

***Annual Report 2004***  
***ACE Logistics Group***

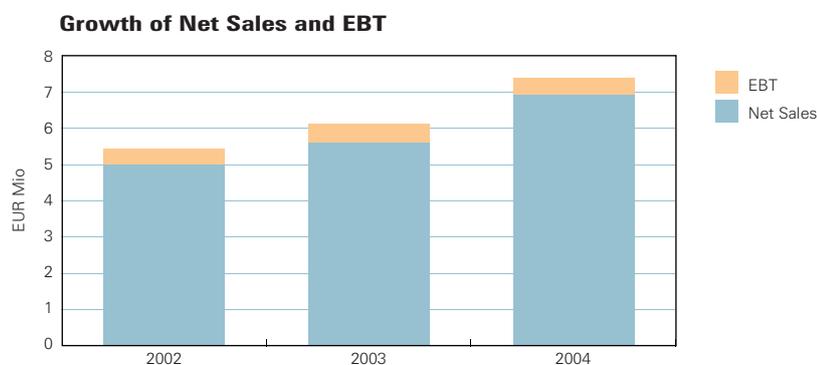
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# Main Financial Highlights ACE Logistics Group Ltd.

	2004		2003		2002
in EUR		Change		Change	
<b>For the year</b>					
EBT	466,165	-12%	528,763	41%	444,361
Net Sales	6,885,064	24%	5,587,042	10%	5,045,087
Total Cash flow	-52,615		48,500		3,870
<b>Per share</b>					
EBT per share	1,059	-12%	1,202	41%	1,010
Dividend proposal per share	1,089	127%	479	83%	345
<b>Capital ratios</b>					
Return On Equity (%)	32%	-17%	44%	1%	46%
Equity to Total Capital Ratio (%)	46%	21%	38%	26%	42%
Net Profitability (%)	7%	-22%	9%	0%	9%
<b>By the end of the year</b>					
Total assets	3,322,299	-8%	3,608,324	13%	2,733,262
Share capital	28,121	0%	28,121	0%	28,121
Equity	1,538,333	11%	1,382,654	41%	1,144,012
Number of employees	67	3%	65	7%	58

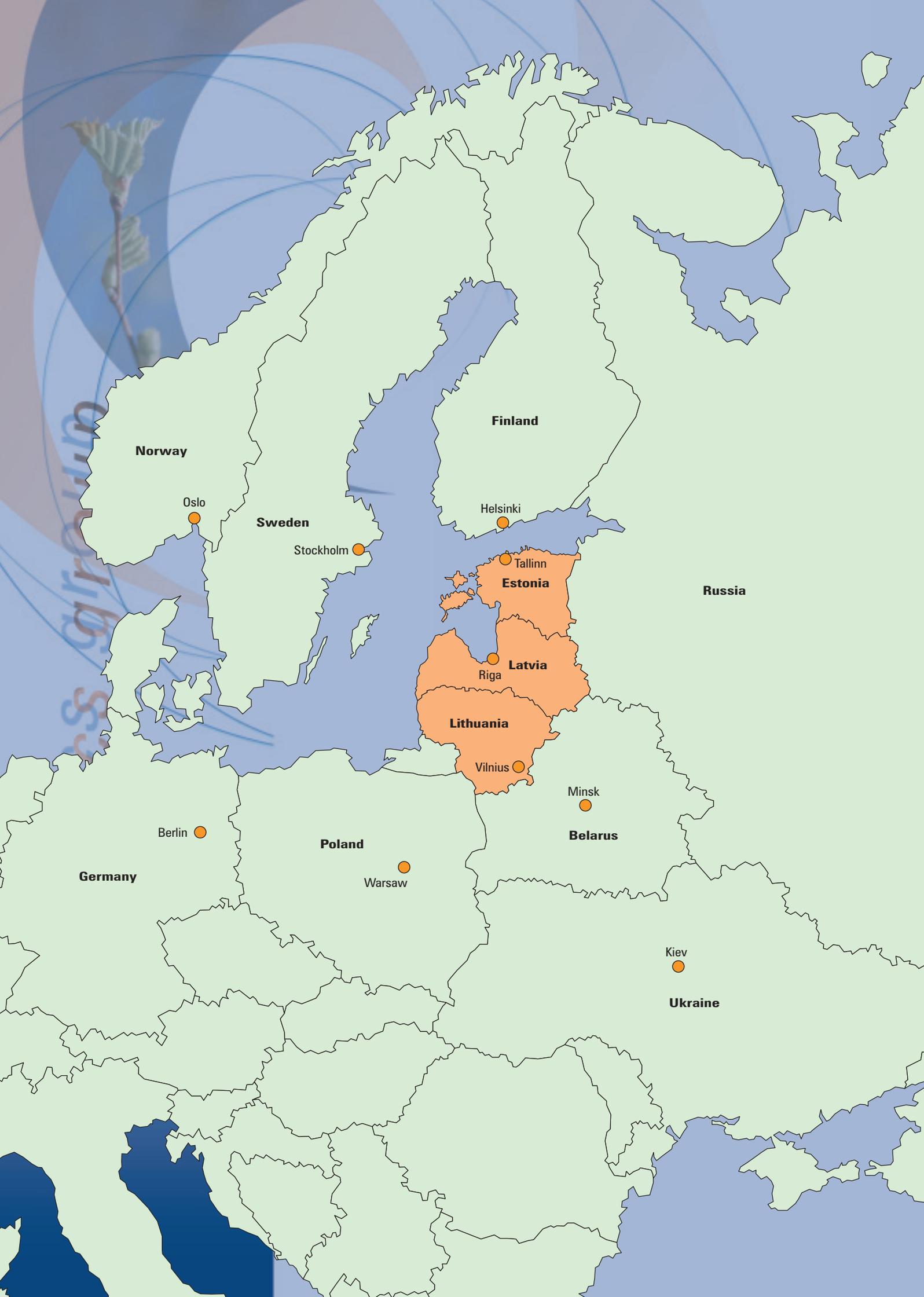


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**Norway**

Oslo

**Sweden**

Stockholm

**Finland**

Helsinki

**Estonia**

Tallinn

**Latvia**

Riga

**Lithuania**

Vilnius

**Russia**

Berlin

**Germany**

**Poland**

Warsaw

Minsk

**Belarus**

Kiev

**Ukraine**

# *Managing Director's Report of ACE Logistics Group*

2004 was another good year for ACE Logistics Group. The net sales grew 24% and although the Earning Before Taxes (EBT) dropped 12% to EUR 465 thousand, the company fulfilled its main business objectives concerning profitability, net sales growth and Return On Equity (ROE). The budgeted decrease of EBT was even more radical due to the loss of most customs clearance activities, however the company managed to overcome this situation very well. The prospect for the coming years is quite optimistic as economies of the Baltic states are growing steadily.

## *Economic Situation in the Baltics*

The Baltic countries (Lithuania, Latvia, Estonia) remain at the top in EU in terms of economic growth and Hansabank forecast predicts that they will remain in this position for the next 2-3 years. The truth is that a rather significant part of this growth comes from the catching-up process – the three countries are among the four poorest in EU. However, the fact that all three have maintained strong growth rates despite the unfavorable developments in EU suggests, that there should be other reasons behind the growth.

Export is very important for all three countries and the year 2004 witnessed significant success in this area, especially in export of services. Experts foresee the continuation of rather strong growth in exports in 2005-2006, as all three countries have notable advantages – first of all the price advantage, then favorable and improving business environment as well as geographical location and major investments. The proximity to large and/or richer markets (e.g. Russia, Poland, Scandinavia) is another reason for steady growth. An important factor for the growth of exports and other business activities is the formation of common regional economic area – this process has radically intensified since May 2004. Local companies are expanding to neighboring countries and taking advantage of their own strengths – this also means increased pan-Baltic competition at company level.

All three countries are taking advantage of growing domestic demand; household spending in particular has flourished in recent years, supported by low interest rates, stronger financial systems and growing incomes.

Radical growth tends to bring about high inflation and extensive imports, along with high current account deficits. This principle applies to the three Baltic countries as well. The strongest advancement in inflation rates took place in Latvia, while Lithuania is only now exceeding the Maastricht criteria.

Estonia and Lithuania are intensifying their preparations for euro-zone accession in early 2007, while Latvia wants to gain access in 2008. Today the only problem we see arising from this development is the inflation, which may only barely be at the required level. Budgetary targets (deficit and debt) and interest rates are already well below required levels.

The logo for ACE Logistics Group is positioned vertically on the left side of the page. It features the words 'ace logistics' in a blue, lowercase, sans-serif font, with 'ace' on the top line and 'logistics' on the bottom line. To the right of this, the word 'group' is written in a smaller, blue, lowercase, sans-serif font. The background of the page is white with several large, overlapping, curved lines in shades of blue and orange. A small, stylized green plant with a single flower is located in the upper left quadrant.

### **General Background of ACE Logistics Group**

ACE Logistics Group is a decentralized company that has developed a number of strategies for growth across a broad spectrum of functions related to cargo transport. The company is active in the fields of air, sea and road transport forwarding, warehousing, handling and logistics in the three Baltic countries - Lithuania, Latvia and Estonia. ACE Group offers an integrated service concept to the international market.

ACE Group makes use of various agent networks active in all other countries, as a result the group can call on professional partners anywhere in the world.

### **Organization and Shareholders**

As of December 31, 2004, the group comprises the following companies:

1. ACE Logistics Estonia/Air Cargo Estonia AS – rendering logistics services;
2. ACE Logistics SIA, Latvia – rendering logistics services;
3. ACE Logistics UAB, Lithuania – rendering logistics services;
4. Cargo Handling AS – rendering handling and warehousing services;
5. AirProxy AS – representation of airlines in the Baltics;
6. AirProxy SIA – representation of airlines in the Latvia;
7. Sepise Kinnisvara OÜ – real estate management.

All companies are owned 100% by ACE Logistics Group, except ACE Logistics UAB, Lithuania, where ACE Logistics Group is the owner of 90% of shares and Mr Ignas Puluikis owns the remaining 10%.

As of December 31, 2004 the company belonged to the following shareholders:

- Ithal Nõukoja AS – 60%
- Transport Management International (TMI) B.V. – 30%
- Mr Karli Lambot – 10%

In May 17, 2005, some changes in ACE Logistics Group shareholders circle were registered – the Dutch company TMI sold its portion to other shareholders and the new shareholders situation is as follows:

- Ithal Nõukoja AS – 58,41%
- Mr Karli Lambot – 34,09%
- Mr Teet Järvekülg – 7,50%

### **Objectives and Personnel**

All companies of the group aim to achieve autonomous growth in the gross margin and net profit. The Group is pursuing the policy of continuous improvement of service quality through further development of knowledge management as well as customer-oriented and innovative approach. The most important financial objective is the continued increase of the value for the shareholders, with the maintenance of a healthy solvency level.

The mentality that the aim of the actions of each employee is to focus on the demands of the customers, that may be changing in time and to secure the interests of the shareholders of the group through it, has an important role in all the companies of the group. The careful and thorough selection of personnel and the creation of conditions for the continuous improvement of the competence of colleagues are the key elements of our performance.

At the end of 2004, ACE Logistics Group employed 67 persons.

### **Dividend**

In recent years, the dividend has varied between 30% and 40% of EBT. In the view of the healthy financial base and growth, and the need to finance purchase of shares from TMI, the dividend that has been proposed to AGM is EUR 1090 per share.

I would like to thank our staff for the commitment and loyalty they have shown in the work they do for our companies.

**Karli Lambot**  
Managing Director

**ace Logistics Group**

# **Strategy of ACE Logistics Group**

## **Identity and Business**

ACE Logistics Group is a holding company of logistics firms operating in the Baltics with an aim for leading market positions in various fields of logistics. Its management is decentralised and its logistics competency is all embracing. ACE links companies and markets by means of integrated logistics services.

ACE logistics covers the entire value chain, ranging from procurement to value adding services and final distribution.

## **Goals**

- The consolidated net sales is to increase 20% annually
- Net profit margin is higher than 5% a year
- Return on equity is higher than 30% a year

## **Strategy**

The group of services is covering:

- air-, sea- and roadfreight forwarding
- warehousing and distribution
- value adding services
- special services for the airlines
- IT services integrated with logistical services

ACE is continuously reviewing and optimising its business portfolio. ACE will expand its business areas, both through organic growth and through acquisitions.

ACE strives to establish long-term partnerships with suppliers and customers. ACE aims to achieve significant competitive advantages in terms of flexibility, reliability, quality and innovation. The group carries an active sales and marketing policy.

ACE defines the satisfaction of its customers in terms of the business involved; it measures fulfilment of changing demands of its customers at regular intervals and benchmarks it against its competitors.

The ACE companies are those of independent identity. If the services provided by individual companies are similar, then those companies work with a common goal as one business unit.

The ACE culture is characterised by entrepreneurial spirit with a major focus on personal responsibility. The group companies are therefore managed decentrally. Each ACE company develops its own strategy within the framework agreed upon with the holding company.

The ACE Logistics Group strategy foresees avoiding competition between individual companies within the group.

### **Management and Culture**

The ACE Logistics Group is a management holding. As a rule, the participation of the holding company in the subsidiary companies of the Baltic region is bigger than 50%. The management holding concentrates on defining the group's overall strategy, ensuring optimum allocation of resources and creating added value by exploiting synergy potential.

The ACE Logistics Group will increase the overall group's shareholder value by:

- developing the corporate strategy, with particular emphasis placed on innovations and new lines of business
- pursuing an active portfolio management policy
- ensuring that know-how is transferred among the group's divisions
- creating a single group identity
- co-ordinating financial, marketing and purchase activities as well as IT management in the overall group and making these functions transparent
- personnel and management development programmes

The ACE Logistics Group is committed to maintaining strict cost efficiency, it will present regular reports to this effect. The ACE Logistics Group promotes transparency and the flow of information and communication within and between its companies.

The Group aims to recruit and retain the best employees and enable them to acquire additional professional skills. The ACE Logistics Group employees are offered the best learning and development opportunities. There is a clear policy in offering to employees career opportunities within the group. In return, ACE expects from its employees a high willingness to achieve good performance, personal responsibility and identification with the company.

ACE has high expectations concerning the performance of its executives; the group is clearly committed to management by objectives and payment by related pay schemes.

# *Managing Director's Report of the ACE Logistics Estonia*

The year 2004 and the expansion of EU brought about significant changes for ACE and also our customers. Customs clearance went through a dramatic change, becoming non-existent between member states on the one hand, but more complicated and costly with non-members on the other hand. All of this had direct and severe implications on ACE.

The year 2004 was successful from economic standpoint in general; we fulfilled our budget goals for net sales as well as gross margin. However, the turnover increased only 3.7% and the net profit decreased by 40% as compared to 2003. Regardless of that, the accomplishments of ACE over the last year can be considered satisfactory, as the abovementioned changes were predicted in our budget and taken into account in our daily activities.

## *Customs Clearance*

ACE has operated as a Customs Clearance agent since its establishment. At the beginning of 2004 the Customs Clearance department had 8 employees on its payroll, this is 40% of the total number of personnel. The average number of clearance transactions was 800 a month, the net sales revenue from these activities made up 45% of the gross revenue of the company.

Since May 1, 2004 the volume of customs clearance dropped by 80%, consequently we had to cut our staff to 3 persons. Customs clearance operations with third countries became much more complicated and therefore more time-consuming. A new service, Intrastat reporting, was added to the list of services ACE offers its customers since May.

## *Air and Sea Transport*

ACE has remained to be one of the major airfreight forwarders in Estonia. 2004 witnessed stable growth in volumes, both for import and export.

As for import, the combined service "air+road" we have designed becomes increasingly more popular. A shipment from Far East is flown to one of the main European hubs (e.g. Frankfurt) and we truck it from there to Estonia. The price of this service is more favorable than air transport up to the final destination; the transit period is somewhat longer respectively. The service is more in demand due to its better price and also for better-determined delivery time.

Sea transport proceeded with preparations to introduce its own LCL service (from Far East to the Baltics) that was successfully launched in January this year. The status of FCL does not show any significant changes.

### **Road Transport**

Road transport has gained importance for ACE year by year and the same trend continued in 2004. The EU member status contributed to the dynamic development, facilitating the smooth movement of cargo by land between the Central European states and the Baltic countries. Net sales of road transport increased by 25 % and the number of shipments by 17%. We expect the same trend to continue in the near future.

Besides the regular routes of import (Germany, Holland, Italy) we focused on the development of regular weekly export route. We utilize our partner's terminal in Hannover for export, using it as a hub for delivering individual groupage shipments throughout Europe. The trends of 2004 and the outcomes for export give reason to be optimistic for the future.

### **Personnel**

ACE is fully aware that its success is embedded in the proper and motivated personnel. We are constantly striving to improve its quality and offer our employees opportunities for in service training and promotion. It is mandatory to pay attention to the increase of efficiency while doing that, supported by advanced IT platform.

The average number of employees of ACE since May 2004 was 19.

I am grateful for our customers and staff, whose contributions have made it possible to achieve stable growth and have courage to look into the future with optimism.

**Andres Matkur**  
Managing Director

**ace Logistics**



# ***Managing Director's Report of ACE Logistics Latvia***

Year 2004 was a successful one in the activities of ACE Logistics Latvia. First of all I would like to thank my colleagues, partners and customers for successful cooperation and persistent work throughout the year.

The budget planned for the year 2004 has been realized with the results exceeding the budget predictions. The budgeted indices of net turnover have been exceeded by 38% and the results of the previous year by 61%. Increase of gross profit has multiplied. The activities in general had good results; the trend started already in the second half of 2003. The company gains more and more decisively its share of Latvian road, air and sea transportation market.

## ***Road Freight***

The volume of the rendered services has grown significantly – by 37%. It is mostly connected with attracting new customers and improving the service quality. Crucial changes were implemented concerning road freight delivery schedules from Milan and Munich, which radically improved the quality of our services and allowed our customers more precise planning of their stocks.

In 2005 we also forecast to carry out similar changes on other groupage freight delivery lines, e.g. from Dortmund and Oldenzaal. The achievements of 2004 are ingrained in the efficient team- work and high service quality. Therefore the goal for the coming years is to continue our search for new solutions in the variety of the range of our services and to ensure sustained quality.

## ***Air and Sea Freight***

In these modes of transport the achievements are still unsatisfactory. The company has provided airfreight services since its establishment in 1997. Though in 2004 the volume of the rendered services was 30% higher than in the previous year, the predicted results were not achieved. Consequently more attention should be paid to introducing a variety of services and diversity of opportunities to the customers next year. As an example, destinations like USA and Far East could be mentioned, where we can offer at least five alternative route-mode combinations and prices for arranging a shipment.

Though the volume of airfreight services does not grow as fast as desired, we can be pleased with the diversity and the growth of the volume of FCL and LCL services offered to our customers. However it is premature to quote percentages for these services due to the lack of reference figures from last year, as there was no service yet. In cooperation with our partners we offer not only services to and from the port of Riga, but also between any port in the world.

### **Future Objectives**

On the whole the results of 2004 are good, which builds solid foundation for concentrating on the expansion of the operations next year. The priorities for 2005 are exporting cargo deliveries by land, sea, and air.

Direct sales will be carried out by personal visits to customers, introducing the variety of our services and offering flexible cargo delivery solutions that meet their needs.

I wish our staff and our partners success and energy for self-improvement and ensuring professional services.

**Daina Zvirgzde**  
Managing Director

**ace Logistics**

# *Managing Director's report of ACE Logistics Lithuania*

ACE Logistics Lithuania started its activities in Lithuania in the end of 1996. Year 2004 was the 8th year of operation.

The budget plan of the company was successfully fulfilled and other numbers indicate positive development as well. The turnover increased by 47%, but gross profit grew only 13%. Operational cost increased exactly the same amount, resulting in stable positive situation on profit level (all numbers are in comparison with 2003).

The year 2004 was foreseen to be very hard and challenging due to Lithuania joining EU. Dramatic loss on customs clearance and increase on competition (European road transport) were expected. Now we have to admit that the predictions were right concerning the level of competition, but not customs clearance. We succeeded in compensating the lost revenue from customs clearance on European transport with a change towards customs procedures for ocean and air shipments immediately. As a result we can point out that sales coverage decreased merely few percentages.

ACE Logistics Lithuania business activities are:

- Airfreight forwarding;
- Road freight forwarding;
- Sea freight forwarding;
- Customs clearance.

All services cover import and export as well as door- to- door delivery.

## ***Air Freight***

The success of airfreight development is mainly based on our policy to continue long term and reliable partnerships all over the world. Our target is to co-operate with market leaders in regions such as Far East, the USA and Europe. Being an independent company we have the possibility to evaluate the cost and services of our partners. It enables us to look for the best solutions, a task that was successfully accomplished and introduced to our customers.

Operational changes in the beginning of 2004 determined the increase of export volumes. The number of shipments increased by 41%. The number of shipments in airfreight import has grown 22%.

Customers choose increasingly the „air plus road“ or „combined“ solution for deliveries to and from overseas. This type of transport service takes up to 15% of all airfreight shipments. During the peak season of 2004 we introduced twice-weekly delivery from Frankfurt to Vilnius to secure reasonable transit time to meet the demand of our customers. Export shipments via European hubs were arranged in combination with our road export trailers every week on regular basis.

### **Road Freight**

Stable development during 2004 can be reported in road transportation. Deeper integration into Dachser's European network took place. Two departures from Munich and one from Dortmund were continued. Due to the increase of shipments by 38%, we foresee the necessity for opening the second weekly departure from Dortmund in the nearest future.

As mentioned above, liberalization of border crossing and customs procedures within EU resulted in intensified competition in European road freight dramatically. Despite the increased number of shipments, the gross margin decreased by 10%. We accepted the market rules and in tough competition were able to secure the existing customers.

Due to joining EU, tighter and more efficient co-operation with our sister companies in Latvia and Estonia was set up. It was initially started for traffic to Italy, where ACE Logistics Estonia acts as a disposition center and all 3 companies take responsibility for sales and expenses. It has been proved in practice that consolidation of volumes is the key factor for increase of frequency and service level. Consolidation of volumes will be utilized for more frequent departures to and from Germany from the beginning of 2005.

### **Ocean Freight**

The figures reflect very positive developments in both, LCL and FCL business: turnover increased 2.9 times and the number of shipments 2.7 times. Nevertheless great development potential is still embedded in this business segment in Lithuania. Our customer base was increased as a result of active sales and competitive rates policy. Due to long-term commitments we were able to offer customers better conditions than the ones quoted directly by shipping lines. Our connection to the worldwide logistical network puts us to equal positions with multinational companies, maintaining at the same time the best features of an independent local company.

### **Personnel and IT Solutions**

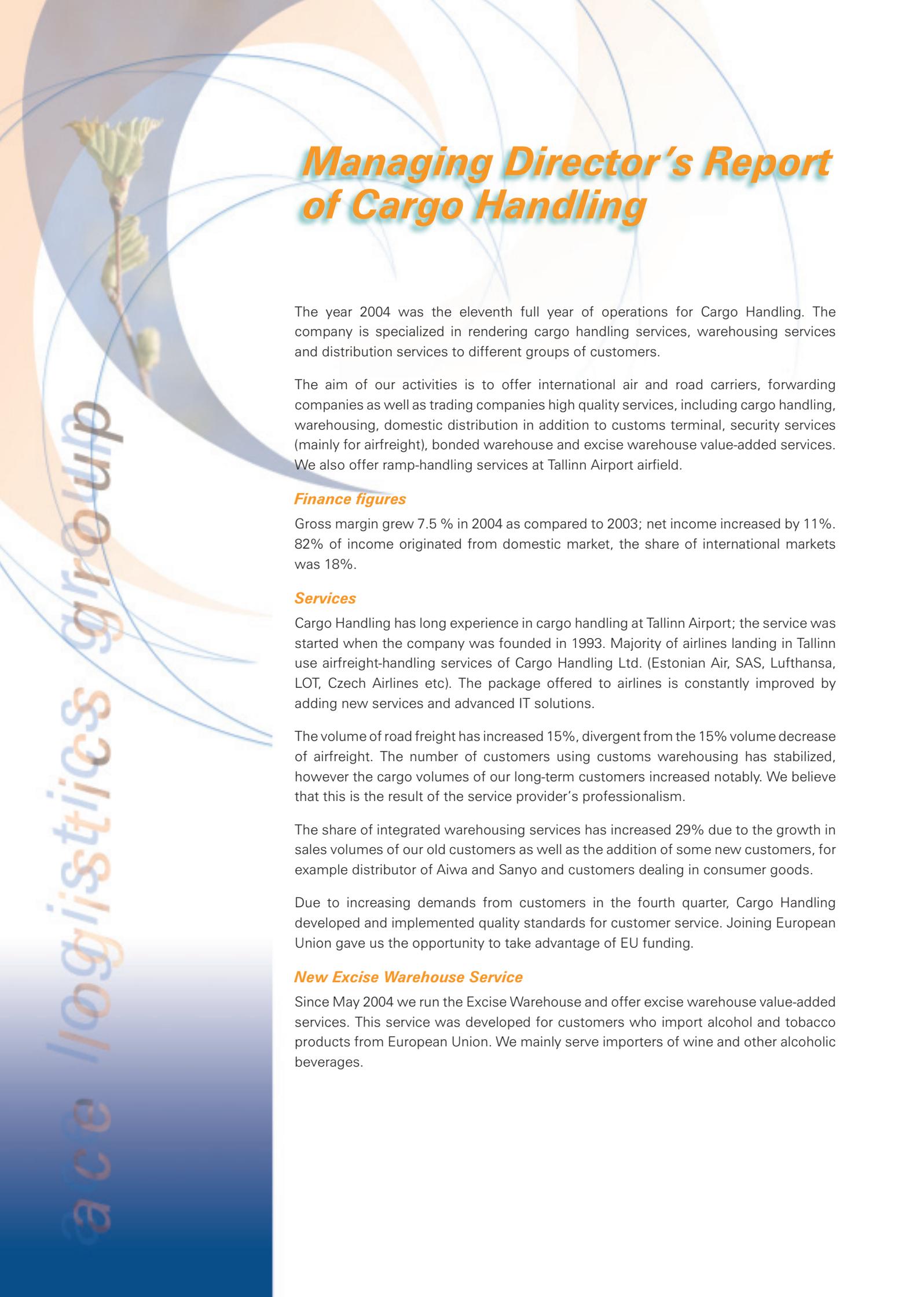
ACE Logistics employed 12 persons in the end of 2004. The number of employees increased by 8%, while total number of shipments increased by 35%. Consequently we have agreed on clear time schedule for the implementation of transport management program „TransEumu“. Launching is planned to take place in the first half of 2005.

Thanks for loyal as well as new customers!

Thanks for the staff of ACE Logistics UAB!

**Ignas Puluikis**  
Managing Director

**ace Logistics**



# ***Managing Director's Report of Cargo Handling***

The year 2004 was the eleventh full year of operations for Cargo Handling. The company is specialized in rendering cargo handling services, warehousing services and distribution services to different groups of customers.

The aim of our activities is to offer international air and road carriers, forwarding companies as well as trading companies high quality services, including cargo handling, warehousing, domestic distribution in addition to customs terminal, security services (mainly for airfreight), bonded warehouse and excise warehouse value-added services. We also offer ramp-handling services at Tallinn Airport airfield.

## ***Finance figures***

Gross margin grew 7.5 % in 2004 as compared to 2003; net income increased by 11%. 82% of income originated from domestic market, the share of international markets was 18%.

## ***Services***

Cargo Handling has long experience in cargo handling at Tallinn Airport; the service was started when the company was founded in 1993. Majority of airlines landing in Tallinn use airfreight-handling services of Cargo Handling Ltd. (Estonian Air, SAS, Lufthansa, LOT, Czech Airlines etc). The package offered to airlines is constantly improved by adding new services and advanced IT solutions.

The volume of road freight has increased 15%, divergent from the 15% volume decrease of airfreight. The number of customers using customs warehousing has stabilized, however the cargo volumes of our long-term customers increased notably. We believe that this is the result of the service provider's professionalism.

The share of integrated warehousing services has increased 29% due to the growth in sales volumes of our old customers as well as the addition of some new customers, for example distributor of Aiwa and Sanyo and customers dealing in consumer goods.

Due to increasing demands from customers in the fourth quarter, Cargo Handling developed and implemented quality standards for customer service. Joining European Union gave us the opportunity to take advantage of EU funding.

## ***New Excise Warehouse Service***

Since May 2004 we run the Excise Warehouse and offer excise warehouse value-added services. This service was developed for customers who import alcohol and tobacco products from European Union. We mainly serve importers of wine and other alcoholic beverages.

### **IT management and development**

Our inventory control is managed by software that enables the owner of the goods to track the movement of goods online, get actual inventory list of all commodities and print adequate sales and inventory reports.

We continued the enhancement of warehousing full services package in 2004, observing the needs and demands of the customers. Due to the growth in volumes, it was necessary to purchase new hardware and develop new software, which makes it possible for the client and the service provider to share common inventory overview in a virtual server, securing instant data exchange.

### **Quality certificate ISO 9001:2001**

The quality certificate of Cargo Handling Ltd was renewed in December 2004. We passed the audit, which proved the successful implementation of new quality standards. Having the ISO quality management standard will guarantee even higher quality and improved professionalism in our activities in relation to our customers and partners.

### **Personnel**

Average number of employees in 2004 was 28, which is 15% higher than in 2003. This proceeded from the escalation of different service volumes due to the growing demand for our services by old and also new customers.

### **Goals for year 2005**

Our goals for 2005 are the improvement of efficiency, increase of service volume and achievement of the synergy effect. The growth of turnover and profit of Cargo Handling will be expected as a result of rapidly increasing sales activities. We concentrate our focus on full warehousing service package with distribution. Our goal is also to offer services to pan-Baltic customers. Success in warehousing and distribution activities is based on innovative IT solutions. Cargo Handling believes that IT support will give considerable advantage for our customers.

Quality and development of airfreight and road freight terminal activities will be secured by the continuous training of the employees and the improvement of the handling processes, which all will be supported by modern IT solutions.

I would like to express gratitude to our fantastic employees for their good work and I thank our customers for their patience and loyalty!

**Janek Popell**  
*Managing Director*



# *Managing Director's Report of AirProxy*

The year 2004 was the eighth full year of operation for AirProxy. It was a year full of changes for the company. Majority of these changes were aimed to secure long-term effective life cycle for the company as well as to make first steps towards the expansion to all the Baltic states. 2004 was a good year for the company in terms of turnover, which rose by 13% as well as maintained customer loyalty and the successful implementation of new projects.

In April 2004 the company made changes in its management and for the first time in history we had 3 full-time employees. It gave us more human resources to respond to the expectations of customers and our principal carriers.

In May AirProxy was accepted as a full member of EGSAC (European General Sales and Service Agent Consortium). EGSAC is a consortium of independent GSA companies and each member is selected by its leading position on the local market. This membership gives us the opportunity to have a partner in every European country and to exchange knowledge and experience with airfreight market leaders. It also gives us the possibility to get more airlines into our portfolio.

In September AirProxy established its first daughter-company that now operates in Latvia. It was the first step towards our long-term goal to be present in all the Baltic states. One prerequisite for the establishment of AirProxy Latvia was an agreement with Czech Airlines, who became the first principal for us in Latvia. Our office has very good location in close proximity to Riga International Airport. It is premature to discuss the results of AirProxy Latvia yet, although main goals set for 2004 were achieved. The company managed to establish the basis for good customer relations, increasing the number of customers every month.

2004 brought positive changes into the circle of airlines represented by AirProxy. In November we signed the GSA agreement with Copterline OY. Copterline has a unique service out of Estonia by sending airfreight on helicopters from Tallinn to Helsinki. We are also able to arrange cargo charter flights to all EU countries. Incorporating Copterline we managed to maintain the number of customer airlines. In chronological order our partners are Lufthansa Cargo, SAS Cargo, Lithuanian Airlines, Aeroflot, Czech Airlines, Air Baltic and Copterline. Due to the launch of CASS system in Finland, we lost sub-GSA agreement with our long time partner Singapore Airlines. Today we are confident that Singapore Airlines will continue cooperation with AirProxy in Estonia under direct agreement. We are continuing the efforts to provide our client airlines with the highest quality service to ensure the profitability of our mutual business.

2004 brought about positive change also in terms of relaunch of Road Feeder Service called AirWalker. The service was started in co-operation with our partner in Amsterdam, a company called AirSupport. AirWalker gave a competitive advantage to AirProxy, as AirProxy is the first GSA company in Estonia to offer Road Feeder that is operated by a neutral trucking company. We introduced the service in April and we are proud to say that this project proved to be successful. We keep on improving the service in 2005 in order to sell it out of all the Baltic countries.

In 2005 we plan to follow the strategies that brought us success in 2004. The main goal is to proceed with our Baltic expansion plan, simultaneously increasing the market share in Estonia. We pursue to make sound decisions and to improve self-motivation with the aim to achieve all highlighted goals for the company as well as personally.

In conclusion I would like to express my gratitude to our customers, partners and employees for their contribution in 2004, wishing that the year 2005 will keep us all motivated for even tighter co-operation.

**Helena Roots**  
*Managing Director*





# ***Financial Statements***

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## ACE Logistics Group Balance Sheet

in EUR	Consolidated	
	31/12/04	31/12/03
<b>ASSETS</b>		
<b>Current assets</b>		
<b>1 Cash and bank</b>	346,912	399,527
<b>2 Customer receivables</b>	722,101	859,247
Total	722,101	859,247
<b>3 Other receivables</b>		
receivables from subsidiary companies	0	0
other receivables	200,243	172,441
Total	200,243	172,441
<b>4 Accrued income</b>		
interest receivables	3,516	167
dividends receivable	0	0
other accrued income	17,200	335
Total	20,716	502
<b>5 Prepaid expenses</b>		
prepaid/refundable taxes receivables	23,136	95,074
other prepaid expenses	20,977	27,895
Total	44,113	122,968
Total current assets	1,334,085	1,554,685
Non-current assets		
<b>6 Long-term financial assets</b>		
long-term receivables	0	0
shares of subsidiary companies	0	0
Total	0	0
<b>7 Non-current physical assets</b>		
buildings, land	2,184,176	1,867,619
plant and equipment	170,896	192,746
other equipment and fixtures	201,418	209,508
accumulated depreciation	-574,593	-521,932
prepayments for noncurrent physical assets	6,317	305,699
Total	1,988,214	2,053,639
<b>Total non-current assets</b>	1,988,214	2,053,639
<b>TOTAL ASSETS</b>	3,322,299	3,608,324

## ACE Logistics Group Balance Sheet

in EUR	Consolidated	
	31/12/04	31/12/03
<b>LIABILITIES AND OWNER'S EQUITY</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
<b>8 Short-term loans</b>		
current portion of long-term debt	7,370	125,549
short-term loans from credit institutions	130,208	79,824
Total	137,578	205,373
<b>9 Customer prepayments</b>	7,176	7,176
<b>10 Supplier payables</b>	823,433	985,622
<b>11 Other payables</b>		
payables to subsidiary companies	0	0
other payables	432	2,360
Total	432	2,360
<b>12 Taxes payable</b>	84,283	172,384
<b>13 Accrued expenses</b>		
payables to employees	117,959	128,387
interest payable	122	144
dividends payable	0	0
other accrued expenses	25,528	18,339
Total	143,609	146,871
<b>14 Short-term provisions</b>	9,587	9,587
Total current liabilities	1,206,097	1,529,371
<b>Non-current liabilities</b>		
<b>15 Long-term liabilities</b>		
bank loans	569,357	680,960
non-convertible debt	0	15,339
Total non-current liabilities	569,357	696,298
Total non-current liabilities	569,357	696,298
Total liabilities	1,775,454	2,225,670
Minority shareholding	8,512	0
<b>Owners' equity</b>		
<b>16 Share capital</b>	28,121	28,121
<b>17 Statutory legal reserve</b>	2,812	2,812
<b>18 Retained earnings</b>	1,158,576	1,000,062
<b>19 Net profit (loss) for the financial year</b>	353,020	357,267
<b>20 Unrealised exchange rate differences</b>	-4,196	-5,608
Total owners' equity	1,538,333	1,382,654
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>3,322,299</b>	<b>3,608,324</b>

## ACE Logistics Group Income Statement

in EUR	Consolidated	
	2004	2003
<b>REVENUE</b>		
Net sales	6,800,708	5,532,444
Other revenue	84,356	54,599
<b>TOTAL REVENUE</b>	<b>6,885,064</b>	<b>5,587,042</b>
<b>EXPENSES</b>		
Materials and supplies	4,694,320	3,595,781
Other operating expenses	605,272	516,807
Personnel expenses		
wages and salaries	714,215	637,492
social security and other costs	228,969	203,770
Depreciation	112,928	95,445
Other expenses	32,457	-19,622
<b>TOTAL EXPENSES</b>	<b>6,388,160</b>	<b>5,029,673</b>
<b>OPERATING PROFIT</b>	<b>496,904</b>	<b>557,369</b>
<b>FINANCIAL INCOME</b>		
income from subsidiary companies	0	0
other interest and similar income	9,178	6,160
<b>TOTAL FINANCIAL INCOME</b>	<b>9,178</b>	<b>6,160</b>
<b>FINANCIAL EXPENSES</b>		
interest expences	39,917	34,766
<b>PROFIT BEFORE TAXES</b>	<b>466,165</b>	<b>528,763</b>
<b>Provision for taxes</b>	<b>104,633</b>	<b>171,496</b>
<b>Minority shareholding</b>	<b>-8,512</b>	<b>0</b>
<b>NET PROFIT FOR THE FINANCIAL YEAR</b>	<b>353,020</b>	<b>357,267</b>

## ACE Logistics Group Cash Flow Statement

in EUR	Consolidated	
	2004	2003
Net profit	353,020	357,267
Correction	12,156	0
Revenue from liquidation of long-term financial assets	0	0
Depreciation of fixed assets	112,928	95,445
Profit from sales of fixed assets	-118	0
Loss from sales of fixed assets	2,437	0
Change in long term receivables	-15,339	46,331
Change in current receivables	341,699	-334,654
Change in current liabilities	-246,967	179,207
<b>Cash flow from operating activities</b>	<b>559,816</b>	<b>343,596</b>
Sales of fixed assets	0	0
Purchase of fixed assets	-49,823	-565,234
Acquisition of long-term financial investments	0	0
<b>Cash flow from investing activities</b>	<b>-49,823</b>	<b>-565,234</b>
Repayment of loans	-351,959	-508,178
Amounts received from sales of treasury stock	1,714	0
Amounts paid on purchasing treasury stock	-2,866	0
Loans received	0	917,592
Dividends received	0	0
Paid dividends	-210,908	-132,425
Paid taxes		-7,869
<b>Cash flow from financing activities</b>	<b>-564,019</b>	<b>269,120</b>
<b>Total cash flow</b>	<b>-52,615</b>	<b>48,500</b>
Cash at the beginning of the period	399,527	351,026
Cash at the end of the period	346,912	399,527
Effect of exchange rate changes	1,411	1,018
<b>Change in cash</b>	<b>-52,615</b>	<b>48,500</b>



## ***The proposal of the Board of ACE Logistics Group to the Annual General Meeting of shareholders concerning the division of profit***

The Board of ACE Logistics Group confirmed the retained earnings of the company of previous periods of EUR 1 146 420 and the audited net profit in 2004 of EUR 360 762. The proposal of the Board to the general meeting of shareholders is to divide the profit of ACE Logistics Group in the following way:

1. The sum of EUR 1 027 844 to leave to the company.
2. The sum of EUR 479 337 to share to shareholders as net dividends.

ACE Logistics Group

***Karli Lambot***  
*Chairman of the Board*

## ***Notes to financial statements***

### ***General Principles***

The financial statements of ACE Logistics Group Ltd have been drafted in accordance with the Law on Accounting of Estonian Republic and generally accepted accounting principles. The accounting principles of subsidiary companies used are identical to the ones of previous years. The value of fixed assets is shown in purchase value.

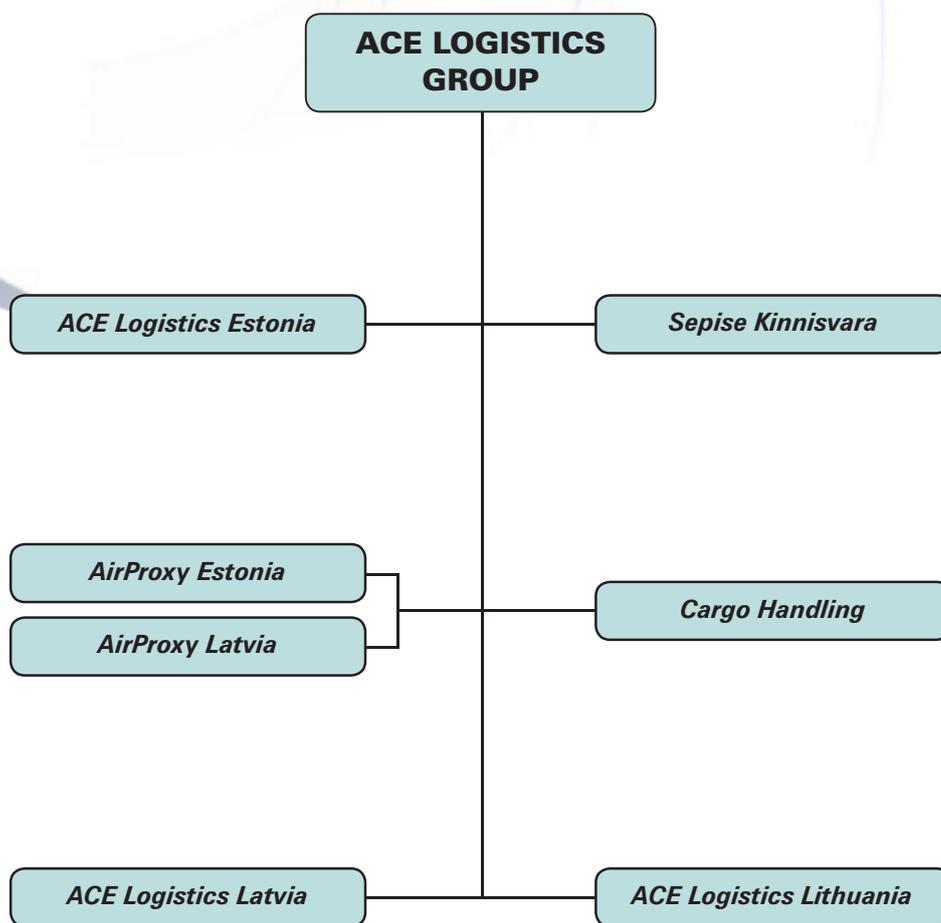
### ***Consolidation***

The 2003 financial statements of ACE Logistics Group Ltd presented in this annual report include the audited financial reports of the subsidiaries in consolidated form. The financial result given in the proposal of the board concerning the division of profit is calculated based on consolidated method.

### ***Auditing***

KPMG has audited the financial statements of companies ACE Logistics Group Ltd, Air Cargo Estonia Ltd, Cargo Handling Ltd, Airproxy Ltd, ACE Logistics UAB, ACE Logistics SIA and Sepise Kinnisvara OÜ. Also the consolidated statements of ACE Logistics Group, presented in this annual report, were audited by KPMG and Auditor's Report to the shareholders was issued without any remarks.

## Structure of ACE Logistics Group



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