualified majority vote of not less than 3/4 (three-fourth) of all the votes carried by the shares held by the shareholders attending the General Meeting;
- (iii) adoption of decisions under points (xxi), (xxiii) and (xxv) of Clause 6.12 hereof which requires a qualified majority vote of not less than 9/10 (nine-tenths) of all the votes carried by the shares of the shareholders present at the General Meeting.

6.18. The General Meeting may adopt a resolution not to consider a matter included in the agenda only if there are important reasons for such a decision. A resolution of the General Meeting to remove an item from the agenda or not to consider an item included in the agenda at a request from

priimtas ne mažesne kaip 2/3 (dviejų trečiųjų) Akcininkų susirinkime dalyvaujančių akcininkų balsų dauguma, iš anksto sutikus visiems Akcininkų susirinkime dalyvaujantiems akcininkams, kurie pateikė prašymą dėl klausimo įtraukimo į darbotvarkę.

6.19. Akcininkų susirinkimai turi vykti Lietuvos Respublikoje. Bendrovės valdyba gali nuspręsti sušaukti Akcininkų susirinkimą kitoje šalyje, jeigu tos valstybės vertybinių popierių biržoje yra prekiaujama Bendrovės akcijomis ir dauguma Bendrovės akcininkų yra tos valstybės rezidentai.

7. Stebėtojų taryba

7.1. Stebėtojų taryba yra kolegialus Bendrovės veiklos priežiūrą atliekantis organas, kurio darbo tvarką nustato jos priimtas stebėtojų tarybos reglamentas.

7.2. Stebėtojų tarybą sudaro 5 (penki) nariai, renkami Akcininkų susirinkimo sprendimu.

7.3. Stebėtojų taryba renkama 3 (trijų) metų laikotarpiui.

7.4. Stebėtojų tarybos nariu negali būti Bendrovės vadovas, valdybos narys, asmuo, kuris pagal teisės aktus neturi teisės eiti tokių pareigų. Stebėtojų taryba renkama ir atšaukiama, laikantis Akcinių bendrovių įstatymo nustatytos tvarkos.

7.5. Renkant stebėtojų tarybos narius, kiekvienas akcininkas turi tokį balsų skaičių, kuris lygus balsų skaičiaus, kurį suteikia jam priklausančios akcijos, ir renkamų stebėtojų tarybos narių skaičiaus sandaugai. Šiuos balsus akcininkas skirsto savo nuožiūra – už vieną ar kelis kandidatus. Išrenkami daugiau balsų surinkę kandidatai. Jei kandidatų, surinkusių po lygiai balsų, yra daugiau nei laisvų vietų stebėtojų taryboje, rengiamas pakartotinis balsavimas, kuriame kiekvienas akcininkas gali balsuoti tik už vieną iš lygų balsų skaičių surinkusių kandidatų.

7.6. Su Bendrovės stebėtojų tarybos, audito bei atlygio ir skyrimo komitetų nariais gali būti sudaromos sutartys dėl veiklos stebėtojų taryboje, audito bei atlygio ir skyrimo komitetuose. Stebėtojų tarybos, audito bei atlygio ir skyrimo komitetų nariams gali būti mokamas atlygis už veiklą Bendrovės stebėtojų taryboje, audito bei atlygio ir skyrimo komitetuose. Sutarties su Bendrovės stebėtojų tarybos, audito bei atlygio ir skyrimo komitetų nariais esmines sąlygas ir Bendrovės atlygio už stebėtojų tarybos, audito bei atlygio ir skyrimo komitetų narių veiklą mokėjimo tvarką

shareholders shall require a majority of at least a 2/3 (two-thirds) majority vote of the shareholders present in the General Meeting, subject to prior consent of all the shareholders present at the General Meeting who submitted the request.

6.19. The General Meetings shall be convened in the Republic of Lithuania. The Board may decide to convene the General Meetings in other country, provided that the shares of the Company are listed on the stock exchange of such country and majority of shareholders are residents of such country.

7. Supervisory Council

7.1. The Supervisory Council shall be a collegial body supervising the activities of the Company, which working procedure shall be laid down in the rules of procedure of the Supervisory Council adopted by it.

7.2. The Supervisory Council shall consist of 5 (five) members elected by the decision of the General Meeting.

7.3. The Supervisory Council shall be elected for tenure of 3 (three) years.

7.4. The Manager of the Company, a member of the Board and a person who may not hold this office under the legal acts, is not entitled to be a member of the Supervisory Council. The Supervisory Council is elected and revoked following the order, established in the Law on Companies.

7.5. When electing the Supervisory Council members, each shareholder shall have the number of votes equal to the number of votes carried by the shares he owns multiplied by the number of members of the Supervisory Council being elected. The shareholder shall distribute the votes at his own discretion, giving them to one or several candidates. The candidates who receive the largest number of votes shall be elected. If the number of candidates who received the equal number of votes exceeds the number of vacancies on the Supervisory Council, a repeat voting shall be held in which each shareholder may vote only for one of the candidates who received the equal number of votes.

7.6. Agreements with members of the Supervisory Council, Audit and Nomination and Remuneration Committees regarding activities in the Supervisory Council, Audit and Nomination and Remuneration Committees may be concluded. Members of the Supervisory Council, Audit and Nomination and Remuneration Committees may be remunerated for the activities in the Supervisory Council, Audit and Nomination and Remuneration Committees. The form of the agreement with members of the Supervisory Council, Audit and Nomination and Remuneration Committees and

tvirtina Akcininkų susirinkimas.

7.7. Stebėtojų taryba iš savo narių išsirenka stebėtojų tarybos pirmininką.

7.8. Stebėtojų tarybos posėdžius šaukia stebėtojų tarybos pirmininkas. Stebėtojų tarybos posėdžiai taip pat gali būti šaukiami ne mažiau kaip 1/3 stebėtojų tarybos narių sprendimu. Posėdis gali būti vykdomas be atskiro formalaus sušaukimo, kai visi stebėtojų tarybos nariai dalyvauja susirinkime ir sutinka jį rengti ir įtraukti konkrečius klausimus į darbotvarkę.

7.9. Stebėtojų tarybos posėdžiai turi būti rengiami bent 1 (viena) kartą per ketvirtį.

7.10. Stebėtojų tarybos narys savo valią – už ar prieš balsuojamą sprendimą, su kurio projektu jis susipažinęs, – gali pranešti balsuodamas raštu ar elektroninių ryšių priemonėmis, jeigu užtikrinamas perduodamos informacijos saugumas ir galima nustatyti balsavusio asmens tapatybę.

7.11. Stebėtojų taryba gali priimti sprendimus ir jos posėdis laikomas įvykusi, kai posėdyje dalyvauja daugiau kaip pusė stebėtojų tarybos narių. Iš anksto balsavę stebėtojų tarybos nariai laikomi dalyvavusiais posėdyje. Stebėtojų tarybos sprendimas yra priimtas, kai už jį gauta daugiau balsų negu prieš. Sprendimas atšaukti valdybos narį gali būti priimtas, jei už jį balsuoja ne mažiau kaip 2/3 posėdyje dalyvaujančių stebėtojų tarybos narių.

7.12. Stebėtojų taryba:

- (i) svarsto ir tvirtina Bendrovės veiklos strategiją, analizuoja ir vertina informaciją apie Bendrovės veiklos strategijos įgyvendinimą, šią informaciją teikia eiliniam Akcininkų susirinkimui;
- (ii) renka valdybos narius ir atšaukia juos iš pareigų. Jei Bendrovė dirba nuostolingai, stebėtojų taryba privalo svarstyti, ar valdybos nariai tinka eiti pareigas;
- (iii) įstatų nustatyta tvarka tvirtina sandorius, kuriuos Bendrovė ketina sudaryti su susijusiomis šalimis ir (ar)

the procedure for the payment of the Company's remuneration for the activities of the members of the Supervisory Council, Audit and Nomination and Remuneration Committees shall be approved by the General Meeting.

7.7. The Chairman of the Supervisory Council shall be elected by the members of the Supervisory Council from among its members.

7.8. The meetings of the Supervisory Council shall be convened by the chairman of the Supervisory Council. The meetings of the Supervisory Council may also be convened by the decision taken by at least of 1/3 of the Supervisory Council members. The meeting can also be held without formal conveying when all members are present and grant their consent to hold the meeting and to put specific issues on the agenda.

7.9. The meetings of the Supervisory Council must be held at least 1 (one) time per quarter.

7.10. A member of the Supervisory Council may express his will, that is, "for" or "against" the decision put to vote upon familiarising himself with the draft thereof, by taking a written vote or by voting by means of electronic communications, on the condition that the security of the information transmitted is ensured and it is possible to establish the identity of the person who has voted.

7.11. The Supervisory Council may take decisions, and its meeting shall be deemed to have been held if attended by more than a half of the members of the Supervisory Council. The members of the Supervisory Council who have voted in advance shall also be deemed to be present at the meeting. A decision of the Supervisory Council shall be adopted if more votes for it are received than the votes against it. A decision to remove a member of the Board from office may be adopted if at least 2/3 of the Supervisory Council members present at the meeting vote for it.

7.12. The Supervisory Council shall:

- (i) consider and approve the strategy of the Company's activities, analyse and evaluate the information on the implementation of the Company's activities strategy, provide this information to the Annual General Meeting;
- (ii) elect the members of the Board and remove them from office. If the Company is operating at a loss, the Supervisory Council must consider the suitability of the Board members for their office;
- (iii) according to the procedure under these Articles of Association, approve transactions which the Company

Bendrovės akcininku, kuris turi bent 5 (penkis) procentus visų Bendrovės Akcijų, taip pat su asmeniu (nebūtinai esančiu akcininku), kuris turi bent 5 (penkis) procentus visų balsų Akcininkų susirinkime bei su tokiais asmenimis tiesiogiai ir/ar netiesiogiai susijusiais asmenimis, įskaitant tokių asmenų artimais šeimos nariais (toliau visi kartu – **Susijusios šalys**), išskyrus sandorius, sudaromus verčiantis įprasta ūkine veikla;

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (iv) prižiūri Bendrovės valdybos ir vadovo veiklą; | (iv) supervise the activities of the Board and the Manager of the Company; |
| (v) pateikia Akcininkų susirinkimui atsiliepimus ir pasiūlymus dėl Bendrovės veiklos strategijos, metinių finansinių ataskaitų rinkinio, pelno (nuostolių) paskirstymo projekto ir Bendrovės metinio pranešimo, taip pat valdybos bei Bendrovės vadovo veiklos; | (v) submit its comments and proposals to the General Meeting on the Company's business strategy, set of annual financial statements, draft of profit/loss distribution and the annual report of the Company as well as the activities of the Board and the Manager of the Company; |
| (vi) pateikia Akcininkų susirinkimui atsiliepimus ir pasiūlymus dėl sprendimo dėl dividendų už trumpesnį negu finansiniai metai laikotarpį skyrimo projekto ir jam priimti sudaryto tarpinių finansinių ataskaitų rinkinio ir parengto tarpinio pranešimo; | (vi) submit to the General Meeting its comments and proposals regarding the draft decision on the allocation of dividends for a period shorter than the financial year and the set of interim financial statements and the interim report drawn up for the purpose of adoption of the decision; |
| (vii) teikia siūlymus valdybai ir Bendrovės vadovui atšaukti jų sprendimus, kurie prieštarauja įstatymams ir kitiems teisės aktams, įstatams ar Akcininkų susirinkimo sprendimams; | (vii) submit proposals to the Board and the Manager of the Company to revoke their decisions which are in conflict with laws and other legal acts, the Articles of Association or the decisions of the General Meeting; |
| (viii) gavusi atlygio ir skyrimo komiteto rekomendacijas, Bendrovės valdybai teikia išankstinius pritarimus dėl Bendrovės vadovo kandidatūros, atlyginimo, kitų darbo ir/ar paslaugų sutarties sąlygų, bet kokios formos skatinimo ir papildomo atlygio prie atlyginimo nustatymo, taip pat dėl nuobaudų skyrimo; | (viii) after receipt of recommendations from the Nomination and Remuneration Committee, provides to the Board advance approvals regarding fixing salary, setting other terms of the employment contract and/or services contract, provision of any form of incentives for and establishment of any form of additional reward to the salary and imposing penalties against the Manager; |
| (ix) sprendžia kitus Bendrovės įstatuose, taip pat Akcininkų susirinkimo sprendimuose stebėtojų tarybos kompetencijai priskirtus Bendrovės ir jos valdymo organų veiklos priežiūros klausimus. | (ix) address other issues assigned to the powers of the Supervisory Council by the Articles of Association as well as by the decisions of the General Meeting regarding the supervision of the activities of the Company and its management bodies. |

7.13. Stebėtojų taryba turi teisę prašyti Bendrovės valdybą ir Bendrovės vadovą pateikti su Bendrovės veikla susijusius dokumentus.

7.14. Siekdama užtikrinti veiksmingą vidaus kontrolės sistemą bei veiklos rizikų valdymą, stebėtojų taryba savo sprendimu turi teisę sudaryti laikino (*ad hoc*) arba nuolatinio pobūdžio specializuotus komitetus, kuriems pavedama nagrinėti ir teikti Stebėtojų tarybai ir (ar) kitiems Bendrovės organams pasiūlymus bei rekomendacijas dėl tokių komitetų priskirtų sričių bei klausimų. Specializuoti komitetai veikia kaip stebėtojų tarybos patariamieji organai ir už visus savo kompetencijos ribose, atsižvelgus į specializuotų komitetų pasiūlymus, priimtus sprendimus išlieka atsakinga stebėtojų taryba.

7.15. Bendrovėje sudaromi šie nuolatiniai stebėtojų tarybai atskaitingi komitetai – audito komitetas bei atlygio ir skyrimo komitetas.

7.16. Audito komitetas formuojamas ir veikia atsižvelgiant į audito komiteto nuostatus, tvirtinamus stebėtojų tarybos sprendimu.

7.17. Audito komiteto pareigas bei funkcijas numato Lietuvos Respublikos įstatymai bei kiti taikytini teisės aktai.

7.18. Atlygio ir skyrimo komitetas formuojamas ir veikia atsižvelgiant į atlygio ir skyrimo komiteto nuostatus, tvirtinamus stebėtojų tarybos sprendimu.

7.19. Atlygio ir skyrimo komiteto pareigas bei funkcijas numato atlygio ir skyrimo komiteto nuostatai, kuriuos tvirtina stebėtojų taryba. Be kita ko, Atlygio ir skyrimo komitetas yra atsakingas už rekomendacijų dėl Bendrovės valdymo organų narių kandidatūrų, atlyginimo, kitų darbo ir/ar paslaugų sutarties sąlygų, bet kokios formos jų skatinimo ir papildomo atlygio prie atlyginimo nustatymo teikimą Bendrovės stebėtojų tarybai.

8. Bendrovės valdyba

8.1. Valdyba yra kolegialus Bendrovės valdymo organas, kurio darbo tvarką nustato jos priimtas Valdybos reglamentas.

8.2. Valdybą sudaro 4 (keturi) nariai, renkami stebėtojų tarybos sprendimu.

8.3. Valdyba renkama 3 (trijų) metų laikotarpiui.

7.13. The Supervisory Council shall be entitled to request the Board of a Company and the Manager of the Company to submit the documents related to the activities of the Company.

7.14. In order to ensure the effective system of internal control and operation risk management, the Supervisory Council has a right to form temporary committees (*ad hoc*) or permanent specialized committees which would review and submit to the Supervisory Council and (or) other bodies of the Company proposals and recommendations regarding the assigned areas and issues. The specialized committees shall act as advisory bodies of the Supervisory Council and the Supervisory Council, within the limits of its competence, shall, subject to the decisions of the specialized committees, remain responsible for their adopted decisions.

7.15. An Audit Committee and Nomination and Remuneration Committee shall be formed in the Company – permanent and accountable to the Supervisory Council, committees.

7.16. Audit Committee shall be formed and shall operate according to the regulations of the Audit Committee, approved by the Supervisory Council.

7.17. The duties and functions of the Audit Committee shall be provided by the laws of the Republic of Lithuania and other the applicable legal acts.

7.18. Nomination and Remuneration Committee shall be formed and shall operate according to the regulations of the Nomination and Remuneration Committee, approved by the Supervisory Council.

7.19. The duties and functions of the Nomination and Remuneration Committee shall be provided in the regulations of the Nomination and Remuneration Committee, which shall be approved by the Supervisory Council. Among other things, the Nomination and Remuneration Committee is responsible for submission of recommendations to the Supervisory Council regarding the candidatures, fixing salaries, setting other terms of the employment contract and/or services contract, provision of any form of incentives for and establishment of any form of additional reward for the members of the management bodies of the Company.

8. The Board of the Company

8.1. The Board of the Company is a collegial management of the Company, which working procedure shall be laid down in the rules of procedure of the Board adopted by it.

8.2. The Board shall consist of 4 (four) members elected by the decision of the Supervisory Council.

8.3. The Board shall be elected for tenure of

8.4. Valdybos nariu gali būti tik asmenys, atitinkantys Akcinių bendrovių įstatymo bei kitų taikytinų teisės aktų reikalavimus. Valdyba renkama ir atšaukiama, laikantis Akcinių bendrovių įstatymo nustatytos tvarkos.

8.5. Su Bendrovės valdybos nariais gali būti sudaromos sutartys dėl veiklos valdyboje. Valdybos nariams gali būti mokamas atlygis už veiklą Bendrovės valdyboje. Sutarties su Bendrovės valdybos nariais esmines sąlygas ir Bendrovės atlygio už valdybos narių veiklą mokėjimo tvarką tvirtina stebėtojų taryba.

8.6. Valdyba iš savo narių išsirenka valdybos pirmininką.

8.7. Valdybos posėdžio šaukimo iniciatyvos teisę turi kiekvienas valdybos narys.

8.8. Valdyba gali priimti sprendimus ir jos posėdis laikomas įvykusi, kai jame dalyvauja ne mažiau kaip 2/3 valdybos narių. Iš anksto balsavę valdybos nariai laikomi dalyvaujančiais posėdyje. Valdybos sprendimas yra priimtas, kai už jį gauta daugiau balsų negu prieš. Balsams „už“ ir „prieš“ pasiskirsčius po lygiai, lemia valdybos pirmininko balsas.

8.9. Valdyba analizuoja ir vertina Bendrovės vadovo pateiktą medžiagą:

- (i) apie Bendrovės veiklos organizavimą;
- (ii) apie Bendrovės finansinę būklę;
- (iii) apie ūkinės veiklos rezultatus, pajamų ir išlaidų sąmatas, inventorizacijos ir kitus turto pasikeitimo apskaitos duomenis;
- (iv) veiklos strategijos projektą ir informaciją apie Bendrovės veiklos strategijos įgyvendinimą ir juos kartu su atsiliepimais ir pasiūlymais dėl jų teikia stebėtojų tarybai.

8.10. Valdyba analizuoja ir vertina:

- (i) Bendrovės metinių finansinių ataskaitų rinkinį, pelno (nuostolių) paskirstymo projektą ir kartu su atsiliepimais ir pasiūlymais dėl jų bei Bendrovės metiniu pranešimu teikia stebėtojų tarybai ir Visuotiniam susirinkimui;

3 (three) year.

8.4. Only persons, who satisfies the requirements, established in the Law on Companies and other applicable laws, may be the members of the Board. The Board is elected and revoked following the order, established in the Law on Companies.

8.5. Agreements with members of the Board regarding activities in the Board may be concluded. Members of the Board may be remunerated for the activities in the Board. The essential conditions of the agreement with members of the Board and the procedure for the payment of the Company's remuneration for the activities of the members of the Board shall be approved by the Supervisory Council.

8.6. The Chairman of the Board shall be elected by the members of the Board from the members of the Board.

8.7. Each member of the Board shall have the right of initiative to convene the Board meeting.

8.8. The Board may take decisions and its meeting is deemed to have taken place if not less than 2/3 of the members of the Board are present at the meeting. Voted in advance of the members of the Board shall be considered present at the meeting. Decision of the Board is adopted if it receives more votes for than against. Where equal votes are cast "for" and "against", the Chairman of the Board shall have the casting vote.

8.9. The Board shall analyse and assess the information submitted by the Manager of the Company:

- (i) on the organisation of the activities of the Company;
- (ii) on the financial status of the Company;
- (iii) on the results of economic activities, income and expenditure estimates, the stock-taking and other accounting data of changes in the assets;
- (iv) the draft of business strategy and information on the implementation of the Company's business strategy, and submit them to the Supervisory Council together with feedback and proposals for them.

8.10. The Board shall analyse and assess:

- (i) a set of the Company's annual financial statements and a draft of profit/loss distribution and shall submit them to the Supervisory Council and to the General Meeting together with feedback and related proposals and the annual report of the Company;

- (ii) sprendimo dėl dividendų už trumpesnį negu finansiniai metai laikotarpį skyrimo projektą ir jam priimti sudarytą tarpinių finansinių ataskaitų rinkinį, kuriuos kartu su atsiliepimais ir pasiūlymais dėl jų bei bendrovės tarpiniu pranešimu teikia stebėtojų tarybai ir Visuotiniam susirinkimui.

8.11. Valdyba svarsto ir tvirtina:

- (i) Bendrovės metinį pranešimą;
- (ii) Bendrovės tarpinį pranešimą;
- (iii) Bendrovės valdymo struktūrą ir darbuotojų pareigybės;
- (iv) pareigybės, į kurias darbuotojai priimami konkurso tvarka;
- (v) Bendrovės filialų ir atstovybių nuostatus.

8.12. Valdyba renka ir atšaukia Bendrovės vadovą, nustato jo atlyginimą, kitas darbo sutarties sąlygas, tvirtina pareiginius nuostatus, skatina jį ir skiria nuobaudas, gavus išankstinį stebėtojų tarybos pritarimą, kaip tai numatyta Įstatų 7.12 straipsnio (viii) punkte. Valdyba negali išrinkti Bendrovės vadovo ir priimti kitų šiame straipsnyje nurodytų sprendimų, jeigu tokiam sprendimui nebuvo gautas stebėtojų tarybos pritarimas.

8.13. Valdyba priima:

- (i) sprendimus Bendrovei tapti kitų juridinių asmenų steigėja, dalyve;
- (ii) sprendimus steigti Bendrovės filialus ir atstovybes;
- (iii) sprendimus dėl ilgalaikio turto, kurio balansinė vertė didesnė kaip 1/20 Bendrovės įstatinio kapitalo, investavimo, perleidimo, nuomos (skaičiuojama atskirai kiekvienai sandorio rūšiai);
- (iv) sprendimus dėl ilgalaikio turto, kurio balansinė vertė didesnė kaip 1/20 Bendrovės įstatinio kapitalo, įkeitimo ir hipotekos (skaičiuojama bendra sandorių suma);
- (v) sprendimus dėl kitų asmenų prievolių, kurių suma didesnė kaip 1/20 Bendrovės įstatinio kapitalo, įvykdymo laidavimo ar garantavimo;
- (vi) sprendimus įsigyti ilgalaikio turto už

- (ii) a draft decision on the allocation of dividends for a period shorter than the financial year and a set of interim financial statements drawn up for the purpose of taking the decision, which it shall submit to the Supervisory Council and to the General Meeting together with feedback and related proposals and the Company's interim report.

8.11. The Board shall consider and approve:

- (i) the annual report of the Company;
- (ii) the interim report of the Company;
- (iii) the management structure of the Company and the positions of the employees;
- (iv) the positions to which employees are recruited through competition;
- (v) regulations of branches and representative offices of the Company.

8.12. The Board shall elect and remove from the office the Manager of the Company, fix his salary and set other terms of the employment contract, approve his job description, provide incentives for and impose penalties against him after receipt of prior approval of the Supervisory Council, as it is indicated in point (viii) of Clause 7.12. The Board shall not elect the Manager and take other decisions on matters, indicated hereof, without an approval from the Supervisory Council.

8.13. The Board shall take:

- (i) decisions for the Company to become an incorporator or a member of other legal entities;
- (ii) decisions on the opening of branches and representative offices of the Company;
- (iii) decisions on the investment, disposal or lease of the fixed assets the book value whereof exceeds 1/20 of the capital of the Company (calculated individually for every type of transaction);
- (iv) decisions on the pledge or mortgage of the fixed assets the book value whereof exceeds 1/20 of the capital of the Company (calculated for the total amount of transactions);
- (v) decisions on offering of suretyship or guarantee for the discharge of obligations of third parties the amount whereof exceeds 1/20 of the capital of the Company;
- (vi) decisions on the acquisition of the

kainą, didesnę kaip 1/20 Bendrovės įstatinio kapitalo;

- (vii) kitus Akcinių bendrovių įstatyme, Įstatuose ar Akcininkų susirinkimo sprendimuose valdybos kompetencijai priskirtus sprendimus.

8.14. Valdyba atsako už Akcininkų susirinkimų sušaukimą ir rengimą laiku.

8.15. Valdyba savo sprendimus priima valdybos posėdžiuose. Reikalui esant, valdybos posėdžiai gali būti organizuojami naudojant elektroninių ryšių priemones, jeigu užtikrinamas perduodamos informacijos saugumas ir galima nustatyti balsavusio asmens tapatybę.

9. Bendrovės vadovas

9.1. Bendrovės vadovas (Generalinis direktorius) yra vienasmenis Bendrovės valdymo organas, renkamas Bendrovės valdybos sprendimu.

9.2. Bendrovės sandorius pasirašo veikiantys kartu Bendrovės vadovas ir bet kuris valdybos narys. Asmenys turintys teisę pasirašyti Bendrovės sandorius gali išduoti įgaliojimą veikti Bendrovės vardu Bendrovės darbuotojams ar tretiesiems asmenims (laikantis įstatymuose nustatytų ribojimų ir tvarkos).

9.3. Bendrovės vadovo rinkimo ir atšaukimo tvarka nesiskiria nuo vadovo rinkimo ir atšaukimo tvarkos, nurodytos Akcinių bendrovių įstatyme, atsižvelgiant į Įstatų 7.12 straipsnio (viii) punkto nuostatą. Bendrovės vadovas negali būti išrinktas, jeigu Bendrovės valdyba tokiam sprendimui nėra gavusi stebėtojų tarybos pritarimo.

9.4. Bendrovės vadovas atsako už:

- (i) Bendrovės veiklos organizavimą bei jos tikslų įgyvendinimą;
- (ii) metinių finansinių ataskaitų rinkinio sudarymą ir Bendrovės metinio pranešimo parengimą;
- (iii) sprendimo dėl dividendų už trumpesnį negu finansiniai metai laikotarpį skyrimo projekto parengimą, tarpinių finansinių ataskaitų rinkinio sudarymą ir tarpinio pranešimo parengimą, sprendimui dėl dividendų už trumpesnį negu finansiniai metai laikotarpį skyrimo priimti;

fixed assets the price whereof exceeds 1/20 of the capital of the Company;

- (vii) other decisions assigned to the scope of powers of the Board by the Law on Companies, the Articles of Association or the decisions of the General Meeting.

8.14. The Board shall be responsible for the convening and organisation of the General Meetings in due time.

8.15. The Board decisions are made in the Board meetings. If necessary, meetings of the Board may be held using means of electronic communications, where the guaranteed security of transmitted information and can identify the voting person.

9. The Manager of the Company

9.1. The Manager of the Company (the General Director) shall be a sole governing body of the Company, elected by the decision of the Board.

9.2. Transactions of the Company shall be signed jointly by the Manager of the Company and any member of the Board. Persons, having a right to sign transactions of the Company may issue a Power of Attorney to act on behalf of the Company to the employees of the Company or third parties (in accordance with the restrictions and procedure prescribed by the law).

9.3. The procedure of election and revocation of the Manager of the Company does not differ from the procedure of election and revocation of the Manager which is specified in the Law on Companies, taking into consideration the provision, indicated in point (viii) of Clause 7.12. The Manager of the Company shall not be elected if the Board did not receive approval for such decision from the Supervisory Council.

9.4. The Manager of a Company shall be responsible for:

- (i) organisation of activities and implementation of purposes of the Company;
- (ii) drawing up of a set of annual financial statements and drafting of an annual report of the Company;
- (iii) drafting of a decision on the allocation of dividends for a period shorter than the financial year and drawing up of a set of interim financial statements and an interim report for adoption of the decision on the allocation of dividends for a period shorter than the financial year;

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> (iv) Akcijų suteikimo taisyklių projekto parengimą; (v) sutarties su auditoriumi ar audito įmone sudarymą; (vi) informacijos ir dokumentų pateikimą Akcininkų susirinkimui, stebėtojų tarybai ir valdybai Akcinių bendrovių įstatymo nustatytais atvejais ar jų prašymu; (vii) Bendrovės dokumentų ir duomenų pateikimą Juridinių asmenų registro tvarkytojui; (viii) dokumentų pateikimą Lietuvos bankui ir Nasdaq CSD, SE, Varšuvos vertybinių popierių biržai ir bet kuriai kitai vertybinių popierių biržai, į kurios sąrašus yra įtraukti Bendrovės vertybiniai popieriai; (ix) Akcinių bendrovių įstatyme nustatytos informacijos viešą paskelbimą; (x) pranešimą akcininkams, stebėtojų tarybai ir valdybai apie svarbiausius įvykius, turinčius reikšmės Bendrovės veiklai; (xi) informacijos pateikimą akcininkams; (xii) kitų Akcinių bendrovių įstatyme ir kituose įstatymuose bei teisės aktuose, taip pat įstatuose ir Bendrovės vadovo pareiginiuose nuostatuose nustatytų pareigų vykdymą. | <ul style="list-style-type: none"> (iv) drafting of the draft of the rules on provision of Shares; (v) conclusion of a contract with an auditor or an audit firm; (vi) submission of information and documents to the General Meeting, the Supervisory Council and the Board in the cases laid down in the Law on Companies or at their request; (vii) submission of documents and particulars of the Company to the administrator of the Register of Legal Entities; (viii) submission of the documents to the Bank of Lithuania and Nasdaq CSD, SE, Warsaw Stock Exchange and any other stock exchange, where the Company's securities are listed; (ix) publication of the information referred to in the Law on Companies; (x) notifying to the General Meeting, the Supervisory Council and the Board about the most important events that have an impact to the Company's activities; (xi) submission of information to shareholders; (xii) performance of other duties laid down in the Law on Companies and other laws and legal acts as well as in the Articles of Association and the job description of the Manager of the Company. |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

9.5. Bendrovės vadovas savo kompetencijos ribose su valdybos pritarimu turi teisę išduoti prokurą, įforminant ją Lietuvos Respublikos teisės aktų nustatyta tvarka.

9.5. The Manager of the Company shall have the right to issue procuracies within the scope of his authority and with the assent of the Board of the Company, making them official under the procedure set by laws and regulations of the Republic of Lithuania.

9.6. Bendrovės vadovas prieš sudarymas Bendrovės vardu sandorį su susijusia šalimi, turi gauti stebėtojų tarybos pritarimą Akcinių bendrovių įstatymo nustatyta tvarka.

9.6. The Manager of the Company before concluding transaction on behalf of the Company with related party must obtain a consent from the Supervisory Council under the procedure, established in the Law on Companies.

10. Sandoriai su Susijusiomis šalimis

10. Transactions with Related Parties

10.1. Sandoriai su Susijusiomis šalimis sudaromi laikantis Akcinių bendrovių įstatymo, kurio pagrindinės nuostatos yra atspindėtos ir šiame įstatų 10 straipsnyje, ir šiuose įstatuose numatytos tvarkos.

10.1. The transactions with Related Parties shall be concluded following order, established in the Law on Companies, which main provisions are also reflected in Clause 10 hereof, and these Articles of Association.

10.2. Šio straipsnio nuostatos taikomos sudarant sandorius su Susijusia šalimi, jeigu jie: (i) nėra sudaromi vadovaujantis ištiestos rankos principu ir

10.2. The provisions of this Clause shall be applicable when concluding the transactions with the Related Party, if they: (i) are not concluded on

(ar) (ii) nepriskiriami bendrovės įprastai ūkinei veiklai, ir (ar) (iii) daro reikšmingą įtaką Bendrovei, jos finansams, turtui, įsipareigojimams. Bendrovė laiko, kad sandoris daro reikšmingą įtaką Bendrovei, jos finansams, turtui, įsipareigojimams, jeigu tokio sandorio vertė yra didesnė kaip 1/2 Bendrovės įstatinio kapitalo.

10.3. Bendrovės vadovas neprivalo gauti stebėtojų tarybos pritarimo, jeigu sandoris yra sudaromas verčiantis įprastine ūkine veikla ir laikantis ištiesios rankos principo.

10.4. Susijusi šalis, ketinanti sudaryti sandorį su Bendrove, privalo informuoti Bendrovės vadovą apie priežastis, dėl kurių ji galėtų būti laikoma Susijusia šalimi.

10.5. Bendrovės vadovas dėl sandorio su Susijusia šalimi turi kreiptis į Bendrovės audito komitetą, pateikiant jam informaciją, susijusią su tokiu sandoriu. Audito komitetas ne vėliau kaip per 20 (dvidešimt) darbo dienų nuo informacijos pateikimo dienos parengia ir raštu pateikia Bendrovei nuomonę dėl sandorio sudarymo su Susijusia šalimi.

10.6. Bendrovės vadovas apie audito komiteto pateiktą nuomonę privalo nedelsdamas pranešti Bendrovės akcininkams, priežiūros ir valdymo organų nariams ir Susijusiai šaliai.

10.7. Stebėtojų taryba ne vėliau kaip per 7 (septynias) dienas nuo audito komiteto nuomonės gavimo dienos privalo priimti sprendimą dėl sandorio su Susijusia šalimi.

10.8. Susijusi šalis rengiant nuomonę dėl sandorio nedalyvauja ir priimant sprendimą dėl šio sandorio negali balsuoti.

11. Bendrovės audito įmonė

11.1. Bendrovės audito įmonė renkama Lietuvos Respublikos įstatymų bei kitų teisės aktų nustatyta tvarka.

12. Pranešimų skelbimo tvarka

12.1. Bendrovės pranešimai, kurie pagal Lietuvos Respublikos įstatymus ir (ar) šiuos įstatus turi būti paskelbti viešai, skelbiami Juridinių asmenų registro tvarkytojo leidžiamame elektroniniame leidinyje. Tais atvejais, kai dėl techninių kliūčių pranešimų tokiame leidinyje paskelbti neįmanoma, pranešimai skelbiami dienraštyje „Lietuvos rytas“. Jeigu Lietuvos Respublikos įstatymuose ir (ar) šiuose įstatuose nenustatyta kitaip, kiti pranešimai

arm's length basis and (or) (ii) are not attributable to the usual commercial activity, and (or) (iii) makes material impact to the Company, its finances, assets, obligations. The Company deems that the transaction makes material impact to the Company, its finances, assets, obligations, if the value of such transaction is higher than 1/2 of the authorised capital of the Company.

10.3. The Manager of the Company is not required to receive an approval from the Supervisory Council if the transaction is concluded carrying out usual commercial activity and on arm's length basis.

10.4. The Related Party, intending to conclude the transaction with the Company, must notify the Manager of the Company about the reasons, why such party should be considered as a Related Party.

10.5. The Manager of the Company must apply to the Company's Audit Committee regarding the transaction with Related Party and provide it with the information related to such transaction. The Audit Committee must prepare and submit in writing to the Company an opinion on conclusion of the transaction with Related Party not later than within 20 (twenty) days from the receipt of such information.

10.6. The Manager of the Company must immediately notify the Company's shareholders, supervisory and management bodies and Related Party about the opinion provided by the Audit Committee.

10.7. The Supervisory Council, no later than in 7 (seven) days as of receipt of the opinion of the Audit Committee, must adopt decision regarding the transaction with Related Party.

10.8. The Related Party shall not participate in preparation of the opinion on the transaction and shall not vote on the decision on this transaction.

11. Audit Firm of the Company

11.1. The audit firm is selected according to the laws of the Republic of Lithuania and other applicable legal acts.

12. The Procedure of Making Company's Announcements

12.1. Announcements of the Company which under the laws of the Republic of Lithuania and (or) to this Articles of Association should be announced publicly, shall be made in the electronic publication issued by the administrator of the Register of Legal Entities. In cases when notices cannot be announced in such publication due to technical obstacles, such notices shall be announced in the daily "Lietuvos rytas". If the laws

gali būti pateikiami asmeniškai, paštu arba perduoti elektroninių ryšių priemonėmis, originalus nedelsiant išsiunčiant adresatui registruotu laišku ar įteikiami pasirašytinai.

12.2. Bendrovė pranešimus apie esminius įvykius pateikia interneto svetainėje www.novaturas.lt ir vertybinių popierių rinką reglamentuojančių teisės aktų nustatyta tvarka.

12.3. Už pranešimų išsiuntimą ar jų įteikimą laiku atsako Bendrovės vadovas.

13. Bendrovės dokumentų ir kitos informacijos pateikimo akcininkams tvarka

13.1. Akcininkui raštu pareikalavus, Bendrovė ne vėliau kaip per 7 (septynias) kalendorines dienas nuo reikalavimo gavimo dienos privalo sudaryti akcininkui galimybę susipažinti ir (ar) pateikti įstatų, metinių ir tarpinių finansinių ataskaitų rinkinių, Bendrovės metinių ir tarpinių pranešimų, auditoriaus išvadų ir finansinių ataskaitų audito ataskaitų, Akcininkų susirinkimų protokolų ar kitų dokumentų, kuriais įforminti Akcininkų susirinkimo sprendimai, stebėtojų tarybos pasiūlymų ar atsiliepimų Akcininkų susirinkimams, akcininkų sąrašų, stebėtojų tarybos ir valdybos narių sąrašų, kitų Bendrovės dokumentų, kurie turi būti vieši pagal įstatymus, taip pat kitų įstatuose nurodytų dokumentų kopijas.

13.2. Susipažinti su kita Bendrovės informacija ir (ar) gauti dokumentų kopijas, įskaitant ir informaciją bei dokumentus, susijusius su Bendrovės komercine (gamybine) paslaptimi ir konfidencialia informacija, turi teisę tik Bendrovės akcininkas, kuriam tokia informacija ir dokumentai būtini vykdant teisės aktuose numatytus reikalavimus.

13.3. Informacija bei dokumentai, susiję su Bendrovės komercine (gamybine) paslaptimi ir konfidencialia informacija akcininkui gali būti pateikiami tik tuo atveju, jeigu akcininkas užtikrina tokios informacijos ir dokumentų konfidencialumą.

13.4. Bendrovė gali neteikti akcininkui informacijos ir dokumentų būtinų vykdant teisės aktuose numatytus reikalavimus, jeigu yra galimybė Bendrovei šią informaciją ir (ar) dokumentus pateikti tiesiogiai asmenims (institucijoms ir įstaigoms), kurioms ši informacija ir (ar) dokumentai turi būti teikiami, vykdant teisės aktuose numatytus reikalavimus.

13.5. Bendrovė atsisako akcininkui pateikti

of the Republic of Lithuanian and (or) these Articles of Association do not determine otherwise, other announcements could be delivered personally, by post, by means of electronic communications, the original should be immediately sent to the addressee by registered mail or deliver to the shareholder against his signed acknowledgement.

12.2. Company's notifications on material events shall be announced in website www.novaturas.lt and under the procedure, established in legal acts regulating securities markets.

12.3. The Manager of the Company is responsible for dispatch of the notice on timely manner.

13. The Procedure of Presenting the Company's Documents and Other Information to Shareholders

13.1. Following the written request of the shareholder, the Company must within 7 (seven) calendar days from the date of receiving such request to provide the shareholder with access to and / or present to the shareholder the Articles of Association, annual and interim financial statements, annual and interim reports, auditor's reports and audit reports of the financial statements, minutes of the General Meeting or other documents, which constitutes the decisions of the General Meeting, comments and proposals of the Supervisory Council to the General Meetings, list of shareholders, lists of members of the Board and of the Supervisory Council, other Company's documents, which under the applicable laws must be public, also, copies of other documents, specified in the Articles of Association.

13.2. Only shareholder of the Company, to whom the information and documents are necessary for the fulfilment of the statutory requirements, may get acquainted with other information of the Company and (or) to receive copies of documents, including information and documents, related to commercial (industrial) secret and confidential information.

13.3. Information and documents, related to the commercial (industrial) secret and confidential information may be provided to the shareholder, only if the shareholder ensures the confidentiality of such information and documents.

13.4. The Company may refuse to provide information and documents to the shareholder if they are necessary for the fulfilment of the statutory requirements, if there is a possibility to provide such information and (or) documents directly to the persons (institutions), to whom such information and (or) documents would have to be provided, while fulfilling the statutory requirements.

13.5. The Company shall refuse to provide copies

dokumentų kopijas, jeigu negalima nustatyti dokumentų pareikalavusio akcininko tapatybės.

13.6. Atsisakymą sudaryti akcininkui galimybę susipažinti ir (ar) pateikti dokumentų kopijas Bendrovė turi įforminti raštu, jeigu akcininkas to pareikalauja.

13.7. Ginčus dėl akcininko teisės gauti informaciją sprendžia teismas.

13.8. Bendrovės dokumentai, jų kopijos ar kita informacija akcininkams pateikiama neatlygintinai, išskyrus atvejus, kuomet Bendrovė dėl dokumentų ar kitos informacijos pateikimo patiria išlaidų. Pastaruoju atveju Bendrovės akcininkas atlygina Bendrovės patirtas dokumentų ir kitos informacijos pateikimo išlaidas pagal Bendrovės vadovo patvirtintus įkainius.

14. Bendrovės įstatų keitimo tvarka

14.1. Bendrovės įstatatai keičiami Akcinių bendrovių įstatymo nustatyta tvarka Akcininkų susirinkimo sprendimu, priimtu ne mažesne kaip 2/3 visų Akcininkų susirinkime dalyvaujančių akcininkų akcijų suteikiamų balsų dauguma.

14.2. Akcininkų susirinkimui priėmus sprendimą pakeisti Bendrovės įstatus, surašomas visas pakeistų įstatų tekstas ir po juo pasirašo Akcininkų susirinkimo įgaliotas asmuo.

15. Baigiamosios nuostatos

15.1. Šie įstatatai pasirašyti 2018 m. vasario 20 d. 3 (trimis) egzemplioriais lietuvių ir anglų kalbomis. Esant neatitikimui tarp lietuviškojo ir angliškojo tekstų privalo būti vadovaujama lietuviškuoju tekstu.

15.2. Įstatatai įsigalioja nuo jų įregistravimo Juridinių asmenų registre momento.

of documents to the shareholder if the identity of the shareholder requesting the documents cannot be determined.

13.6. The refusal to provide the shareholder with access to get acquainted and / or provide copies of documents has to be formalized in written if it is requested by the shareholder.

13.7. Disputes concerning the shareholder's right to information are resolved in the court.

13.8. Company's documents, copies or other information are provided to shareholders free of charge, except if the Company incurs expenses for provision of documents or other information. In this case, the shareholder shall reimburse the costs incurred by the Company for the provision of documents and other information under the tariffs, approved by the Manager of the Company.

14. The Procedure of Amending the Articles of Association of the Company

14.1. The Articles of Association of the Company shall be amended under the procedure set by the Law on Companies by a resolution of the General Meeting adopted by at least 2/3 of votes carried by shares held by all the shareholders present at the General Meeting.

14.2. After the General Meeting adopts a resolution to amend the Articles of Association of the Company, the whole text of the amended Articles of Association shall be made and signed by a person authorised by the General Meeting.

15. Final Provisions

15.1. These Articles of Association were signed on 20 February 2018 in 3 (three) original copies in Lithuanian and English languages. In case of discrepancy between the two, the text in Lithuanian language shall prevail.

15.2. The Articles of Association shall come into effect as from the moment of their registration with the Register of Legal Entities.

Įgaliotas asmuo / Authorized person:



[Handwritten signature in blue ink]

Susidūkus, susidūkus ir susidūkus
patvirtinta

Notaras



THE ISSUER

Novaturas AB

A. Mickevičiaus str. 27

LT-44245 Kaunas

Lithuania

SELLING SHAREHOLDERS

Central European Tour Operator S.à r.l

1, rue Jean Piret, L-2350 Luxembourg

Grand Duchy of Luxembourg

Rytis Šūmakaris

Vidas Paliūnas

GLOBAL COORDINATOR AND JOINT BOOKRUNNER

Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna

Oddział- Dom Maklerski PKO Banku Polskiego w Warszawie

ul. Puławska 15

02-515 Warsaw

Poland

JOINT BOOKRUNNERS

Swedbank AB

Konstitucijos ave. 20A

LT-03502 Vilnius

Lithuania

Trigon Dom Maklerski S.A.

ul. Mogilska 65

31-545 Cracow

Poland

LEGAL ADVISORS TO THE ISSUER

As to Polish law

K&L Gates Jamka sp. k.

Pl. Małachowskiego 2

00-066 Warsaw

Poland

As to Lithuanian law

TGS Baltic

Konstitucijos ave. 21A

LT-08130 Vilnius

Lithuania

LEGAL ADVISOR TO THE GLOBAL COORDINATOR

As to the Polish law

DLA Piper Wiater sp.k.

ul. I. L. Pereca 1

00-849 Warsaw

Poland

INDEPENDENT AUDITORS

Deloitte Lietuva UAB

Jogailos str. 4

LT-01116 Vilnius

Lithuania