



FILES

Annual Report 2007 | ACE Logistics Group





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Goals and Strategy of ACE Logistics Group 2007–2011

MISSION

The mission of ACE Logistics Group (hereinafter Group) is to be the leading provider of logistics solutions in the Baltic region, that:

Helps its customers to achieve their business goals by offering professional logistics solutions corresponding to their needs;
Facilitates the achievement of the personal professional objectives of its employees by securing contemporary working environment, in-service training and other development opportunities;
Supports its business partners in being successful by working for the mutual satisfaction, values long-term business partnerships and stays loyal to them;
Guarantees the satisfaction of the owners by sufficient long-term growth of company value.

The company should ensure persistent satisfaction of the owners, employees and customers of the company through its activities.

MAIN TARGET

The overall target of the company is the steady increase of its value. The raise in value is primarily assessed by the focus on long-term stable growth (turnover), profitability (cost-effectiveness) and return on equity.

FINANCIAL GOALS

The growth in consolidated net sales shall exceed the average level in the market and reach two times the general economic growth of the area;

Net profit margin shall be at least 5% annually;
Return on equity is at least 30%.

The financial goals can be achieved as the result of natural growth. At the same time the company is open to the possibility of acquisition of other firms.

STRATEGY

Management

ACE Logistics Group is a holding company of logistics firms operating in the Baltic countries. The holding company is involved in management and concentrates on defining the Group's overall strategy, ensuring the optimal allocation of resources as well as adding value by utilizing the synergy effect of the Group.

The companies of the group work independent of one another. The business interactions of the companies of the Group are based on general business principles.

The strategy of the Group determines the avoidance of competition between the companies of the Group.

The holding company creates additional value for the owners by the following actions:

- ▶ Developing and revision of the corporate strategy of the Group;
- ▶ Development and improvement of the common identity of the Group's companies;

- ▶ Regular participation in the strategic management of the Group's companies by councils' memberships;
- ▶ Coordination of financial information and securing the exchange of it between the owners, the Group and the companies of the Group;
- ▶ Coordination of the auxiliary activities of the companies including accounting, IT, quality and personnel management, purchasing, marketing and other activities with the aim to achieve synergy and optimal utilization of resources;
- ▶ Ensuring the exchange of know-how and personnel resources among the companies of the Group when necessary;
- ▶ Participation in the creation of the development plans of executives.

The management of the companies of the Group is decentrally performed by the managements, the authority has been delegated to them and the attention is centred on personal initiative and responsibility. Each of the Group's companies creates its own strategy in accordance with the overall strategy of the Group.

The prime competitive advantages of the companies of the Group are:

- ▶ Operations in carefully selected fields along with dedicated specialisation in them;
- ▶ Active sales and marketing policy;
- ▶ Effective production;
- ▶ Innovation, IT solutions;
- ▶ Flexibility, ability to change swiftly

Personnel

The objective of the Group is to recruit the best employees and insure their long-term dedication. It is achieved by offering the employees a regularly renewed performance-based motivation system, advanced training and development opportunities as well as career opportunities within the Group

Services

ACE Logistics Group renders the following services:

- ▶ Air-, sea- and road freight forwarding;
- ▶ Customs brokerage services;
- ▶ Warehousing and distribution services;
- ▶ GSA services for airlines;
- ▶ Cargo handling services for airlines;
- ▶ Real estate development (as necessary for core activities).

Domestic Market

The domestic market of the Group covers the Baltic countries. The Group is open and prepared to penetrate markets in the neighbouring areas in cooperation with partner organisations.

Strategic Liaisons

The Group values highly persistent business relationships with co-operation partners and remains loyal to them.

Infrastructure

Considering long-term development objectives and strategic partnerships the development of infrastructure is crucial.





Main Financial Highlights ACE Logistics Group

in EUR, consolidated	2007	2006	2005
For the Year			
Net sales	14 929 545	12 008 118	9 011 533
EBT	996 618	941 914	579 648
Total cash flow	-35 813	489 471	-6 784
Per share			
EBT per share	2 265	2 141	1 317
Dividend proposal per share	1 033	1 452	1 006
Capital ratios			
Return On Equity	44%	48%	32%
Profitability	6,7%	7,8%	6,4%
By the end of the year			
Total assets	5 152 437	4 764 336	4 081 035
Share capital	28 115	28 115	28 121
Equity	1 894 131	1 732 837	1 517 904
Number of employees	102	91	84





Managing Director's Report of ACE Logistics Group

ACE Logistics Group consists of eight independent companies offering logistics and transport services. According to the long-term strategy, the companies of the Group render air, sea and road transport services as well as various warehousing and logistics services. The Baltic region has been identified as the home market of the Group. The Group makes use of various agent networks worldwide; as a result the company can call on professional partners everywhere in the world. As for our financial targets, ACE Logistics Group would like to achieve annually at least 30% return on equity and 5% of net profitability.

As of December 31, 2007, the group comprised the following independent companies:

- ▶ ACE Logistics Estonia – forwarding, logistics services;
- ▶ ACE Logistics Latvia – forwarding, logistics services;
- ▶ ACE Logistics Lithuania – forwarding, logistics services;
- ▶ Air Proxy Ltd, Estonia – representation of airlines;
- ▶ Air Proxy Ltd, Latvia – representation of airlines;
- ▶ Cargo Handling Ltd – air cargo handling services;
- ▶ Tavatur Shipping Estonia – sea freight consolidations;
- ▶ Sepise Kinnisvara Ltd – real estate management.

Most of the companies are owned 100% by ACE Logistics Group Ltd, except ACE Logistics Lithuania and ACE Logistics Latvia, where Managing Directors of the companies own 10%; and also Tavatur Shipping Estonia, where ACE Logistics Group holds 60% of shares.

As of December 31, 2007 ACE Logistics Group belonged to the following shareholders:

- ▶ Ithal Nõukoja Ltd – 58,41%
- ▶ Mr Karli Lambot – 34,09%
- ▶ Mr Teet Järvekülg – 7,5%

Service portfolio of the companies of ACE Logistics Group:

- ▶ Airfreight Forwarding
- ▶ Road Freight Forwarding
- ▶ Sea Freight Forwarding, LCL Consolidations
- ▶ Integrated Logistics and Warehousing
- ▶ Airport Cargo Handling
- ▶ Airline Representation – GSA Activities
- ▶ Real Estate Management

The economies of the three Baltic States – Estonia, Latvia and Lithuania, have been among the fastest growing in EU during the last decade. Radical GDP growth during several years tends to bring about high inflation and extensive import, along with the current account deficits. This principle applies to all three countries, where the strongest advancement in inflation rates occurred in Latvia and Estonia.

The Baltic countries' fast economic growth of the last years and the development of international business relations have resulted in very fast market growth in the areas of logistics, obviously the main field of activities of the companies of ACE Logistics Group.

During the year 2007 the economic growth of the Baltic countries slowed down, especially during the second half of the year. Economic

environment in the Baltic states has been quite inconstant during 2007. Deceleration of economical growth in the Baltic States is mostly the consequence of the reduced speed of the domestic demand, which directly resulted in decreasing import cargo flows. The next couple of years will show how Baltic economies manage to conform to clearly changed external environment. Hopefully the exporting sector will become stronger and bigger, which will help to strengthen the overall health of local economies.

ACE Logistics Group had a relatively successful year of 2007. The turnover grew 24% and net profitability was over 5,5%. Reasonably good financial figures were derived from the organic growth of the company as well as the enlargement of the company's market share in all fields of its activities. The companies of the Group gained their main financial objectives. At the same time the companies managed to make investments for the future – new projects were started and the existing ones developed, in addition much attention was given to building the foundation for high level customer relations.

All companies of the Group aim to achieve autonomous business growth. The Group is pursuing the policy of steady improvement of service quality through further development of advanced management know-how combined with a customer-oriented and innovative approach. The prevailing service concept in all the companies of the group states that the objective of the actions of each employee is constantly to focus on the changing demands of the customers. The comprehensive selection of personnel along with generating conditions for sustained improvement of the competence of the employees are the key elements of our performance.

At the end of 2007, ACE Logistics Group employed altogether 102 persons.

I would like to thank all of our employees for their great work, contribution and commitment and wish all the best for the future.

Andres Matkur
Managing Director







Annual Report 2007 of ACE Logistics Estonia

The year 2007 was a favorable one for ACE Logistics Estonia. The general cooling of the economy of Estonia, especially in the second half of the year, along with ever-tightening competition on the transport market certainly affected our performance. The satisfaction of our customers, however, remained high and we managed to achieve our long-term financial targets. The sales turnover grew 21%. We employed 39 persons. The prospects for further development look good, so we are full of optimistic anticipation.

The service portfolio of ACE Logistics Estonia includes the following services:

- ▶ Road Transport;
- ▶ Air Transport
- ▶ Sea Transport;
- ▶ Customs Clearance and Intrastat;
- ▶ Warehousing Services.

ACE offers its customers door-to-door service that goes unnoticed, in both, export and import directions.

ROAD TRANSPORT

In road transport we continued to render small shipment services and to increase the volumes. Scheduled routes to Western-Europe still play the most important role for us. The mutually beneficial collaboration with the partners of ACE Logistics proved to be fruitful. We cover Germany better than before, with twice weekly scheduled departures from Hamburg complementing the terminals in Dortmund and Munich we have used for a long time already. It enables us to react more efficiently to the needs of our customers trading with Northern Germany. In addition to Germany we operate scheduled departures from the Netherlands, Belgium, Italy and Finland.

In the export direction we inserted another departure to Western Europe on Mondays, in addition to the Friday departure. The addition has become very popular among our clients and has been widely utilized. The Monday departure suits well for the customers whose products are finished over the weekend.

Under the current economic circumstances the added departures in export and import directions improve the opportunities for ACE Logistics customers for raising the frequency of deliveries and adjusting the volumes more flexibly according to the market needs.

As for the technical side, the implementation of the innovative double-deck system of double intermediary poles has proven to be beneficial. Value to the service is added first of all for our customers, as the risk for damaging goods is diminished and the loading is done more effectively.

AIR FREIGHT

In air transport we carried on with our existing partners and the most important areas for us still are Far East and Northern America, where we supplement traditional air transport with combined solutions. The latter creates additional advantages for delivery during the high season in Far East, which lasts from August to February and experiences lack of capacity on aircrafts. Customers' interest in top-quality door-to-door service remained high and we managed to feed it due to the good coverage of partnership networks. In addition to express shipments we handled special deliveries: live animals, dangerous goods and perishables. The experienced staff of ACE Logistics is capable of offering good alternatives considering the needs of the customer and the specific circumstances of each shipment.

SEA FREIGHT

In 2007 we focused on the scheduled transport of LCL shipments, although the export of FCL surpassed our expectations as well. We have brought the Asian suppliers closer to their customers with our

short lead-time and swift service. In April we launched weekly departures from Hong Kong, and in November added a direct service from Shanghai. In the export direction of LCL shipments we can offer more than 200 destinations globally. Port-to-port delivery is supplemented by door-to-door delivery, warehousing and customs clearance.

CUSTOMS CLEARANCE AND INTRASTAT

It is a win-win situation ordering all services from one place – for the customers as well as the transport company. The process is streamlined and the communication is smoother. The customs code was amended in 2007 and it resulted in the customers' preference to use the customs clearance services of ACE Logistics. The interest has remained unchanged in the Intrastat service.

WAREHOUSING SERVICES

We have specialized in handling smaller goods and developing value-added services. Proceeding from the specifics of each order and the needs of the customers we suggest possibilities in both, regular or customs warehouses. For retailers and importers we offer "direct to shelf" service, performing pick and pack and labeling. We carry out domestic delivery to everywhere in the country, take care of efficient data exchange and make the purchase of inventory services more comfortable for the customer.

CUSTOMER SERVICE AND QUALITY

The renewed customer satisfaction survey was more comprehensive and gave a clearer picture how the customers assessed our services. The customer satisfaction remained high, as was the share of the returned responses. The analysis confirmed the areas we had identified ourselves as the ones needing improvement. In-service training has been organized to match the needs. The external audit carried out in the fall of 2007 resulted in the successful extension of our ISO 9001:2001 certificate.

The year 2007 was a jubilee for us – ACE Logistics started its operation on the Estonian logistics landscape in the fall 15 years ago. I would hereby like to express my gratitude to all our customers, partners and the employees of ACE, for pleasant cooperation and loyalty all through these years.

Maanus Mätlik
Managing Director







Annual Report 2007 of ACE Logistics Latvia

The year 2007 was the tenth year in the operations of ACE Logistics Latvia. Based on the effectiveness of the previous year, the year 2007 marked the development of the company's structure and the opening of two new direct groupage service directions.

The main task in 2007 was to create management systems and to develop staff structure. Although the main financial target – profit increase – was not fulfilled according to the plans, the general performance of the company was very good, expressed in the considerable growth of almost all shipment – related figures as compared with 2006. Main factors behind the more modest increase of profit are the high inflation level in country accompanied by substantial increase in salaries and local transportation costs.

The goals reached in 2007 allow us to search for additional sectors to be active in and set new business goals for coming years in spite of the slower economic growth expected in Latvia for the next two years.

In the year 2007 the main service products of the company remained the same:

- ▶ Road Transport
- ▶ Air Freight
- ▶ Sea Freight
- ▶ Customs clearance and local distribution.

ROAD TRANSPORT

As in the past, road freight was our number one service in 2007 making up 80% of all our shipments. In 2007 we opened one new groupage service route from Germany – Hamburg. It allows our customers to use another direct delivery service and we are sure that in 2008 we could offer more new routes for the benefit of our customers.

The total number of shipments increased 127% as compared to 2006 and reached the budgeted target. The reason behind it is quite obvious – clients go for the good performance and good service quality of the company. Our road freight staff deserves gratitude for their commitment and careful handling of every customer and shipment. Another very important reason behind our success is good partnership network, which enables us to find special solutions for our clients. I wish weariless energy for our new road freight department manager to lead this quickly growing department.

AIR FREIGHT

Airfreight ranks as the second important service of our company and it gives 17% of all shipments. Import traffic has stayed the main direction in our airfreight business and the number of ship-

ments increased by 105%, however export showed also growth and the number of shipments increased 113% in comparison with 2006.

The main task of our airfreight personnel is to offer the best available transportation route for the goods. It is noteworthy that to find economically beneficial solution with shortest transit time is a complicated task with high responsibility, the competitiveness and growth potential of our customers is at stake.

In the end of the year 2007 the new air- and sea freight department was founded in our company, supervised by well experienced long term employee of the company. I would like to wish her success and exciting new challenges in her position.

SEA FREIGHT

Sea freight has the smallest share in our business; in 2007 it was 3% of total shipments. Yet we managed to achieve a high annual growth rate – 215% – due to good partnerships and careful search for new opportunities in LCL traffic. The growth potential for the years to come look very promising, keeping in mind increasing imports from Far East region, mainly China. I would like to wish our sea freight staff persistence in finding new clients and introducing them the strong sides of our LCL services.

In conclusion I would once more like to express my gratefulness for all the colleagues and their families, for our clients and partners all over the world. I wish everyone successful new business year!

Daina Zvirgzde
Managing Director







Annual Report 2007 of ACE Logistics Lithuania

ACE Logistics started its activities in Lithuania in the end of 1996. The year 2007 was already the 11th successful year of operation. We are pleased to report continuous development and growth in turnover. It is also important to point out that ACE Logistics Lithuania is a member of the national freight forwarders association LINEKA and the Managing Director acts as a Board Member of the association since 2007.

The economy of Lithuania reached its peak in 2007 with annual growth of approx. 8%. At the same time the natural growth of ACE Logistics in net sales exceeded the average by four times and arrived at 32% and annual profitability was 4.3%. The level of profitability is undoubtedly on the scale with the competitors and at the best level of local industry.

The budget plan for 2007 was considered to be rather optimistic. Nevertheless it was successfully fulfilled with the following results: the turnover of the company was raised by one third and gross profit grew by 23%. The figures on the cost side reveal inevitable increase and our operational costs increased 22%, this is due to the development of GM (all numbers are in comparison with 2006).

The company maintained its strong position in airfreight. Based on the number of shipments we are among the top five air freight forwarders in Lithuania. We also strengthened our position in ocean freight as a regular LCL carrier during 2007. For road freight ACE Logistics in Lithuania is well known as a groupage service provider on scheduled routes. As a freight forwarding agent we are ranking ourselves among 10 major forwarding companies in Lithuania, including multinationals.

ACE Logistics Lithuania rendered the following services:

- ▶ Air freight forwarding,
- ▶ Road freight forwarding,
- ▶ Sea freight forwarding,
- ▶ Customs clearance.
- ▶ All services cover import and export, door to door delivery.

AIR FREIGHT

The main factor behind our success in the air freight lies in our policy to continue long term and reliable partnerships all over the world. Our target is to co-operate with market leaders in regions like Far East and Europe as well as the U.S..

Airfreight export volumes and number of airfreight export shipments steadily increased and followed the trends that had started in previous years. 30% growth in turnover expresses intensive and successful development and can be attributed to the dedicated sales team with high motivation and ambitions. Export shipments via European hubs in Frankfurt and Amsterdam are arranged weekly in combination with our road export trailers.

The chief target in airfreight was to develop solutions for deliveries from Far East, Asia and Americas. Several levels of services were continued and the hub system was improved continuously.

The reliable partners in Frankfurt along with the high cost efficiency resulted in the situation where the shipments delivered via European hubs outnumber the shipments delivered directly to Vilnius airport. In 2006 the relationship was opposite.

Relevant employees passed special education and renewed the required licenses to keep providing transportation of live animals and dangerous goods.

ROAD TRANSPORT

Groupage cargo delivery is the main road freight forwarding service provided by ACE Logistics. Normally these shipments require the shortest possible lead time, which led us to the optimization of de-

parture and arrival schedules as follows: 5 departures from 2 terminals in Germany (Dortmund and Munich) were supplemented by 2 departures from Hamburg. New schedule allows to deliver the goods that are ready for pick up on Monday and Tuesday to the Lithuanian importer's warehouse or shop within the same week. Other European countries like Austria, Switzerland and France, etc. are covered by the same system in cooperation with close partnership.

We have to admit that before 2007 ACE Logistics was behind its competitors concerning Benelux countries. This was changed with launching the second weekly departure from Netherlands in February last year.

More figures to illustrate the story above: number of shipments and turnover in exports increased by 30% and in imports by 40% as an average.

SEA FREIGHT

This segment faced the greatest challenge during 2007. The success of the previous years allowed us to open our individual consolidation service from China. It was a heavy investment to offer competitive LCL (less container loads) services from main harbours in China directly to destinations in the Baltics on regular basis. The initiative proved to be worthwhile. ACE Logistics Lithuania, in co-operation with sister companies in Latvia and Estonia, took all control and responsibility of the operations and was acknowledged by customers: eventually the number of shipments increased by 33% and the sales by 50%.

FCL (full containers loads) business was very important in 2007. Co-operation with a dedicated, globally well-known partner allows us to have equal positions with multinationals. Some of our competitors tried to push us to hectic competition, but due to long commitments we were able to secure both, our customers and acceptable profits.

PERSONNEL AND IT SOLUTIONS

The Company offered its employees several "indoor" and "outdoor" training sessions in order to improve the sales and customer service skills. ACE Logistics Lithuania employed 22 persons in the end of 2007. The number of employees increased by 29%.

Transport management software was being improved constantly to make the work more efficient.

Our positive development is due to the contribution of dedicated employees, loyal customers and devoted partners. I would like to express my appreciation to all of them.

Ignas Puluikis
Managing Director







Annual Report 2007 of Cargo Handling

Cargo Handling Ltd is a company that offers cargo handling services in Tallinn international airport. Among our customers are airlines, couriers, forwarders and international traders. The year 2007 was the 14th full year of operations for Cargo Handling Ltd.

Company almost succeeded in achieving the targets set for 2007. The sales revenue fell by 10% due to terminating the handling service of road freight in October 2006. When comparing the sales of the remaining services in 2007 with the same set of services in the preceding year, the sales profit rose 7%. The net profit was 2% lower than budgeted.

The turnover of Cargo Handling Ltd mostly comprises of the following services:

- ▶ Handling of export air freight
- ▶ Handling of import air freight
- ▶ Handling of import LCL shipments
- ▶ Terminal handling for special cargo

HANDLING OF EXPORT AIR FREIGHT

Although the number of shipments was unaltered in 2007 as compared to 2006, the total weight of export shipments increased more than 14%. We processed ca 865 tons of export goods, out of which 63% was shipped off by aircraft and 37% by RFS (road feeder service). The ratio of RFS in total export increased significantly, it is also evident from the growth of the weight of the average shipment when comparing the number of shipments and the total weights. It is a pleasure to admit that the dramatic drop in volumes of some major exporters or their disappearance from the market was smoothly replaced by the vigorous export activities of a multitude of smaller exporters.

HANDLING OF IMPORT AIR FREIGHT

The boosting economy during last years of the Baltic countries accelerated consumption and increased the demand for import cargo flows. As the demand created no risks, the traders- importers shipped ever growing quantities. It is expressed in our figures: the number of shipments did not change from the previous year, yet the total weight increased almost 14%. In 2007 we processed 2546 tons of import cargo; especially dynamic was the jump in the courier shipments' segment.

HANDLING OF IMPORT LCL SHIPMENTS

At the end of 2007 we introduced the service of terminal handling seafreight LCL shipments. It includes distribution of consolidated goods from the Far-East via our terminal to Latvia, Lithuania, Finland and Estonia.

We are looking forward to the young emerging partner increasing considerably the volumes of LCL shipments with efficient sales and marketing activities, we are ready to do everything that lies in our

power to offer smooth services supporting the core – door to door solutions.

TERMINAL HANDLING FOR SPECIAL CARGO

Company provides terminal handling for special cargo shipments like VAL, AVI, DGR etc. Consequently the turnover of terminal handling is directly dependent on the number and weight of import shipments. As import experienced increasing trend, the terminal handling moved up respectively. The volume of special goods (especially VAL) showed significant growth.

CUSTOMER SATISFACTION

Cargo Handling Ltd cooperates with 15 different airlines and courier companies. Most of them carry out regular flight safety and security audits in order to inspect the subcontractor's service quality, compliance with contract terms and international aviation standards. For us it means one audit per month as an average. In 2007 we passed the audits with positive results without any noteworthy remarks. Once a year ISO 9001:2000 quality audit is also carried out and the result of last year's audit was outstanding – no deviations or observations were detected.

The goal for 2008 is to retain and secure the market position of the company on the current market. The smooth-running cooperation with our present partners as well as the improved quality of the services and the customer- service are the mandatory prerequisites for that. We also continue consistent IT development to make the service in general easier and more efficient for our customers.

For the achievement of the good results last year I would like to thank all the employees, long-term partners and customers. It goes without saying that with the economy cooling down we need to make more efforts, yet I am confident that we can succeed and reach our targets.

Viljar Lehtmets
Managing Director







Annual Report of AirProxy companies

2008 was the 11th year of operations for the Estonian office of AirProxy. Looking back to the years we can say that the company has been moving ahead along the right track, being a cooperation-oriented partner for its principals (airlines) and customers. It is a great joy to confirm, that we have worked together with the two principals, SAS Cargo and Lufthansa Cargo, for more than ten years. AirProxy Latvian office has worked for three years and as suitable for a young company, its growth was fast. The accumulated sales of AirProxy Group rose by 17,6% in comparison with 2006, reaching EUR 1,9 million. The Latvian share in the turnover was 34%.

The year 2007 was an intricate one for everyone involved in aviation. The main complication was the jump of fuel prices, influencing the whole field. The impact on our activities found its expression in the increase of additional fuel tax by 46%, which far exceeded our forecasts. However when looking back on the year we can report a 13% growth of tonnage and a 3% growth in the number of shipments in comparison to the preceding year.

The main goal of the companies of AirProxy in 2007 was to extend the borders of previous representation rights of the principals to all the Baltic countries. It is mutually beneficial for the airlines as well as the companies, giving us both the opportunities to tighten the cooperation and make it more efficient. The experience with Lufthansa Cargo gives evidence of the positive results of such cooperation. While pursuing this goal, the core principles of our companies were kept essentially central in our activities in order to secure the satisfaction of the airlines as well as the agents with our performance. Unfortunately, due to various political and other reasons we did not succeed in expanding our existing contracts to Latvian and Lithuanian territories. The work in that direction needs to be continued.

We expected significant changes in our field in 2007. The introduction of CASS (Simplified Billing and Settlement of Accounts) on the Baltic market was planned to take place in May, which would have considerable impact on our transactions with the airlines and agents. It did not happen, though everyone involved in the business was tense in anticipation of it. On the one hand there is the expectation of agents to adapt to the dynamically changing environment, which includes alterations in their accounting systems. On the other hand we need to amend our contracts with the carriers as the general sales agents and also adjust to the new situation. In the first months of 2008 CASS has not been launched yet in Estonia, though it can be expected in the near months.

ESTONIA

AirProxy Estonia kept to its old agreements, as in 2006. In chronological order the agreement partners are: Lufthansa Cargo, SAS Cargo, Lithuanian Airlines, Czech Airlines, Air Baltic, Copterline and Singapore Airlines Cargo. Regardless of the tightened competition due to the added number of carriers, we managed to increase the volumes on the planes of our carriers and maintain a stable market share. The foundation for our cooperation with airlines lies in long-term relationship profitable for both parties. Our collaboration with agents was fully pleasant and it is really nice to acknowledge that our customers appreciate the services of our carriers highly.

LATVIA

For the Latvian company of AirProxy, 2007 was the year of becoming independent. The sales manager of the company became the managing director, which gives the company more liberty to steer its own development and at the same time take responsibility for the outcomes. The targets were set high for the increase of turnover as well as profitability. The sales moved up 1,5 times in comparison with 2006. Airproxy SIA represented two principals in 2007 – Czech

Airlines Cargo and Lufthansa Cargo. The results of the customer survey give us good reason to claim that Airproxy is an accepted and professional partner on the Latvian market among freight forwarders.

Since 2004 AirProxy has been the Estonian member of an international GSA consortium EGSAC (European General Sales Agency Cargo). The membership has opened for us the opportunity to learn from our experienced European colleagues and increases our chances to sign new contracts with airlines in the whole Baltic area.

PERSONNEL AND SOCIAL RESPONSIBILITY

Social responsibility and charity are the spheres Airproxy first entered into last year. Our mission statement being connected with music – “The music, which we create in the progress of high respect towards each other, listening to each other carefully and trying hard to find the harmony, should be as enjoyable for us as for our customers” – we defined music as one of the criterions for finding the beneficiary. Tallinn Children Music School became our partner, we assisted the school in arranging their spring concert and the revenue of the ticket sales is contributed to covering the costs of their concert trip to Italy. The musical impression that our agents received from the concert was magnificent! We intend to participate at least in one charitable initiative in 2008 as well.

On the organization scale the objective is to deepen the cooperation between the Estonian and the Latvian teams. We are confident that synergy can be found in many other aspects. Our aim is unaltered – to be efficient and innovative in our work. Our long-term goal is personal and professional improvement, achieving satisfaction in the work and in ourselves, while moving towards the destination of being physically represented in all three Baltic countries.

The financial target of AirProxy companies for 2008 is 24% increase of turnover, bringing us to EUR 2,4 million a year.

In conclusion I would like to express my deepest appreciation to our customers, who continued their cooperation with us in 2007 and will hopefully carry on doing so at least in the same volumes in the years to come. I also thank my diligent and brave colleagues, who are always willing to give their utmost and who are well accepted and respected collaboration partners in their field.

Helena Roots
Managing Director







ACE Logistics Group Balance Sheet

ASSETS	31.12.2007	31.12.2006
	<i>in Eur, Consolidated</i>	
CURRENT ASSETS		
1 Cash and bank	793 710	829 523
2 Receivables		
Customer receivables	1 815 976	1 404 673
Prepaid/refundable taxes receivables	62 496	5 002
Other receivables	219 305	216 199
Other prepaid expenses	62 028	37 353
Total	2 159 805	1 663 227
TOTAL CURRENT ASSETS	2 953 515	2 492 750
NON-CURRENT ASSETS		
3 Non-current physical assets		
Buildings, land	2 109 000	2 158 614
Plant and equipment	61 016	51 912
Other equipment and fixtures	28 906	46 802
Prepayments for noncurrent physical assets	0	14 258
Total	2 198 922	2 271 586
TOTAL NON-CURRENT ASSETS	2 198 922	2 271 586
TOTAL ASSETS	5 152 437	4 764 336

LIABILITIES AND OWNER'S EQUITY	31.12.2007	31.12.2006
CURRENT LIABILITIES		
4 Short-term loans		
Current portion of long-term debt	0	29 960
Short-term loans from credit institutions	117 624	169 942
Total	117 624	199 902
5 Liabilities and advances		
Supplier payables	2 200 150	1 890 597
Payables to employees	254 668	224 561
Taxes payables	127 366	190 647
Other payables	249 050	110 974
Advances from customers	7 247	7 247
Total	2 838 481	2 424 026
TOTAL CURRENT LIABILITIES	2 956 105	2 623 928
NON-CURRENT LIABILITIES		
6 Long-term liabilities		
Bank loans	302 201	407 571
TOTAL NON-CURRENT LIABILITIES	302 201	407 571
TOTAL LIABILITIES	3 258 306	3 031 499
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
7 Minority interest	30 450	17 800
8 Share capital	28 115	28 115
9 Statutory legal reserve	2 812	2 812
10 Retained earnings	1 042 403	899 746
11 Net profit (loss) for the financial year	796 841	778 466
12 Unrealised exchange rate differences	-6 490	5 898
TOTAL EQUITY	1 894 131	1 732 837
TOTAL LIABILITIES AND EQUITY	5 152 437	4 764 336



ACE Logistics Group Income Statement

	2007	2006
	<i>in Eur, Consolidated</i>	
REVENUE		
Net sales	14 929 545	12 008 118
Other revenue	82 752	21 814
TOTAL REVENUE	15 012 297	12 029 932
EXPENSES		
Materials and supplies	11 386 693	8 913 439
Other operating expenses	821 166	654 460
Personnel expenses		
wages and salaries	1 255 109	1 013 617
social security and other costs	395 510	336 236
Depreciation	122 224	118 376
Other expenses	14 667	27 758
TOTAL EXPENSES	13 995 369	11 063 886
OPERATING PROFIT	1 016 928	966 045
FINANCIAL INCOME and EXPENSES		
other interest and similar income	8 640	8 827
interest expences	26 295	32 958
other financial expenses	2 655	0
TOTAL FINANCIAL INCOME and EXPENSES	20 309	24 132
PROFIT BEFORE TAXES	996 618	941 914
Provision for taxes	178 355	147 773
NET PROFIT FOR THE FINANCIAL YEAR	818 263	794 141
Equity holders of the parent	796 841	778 466
Minority interest	21 423	15 675

ACE Logistics Cash Flow Statement

	2007	2006
	<i>in Eur, Consolidated</i>	
Operating profit	1 018 799	966 045
Depreciation of fixed assets	122 224	118 376
Loss from sales of subsidiaries	2 655	0
Change in current receivables	-491 264	-250 169
Change in current liabilities	141 043	670 239
Interest received	3 327	3 561
Interest paid	-26 171	-32 906
Income tax paid	-67 076	-129 864
CASH FLOW FROM OPERATING ACTIVITIES	703 537	1 345 282
Acquisition of tangible assets	-2 569	0
Sale of tangible assets	11 853	0
Purchase of fixed assets	-37 941	-57 658
CASH FLOW FROM INVESTING ACTIVITIES	-28 657	-57 658
Repayment of loans	-199 902	-212 720
Paid dividends	-498 403	-590 415
CASH FLOW FROM FINANCING ACTIVITIES	-698 305	-803 135
TOTAL CASH FLOW	-23 425	484 489
Cash at the beginning of the period	829 523	340 052
Cash at the end of the period	793 710	829 523
Effect of exchange rate changes	-12 388	4 982
CHANGE IN CASH	-35 813	489 471



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

AUDITING

Rödl & Partner has audited the consolidated financial statements of ACE Logistics Group and Auditor's Report to the shareholders was issued without any remarks.

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 earning of the company of previous periods and the audited net profit in 2007 in total of EUR 1 839 243. 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 1 384 930 to leave to the company.
- ▶ 2. The sum of EUR 454 313 to share to shareholders as net dividends

ACE Logistics Group

Andres Matkur
Managing Director





Structure of ACE Logistics Group

As of December 31, 2007, the group comprises the following independent companies:



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AIRPROXY LATVIA

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SEPISE KINNISVARA

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