

| ANNUAL REPORT | 2008 |



estravel



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Dear clients and partners,

Estravel – Estonia’s leading travel agency – celebrated its 20th anniversary in 2008. The year was a very busy one for us, as the Estonian travel market underwent a number of major changes. Despite the cooling off of the economy and the loss of several companies in the travel sector, the year proved a successful one for Estravel. The number of package tours and flight tickets we sold was an increase on our figures for the 2007 season, mostly thanks to a variety of successful product campaigns.

Sales of Estravel’s package tours grew by 8% during the year, despite the recession. Not only did the packages offered by Estonian travel agencies sell well, but also those provided by our Finnish colleagues. Estravel is the well-known Finnish travel agent Finnmatkat’s sole agent in the Baltic States. The recession and the need for greater economy affected sales of hotel accommodation services, which fell slightly. Tourist class hotels were preferred to business class hotels, and travellers reduced the length of their stays. This trend was expected and has continued in 2009.



ANNE SAMLIK

Managing Director and
Member of the Board of AS Estravel

There was a modest rise in the number of flight tickets sold in 2008 compared to 2007. A couple of very successful campaigns contributed to this, although the effects of the financial crisis started to be felt in the second half of the year. The prices of flight tickets in 2008 were primarily influenced by the cost of crude oil, which had hit an all-time high by the summer. The combination of high fuel prices and an excess offering of flights was not sustainable. Since autumn 2008 a number of airlines have pulled out of the Estonian market, and the remaining firms have scaled back their operations. Estonian clients enjoyed low prices and relatively frequent connections until the end of October, but since then the number of flight connections in Tallinn has fallen and the flights themselves have become more expensive.

Taking into account the economic situation which changed so rapidly in 2008, the season was a remarkably active one for local and conference tourism and increased domestic demand compensated for the reduction in the number of tourists coming to Estonia.

In order to develop conference tourism, the Estonian Convention Bureau was founded – the idea

for which came from Estravel, which is the bureau's founding member. A number of international conferences were also held here. Two of the most important of these, which Estravel contributed to the running of, were the European university debating championships (with 600 participants) and the conference of ministers of the European region of the World Health Organization (with 500 participants). Estravel itself took part in 10 international tourism trade fairs in 2008 under the name Estravel Baltcoming, which was more than ever before in the company's history.



2008 was a year of several major successes for the company.

In the first half of the year we set a new record in increased sales. In August we sold 5200 flight tickets as part of our American campaign, which threw our highest-selling flight destination points charts into confusion! For example, the small city of San Juan in Puerto Rico was ranked 8th amongst the most popular destinations of Estonian travellers.

Where next? We sowed quite a few seeds of success in 2008.

I hope that we will be able to repeat the success of the American flight campaign with the cooperation agreement we entered into with the Estonian Olympic Committee at the end of 2008 – Estravel became the official seller of tickets to the Olympics in the country, and we will be transporting both

athletes and supporters to the forthcoming winter and summer Olympics in Vancouver and London. The company itself is keeping up with the times, too. We have made some changes to Estravel's business concept, reviewed its core values and updated our visual identity.

On behalf of the management of Estravel I would like to thank our valued clients and reliable partners. I wish our colleagues – thanks to whom we remain Estonia's most professional and successful travel agency – every success.



ANNE SAMLIK

Managing Director and Member of the Board of AS Estravel

FINANCIAL HIGHLIGHTS OF ESTRAVEL AS

(milj. EEK)	2008	2007
Gross sales	1007.1	1002.5
Net sales revenue	112.5	117.3
Gross margin	11.1%	11.7%
Net revenues total	118.1	121.6
Pretax profit	19.4	30
Profit margin (from net revenues)	10.50%	20%
Share capital	3	3
Shareholders` equity	44.7	61.3
Return on assets	10%	15%
Return on equity	26%	38.20%
Solvency	1.5	1.6

SUMMARISED SALES OF ESTRAVEL GROUP

Accounting unit in the group	Sales (EEK)	Internal sales (EEK)	Summarised sales (EEK)
Estravel AS (Estonia)	938,462,894	3,843,640	934,619,254
Estravel AS (Latvia, dba. FTB Latvia)	74,878,494	5,128,301	69,750,194
Estravel Vilnius (Lithuania, dba. American Express)	84,807,374	3,699,747	81,107,628
Backoffice Services OÜ	11,857,200	1,222,444	10,634,756
TOTAL	1,110,005,963	13,894,131	1,096,111,831

TOP DESTINATION
COUNTRIES
OF ESTRAVEL'S
CUSTOMERS

Destination country in sales order		2008 Passenger count	2007 Passenger count	Share %	Change %
EE	Estonia	74,824	72,138	29.1%	3.7%
FI	Finland	44,635	54,068	17.3%	-17.4%
DE	Germany	11,516	11,196	4.5%	2.9%
SE	Sweden	11,476	13,842	4.5%	-17.1%
US	USA	10,635	3,363	4.1%	216.2%
ES	Spain	8,760	8,211	3.4%	6.7%
IT	Italy	7,685	6,254	3.0%	22.9%
FR	France	7,039	6,137	2.7%	14.7%
LT	Lithuania	6,951	6,001	2.7%	15.8%
GB	Great Britain	6,651	7,237	2.6%	-8.1%
RU	Russia	5,596	5,753	2.2%	-2.7%
LV	Latvia	5,518	6,719	2.1%	-17.9%
BE	Belgium	4,631	4,907	1.8%	-5.6%
EG	Egypt	4,165	3,459	1.6%	20.4%
UA	Ukraine	3,681	2,567	1.4%	43.4%
GR	Greece	3,215	3,202	1.2%	0.4%
DK	Denmark	2,998	3,298	1.2%	-9.1%
TR	Turkey	2,483	2,390	1.0%	3.9%
Other countries		34,834	33,774	13.5%	3.1%
TOTAL		257,293	263,991		

Activity report 2008

In 2008, AS Estravel sustained steady development in the field of classical travel agency services. In the first half of the year, the Estonian economic environment was favourable for companies engaged in the whole- and retail sale of travel services. In the second half of the year, however, the situation changed drastically. The global economic crisis exerted its impact and both sales and profit margins began decreasing.



REVENUE, EXPENSES AND PROFIT

In 2008, the technical sales of travel services expanded by 0.53% to a record-high 1,007,121,352 kroons, surpassing again the billion-kroon threshold. Sales revenue (sales margin) and other income totalled 118.1 million kroons, a 2.83% decrease year-over-year. Profit before tax amounted to 19.4 million kroons, 35.2% down from 2007, and expenses totalled 103.6 million kroons, 7.35% up on 2007.

KEY FINANCIAL FIGURES AND RATIOS

	2008	2007
Sales revenue (in thousands of kroons)	112,494	117,310
Sales revenue growth	-4.11%	6.0%
Net profit (in thousands of kroons)	11,854	23,430
Net profit percent change	-49.41%	-22.3%
Net margin	10.5%	20.0%
Current ratio	1.5	1.6

Underlying formulas:

Sales revenue growth (%) =

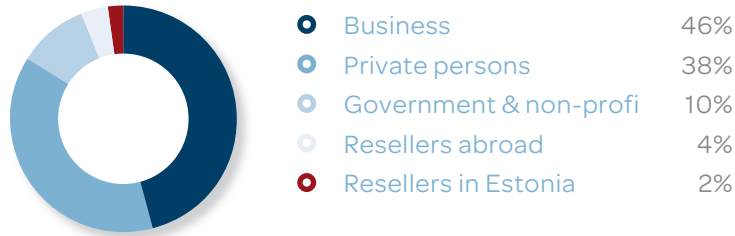
= (sales revenue 2008 - sales revenue 2007) / sales revenue 2007 * 100

Net profit percent change (%) = (net profit 2008 - net profit 2007) / net profit 2007 * 100

Net margin (%) = net profit / sales revenue * 100

Current ratio (times) = current assets / current liabilities

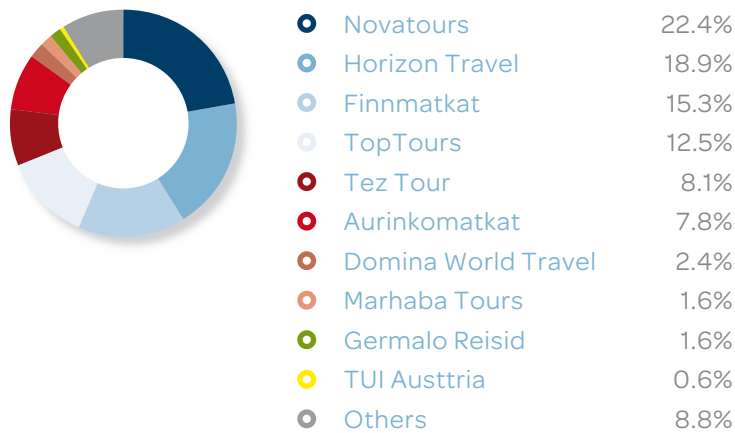
Sales breakdown by customer group



Ferry ticket sales by carrier



Package tour sales by operator



Sales breakdown by product



ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

In 2008, we continued successfully our internal Think Green project, which is aimed at promoting environment friendly work methods and attitudes among our people. The project which is already twelve years old entails, among other things, collection of paper waste at each workplace and regular transport of the waste to recovery sites.

During the reporting year, AS Estravel continued sponsoring various social initiatives and organisations. In the field of education and science we supported Tartu University Foundation
In the field of culture
Non-profit association R.A.A.M that specialises in carrying out various cultural projects, including production of theatrical performances
In addition, we contributed to the vocational training system by providing practical work experience and training to the students of five different professional education facilities and universities of Tallinn and Tartu.



CURRENCY AND INTEREST RATE RISKS

Transactions with customers and suppliers are performed in the Estonian kroon or euro. Loans given and deposits made are also denominated in the Estonian kroon or euro. Therefore, the company does not have any material currency risks.

AS Estravel does not have any loans or borrowings and does not intend to acquire any in 2009.

Therefore, the fluctuations in interest rates do not affect the company's financial expenses.

INVESTMENT

In 2008, AS Estravel's capital expenditures totaled 1.4 million kroons. The largest investments were made in software.



SUBSIDIARIES AND ASSOCIATES

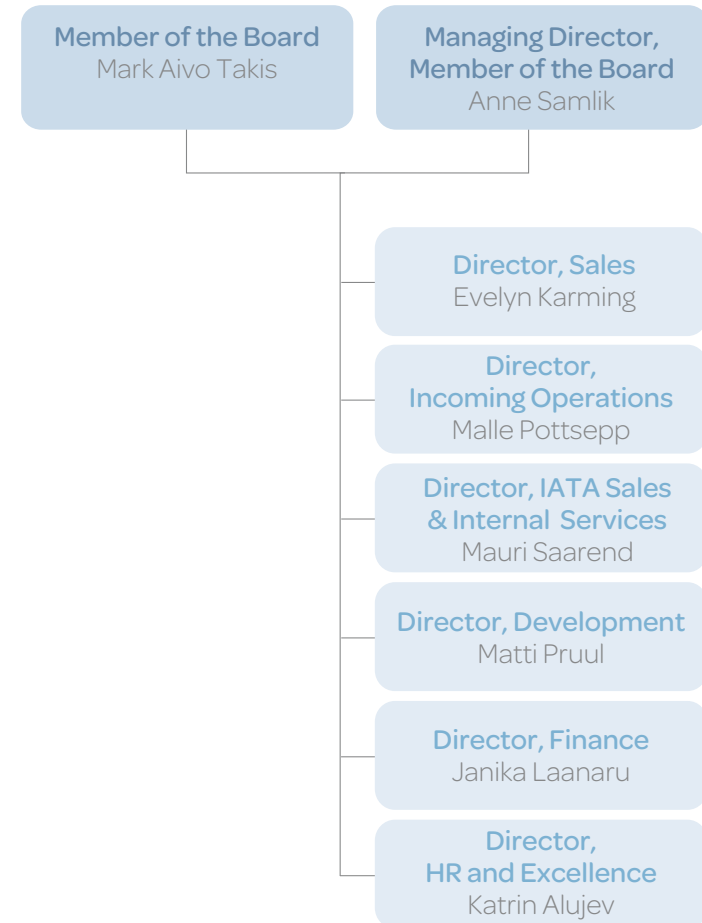
At the end of the financial year, AS Estravel had two subsidiaries. Backoffice Services Estonia OÜ based in Tartu, Estonia, and Estravel Vilnius UAB based in Vilnius, Lithuania. Both subsidiaries ended the financial year with a profit. AS Estravel's interest in Backoffice Services Estonia OÜ is 51%. Estravel Vilnius UAB is a wholly-owned subsidiary. In Lithuania, a new sales office was opened.

PERSONNEL

In 2008, AS Estravel employed, on average, 207 people. Personnel expenses for the period amounted to 66.2 million kroons, 10.6% up on 2007. The remuneration of the members of the management board totalled 1.4 million kroons. Members of the supervisory board were not remunerated. Members of the company's management board are entitled to termination benefits in the event of early cancellation or termination of their contracts. Members of the supervisory board are not entitled to any termination benefits.

OBJECTIVES FOR THE NEXT FINANCIAL YEAR

The keywords for 2009 are innovation and efficiency. The keywords for 2009 are innovation and efficiency. We will focus on developing our Internet-based online sales. Our priorities will also include cutting operating expenses, which is inevitable in the current economic crisis.



Annual financial statements 2008

Extract from the 2008 Financial Statements of Estravel Ltd

BALANCE SHEET assets

As at 31 December (In kroons)	2008	2007
Current assets		
Cash and cash equivalents	82,941,725	108,089,199
Receivables and prepayments		
Trade receivables	21,058,674	25,991,677
Prepaid and refundable taxes	194,091	189,762
Other receivables	2,603,896	3,218,022
Prepayments for services	6,067,662	7,630,555
Total	29,924,323	37,030,016
Inventories		
Goods purchased for resale	1,529,267	2,779,334
Total	1,529,267	2,779,334
Total current assets	114,395,315	147,898,549
Non-current assets		
Long-term financial assets		
Investments in subsidiaries	1,923,312	2,345,870
Other long-term receivables	33,994	10,349
Total long-term financial assets	1,957,306	2,356,219
Property, plant and equipment	3,036,112	3,254,498
Intangible assets	2,988,431	2,796,349
Total non-current assets	7,981,849	8,407,066
TOTAL ASSETS	122,377,164	156,305,615

BALANCE SHEET liabilities and equity

As at 31 December (In kroons)	2008	2007
Liabilities		
Current liabilities		
Payables and advances received		
Trade payables	31,212,140	45,303,974
Payables to employees	4,762,831	4,699,363
Taxes payable	4,254,827	3,709,496
Other payables	5,337,535	6,398,193
Advances received	32,068,692	34,870,781
Total	77,636,025	94,981,807
Total current liabilities	77,636,025	94,981,807
Total liabilities	77,636,025	94,981,807
EQUITY		
Share capital	3,000,000	3,000,000
Share premium	450,500	450,500
Statutory capital reserve	300,000	300,000
Earnings retained in prior periods	28,745,434	33,755,318
Translation reserve	391,548	387,875
Profit for the period	11,853,657	23,430,115
Total equity	44,741,139	61,323,808
TOTAL LIABILITIES AND EQUITY	122,377,164	156,305,615

INCOME STATEMENT

(In kroons)	2008	2007
Sales revenue	112,493,745	117,310,026
Other income	5,623,548	4,247,755
Total sales revenue and other income	118,117,293	121,557,781
Expenses		
Other operating expenses	33,312,286	32,982,250
Personnel expenses		
Salaries	49,814,075	45,055,603
Social charges	16,374,083	14,813,398
Depreciation, amortisation and impairment losses	1,448,025	1,381,766
Other expenses	2,616,310	2,238,548
Total expenses	103,564,779	96,471,565
Operating profit	14,552,514	25,086,216
Finance income and expenses		
Share of profit of subsidiaries	979,942	1,560,422
Interest income	4,018,115	3,392,301
Interest expense	-13,871	-6,948
Foreign exchange gains and losses	-197,579	-75,455
Other finance income and expenses	74,536	19,535
Net finance income	4,861,143	4,889,855
Profit before income tax	19,413,657	29,976,071
Income tax expense	7,560,000	6,545,956
Profit for the period	11,853,657	23,430,115

CASH FLOW STATEMENT

(In kroons)	2008	2007
Rahavood äritegevusest		
Operating profit	14,552,515	25,086,216
Adjustments for:		
Depreciation, amortisation and impairment losses	1,448,025	1,381,766
Gain on sale of property, plant and equipment and intangible assets	-107,627	-49,040
Loss of write-off of property, plant and equipment and intangible assets	2,511	2,726
Change in receivables and prepayments	7,157,763	-948,818
Change in inventories	1,250,067	-1,162,921
Change in payables and advances received	-17,405,791	15,482,317
Interest paid	-13,871	-6,948
Corporate income tax paid	-7,560,000	-6,545,956
Net cash used in / from operating activities	-676,408	33,239,342
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-1,364,224	-1,338,495
Proceeds from sale of property, plant and equipment and intangible assets	107,627	170,251
Other finance income	51,372	19,535
Acquisition of shares	0	-317,209
Loans granted	-263,990	-277,491
Repayment of loans granted	186,014	352,533
Return of damages paid	23,164	23,164
Interest received	4,020,377	3,370,552
Dividends received	1,402,500	1,173,000
Net cash from investing activities	4,162,840	3,175,840

CASH FLOW STATEMENT (continued)

(In kroons)	2008	2007
Cash flows from financing activities		
Dividends paid	-28,440,000	-23,532,167
Net cash used in financing activities	-28,440,000	-23,532,167
Net cash flow	-24,953,568	12,883,015
Effect of exchange rate fluctuations	-197,579	-80,620
Unrealised exchange differences	3,673	
Cash and cash equivalents at beginning of period	108,089,199	95,286,804
Decrease / increase in cash and cash equivalents	-25,147,474	12,802,395
Cash and cash equivalents at end of period	82,941,725	108,089,199

Note 2. Trade receivables

(In kroons)	31 Dec 2008	31 Dec 2007
Accounts receivable from customers	18,857,973	24,439,699
Allowance for doubtful receivables	-1,548,588	-932,481
Receivables from the parent and other group companies	3,749,290	2,484,460
Total	21,058,674	25,991,678

Changes in the allowance for doubtful receivables:

	31 Dec 2008	31 Dec 2007
Doubtful receivables at beginning of period	932,481	382,239
Doubtful items collected during the period	-425,623	-246,840
Items considered doubtful during the period	1,160,855	825,854
Items considered irrecoverable during the period	-119,125	-28,772
Allowance for doubtful receivables at end of period	1,548,588	932,481

Note 3.
Prepaid taxes
and taxes payable

(In kroons)	31 Dec 2008		31 Dec 2007	
Tax	Prepayment	Payable	Prepayment	Payable
Value added tax	95,956	86,845	61,125	0
Personal income tax	0	1,354,673	0	1,246,891
Social tax	0	2,559,434	0	2,297,516
Unemployment insurance contributions	0	59,031	45	55,596
Funded pension contributions	0	119,596	0	109,493
Income tax on fringe benefits	98,135	75,247	128,592	0
Total	194,091	4,254,827	189,762	3,709,496

Note 4.
Other receivables

(In kroons)	31 Dec 2008	31 Dec 2007
Short-term loans	120,909	66,576
Accrued income	1,984,294	2,794,940
Items in transit	498,693	356,506
Total	2,603,896	3,218,022

Note 5.
Inventories

(In kroons)	31 Dec 2008	31 Dec 2007
Goods purchased for resale (tickets, travel guides, etc)	1,529,267	2,779,334
Total	1,529,267	2,779,334

In 2008, inventories were written down by 153,266 kroons owing to deficits detected during inventory counts and the fact that some items had become unusable. In 2007, inventory write-downs totalled 15,366 kroons.

Note 6.
Investments
in subsidiaries

(In kroons)	Estravel Vilnius UAB	Backoffice Services Estonia OÜ	Total
Domicile Core activity	Lithuania Tourist services	Estonia Business services – data processing	
Number of shares at 31 December 2007	1,710	51	
Number of shares at 31 December 2008	1,710	51	
Ownership interest at 31 December 2007	100%	51%	
Ownership interest at 31 December 2008	100%	51%	
Cost at 31 December 2007	4,022,156	51,000	
Cost at 31 December 2008	4,022,156	51,000	
Carrying amount at 31 December 2007	497,037	1,848,833	2,345,870
Share of profit under the equity method	49,983	929,959	979,941
Dividends declared during the year	0	-1,402,500	-1,402,500
Carrying amount at 31 December 2008	547,019	1,376,292	1,923,311

Subsidiaries' equity at 31 December 2008	Estravel Vilnius UAB	Backoffice Services Estonia OÜ
Share capital	774,899	100,000
Share premium	3,298,529	0
Statutory capital reserve	9,063	10,000
Retained earnings	-3,579,061	765,163
Profit for the period	49,983	1,823,449
Total equity	553,414	2,698,612
AS Estravel's share in equity	100%	51%



KPMG Baltics AS
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

AUDITORS' STATEMENT

To the shareholders of AS Estravel

We have audited the annual financial statements of AS Estravel for the year ended 31 December 2008, from which the accompanying balance sheet as of 31 December 2008, the related income statement and cash flow statement for the year then ended and notes were derived, in accordance with Estonian Guidelines on Auditing. In our report dated 11 February 2009 we expressed an unqualified opinion on the above annual financial statements from which the accompanying balance sheet, income statement, cash flow statement and notes were derived.

In our opinion, the accompanying balance sheet as of 31 December 2008 and income statement and cash flow statement for the year then ended and notes are consistent, in all material respects, with the annual financial statements from which they were derived.

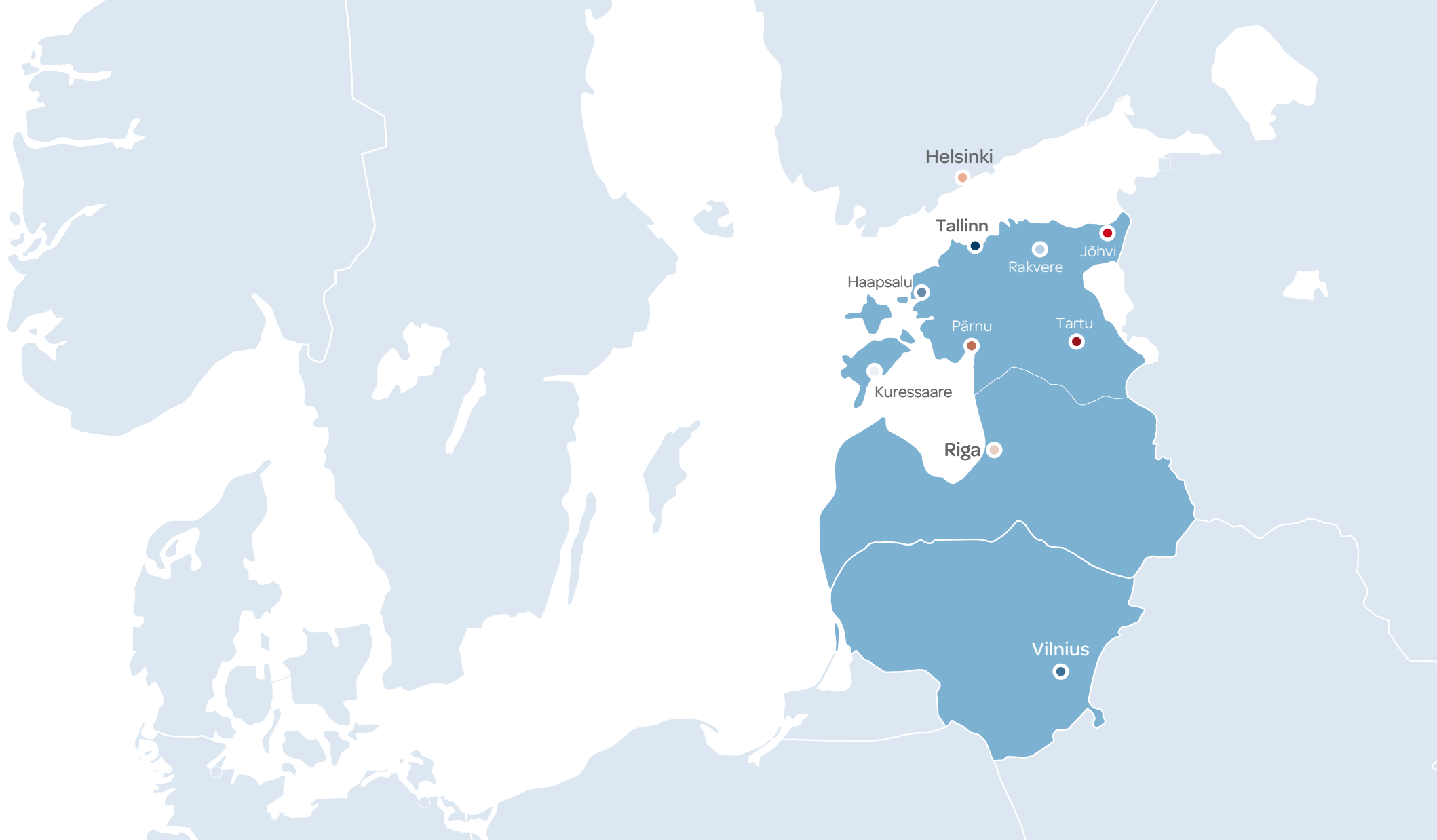
For a better understanding of AS Estravel's financial position and the results of its operations for the period and of the scope of our audit, the accompanying balance sheet, income statement, cash flow statement and notes should be read in conjunction with the annual financial statements from which the balance sheet, income statement, cash flow statement and notes were derived and our audit report thereon.

Tallinn, 1 October 2009

KPMG Baltics AS

Taivo Epner
Authorised Public Accountant

Krista Rosenberg
Authorised Public Accountant



ESTRAVELI ESINDUSED

- Head office of Finland Travel Bureau (SMT) Group
 - Estravel/American Express Travel (Head Office & 3 sales offices)
 - Estravel Rakvere
 - Estravel Haapsalu
 - Estravel Kuressaare
- Estravel Jõhvi
 - Estravel Pärnu
 - Estravel Tartu (2 sales offices)
 - FTB Latvia Estravel Branch in Riga (2 sales offices)
 - American Express Travel UAB Estravel Vilnius (1 sales office)