

2010

Annual report

ace Logistics

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ACE Logistics Group

ACE Logistics Group consists of several 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 other logistics services.

The Baltic region has been identified as the home market of the Group. The Group makes use of various agents' networks worldwide; as a result the company can call on professional partners everywhere in the world.

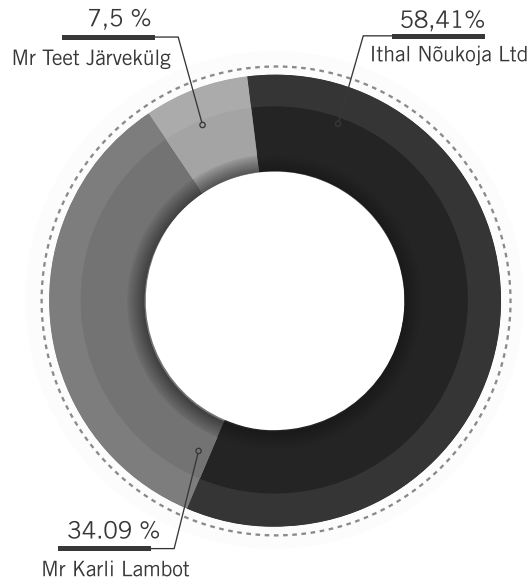
ACE LOGISTICS GROUP COMPRISES THE FOLLOWING INDEPENDENT COMPANIES:

- 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, Estonia – air cargo handling services;
- Sepise Kinnisvara Ltd, Estonia – real estate management.

Most of the companies are owned 100% by ACE Logistics Group Ltd, except ACE Logistics Lithu-

ania and ACE Logistics Latvia where the Managing Directors own 10% of the respective companies. ACE Logistics Group belongs to the following shareholders:

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



SERVICES PROVIDED BY THE ACE LOGISTICS GROUP'S COMPANIES:

- Airfreight forwarding
- Road freight forwarding

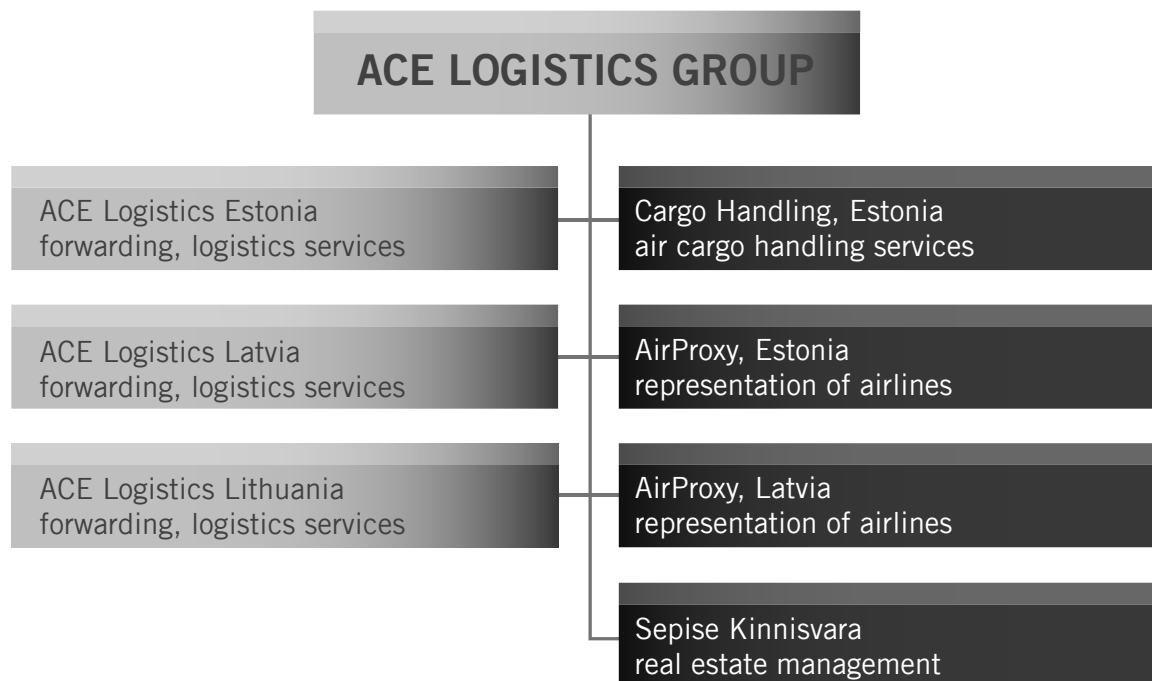
- Sea freight forwarding
- Integrated logistics and warehousing
- Airport cargo handling
- Airline representation – GSA activities
- Real Estate Management

ACE LOGISTICS GROUP IN 2010

ACE Logistics Group operated with seven independent companies in 2010, offering logistics and transport services.

2010 can be summarized as the recovery from the recession which took place in 2008-2009. After the dramatic drop in demand experienced during this period, the recovery phase started in 2010. The GDP increase in the three Baltic states - Estonia, Latvia and Lithuania - derived mainly from advancing global demand, with some domestic support due to improved situation on labour markets and stronger confidence among companies and households.

ACE Logistics Group can report positive financial figures in 2010 as well. Turnover grew by 18% and net profitability was over 6.5 %. The relatively good figures are the result of recovering economic circumstances, but proper management of each individual company of the Group also contributed to it. All companies of ACE Group managed to close the year with positive financial results and achieve most of their autonomous business goals.



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 the conditions for

sustained improvement of the competencies of the employees are the key elements of our performance. At the end of 2010, ACE Logistics Group employed altogether 80 persons, which is two less than year before.

Main Financial Highlights

Consolidated, in EUR

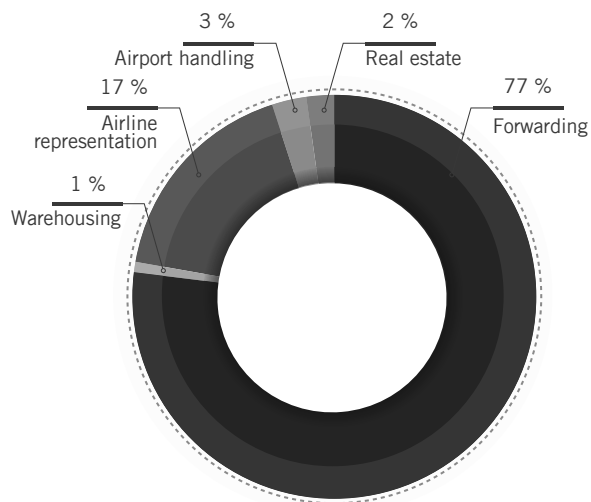
FOR THE YEAR	2006	2007	2008	2009	2010
Net sales	12 008 118	14 929 545	17 913 259	12 797 252	15 094 575
Change of Net sales	33%	24%	20%	-28%	18%
EBT	941 914	996 618	925 712	667 084	1 129 834
Change of EBT	62%	3%	-7%	-28%	69%
Total cash flow	489 471	-35 813	145 620	-209 862	170 263

PER SHARE					
EBT per share	2 141	2 265	2 104	1 516	2 568
Dividend proposal per share	1 452	1 033	1 205	803	1 452

CAPITAL RATIOS					
Return On Equity (ROE)	48%	44%	37%	30%	45%
Profitability	7,8%	6,7%	5,2%	5,2%	7,5%

BY THE END OF THE YEAR					
Total assets	4 764 336	5 152 437	4 897 172	4 471 605	5 235 397
Share capital	28 115	28 115	28 115	28 115	28 115
Equity	1 732 837	1 894 131	2 092 939	2 282 064	2 703 082
Number of employees	91	102	98	82	80

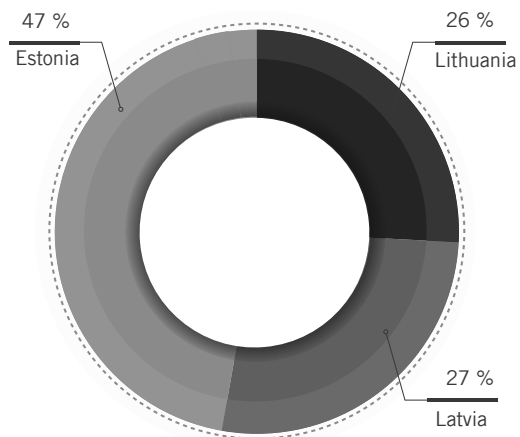
EUR



Net Sales per services

■	Forwarding	12 596 459
■	Warehousing	237 909
■	Airline representation	2 735 607
■	Airport handling	446 913
■	Real estate	306 650

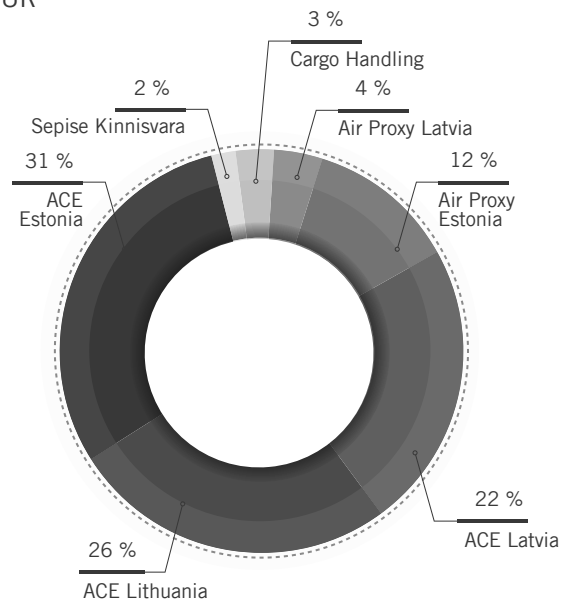
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Net Sales per country

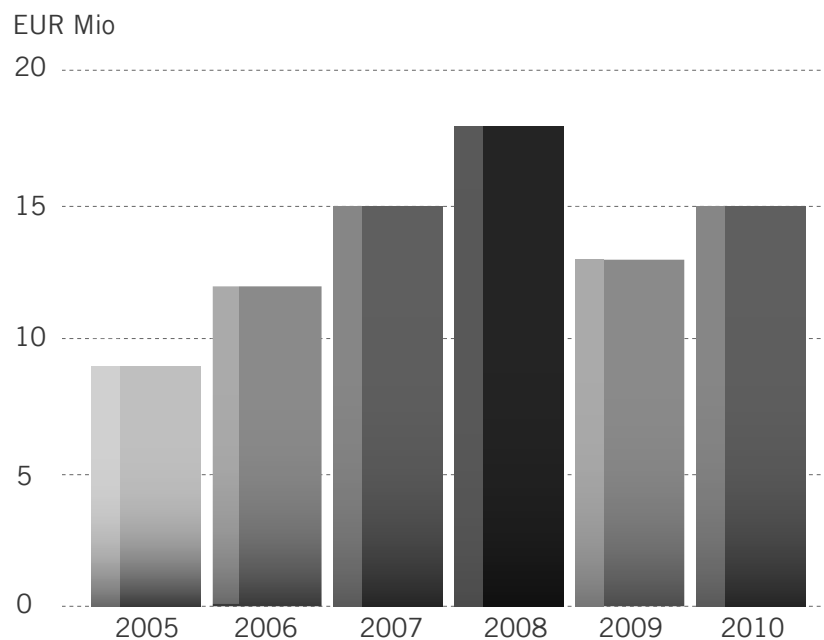
■	Estonia	7 673 267
■	Latvia	4 384 961
■	Lithuania	4 265 310

EUR



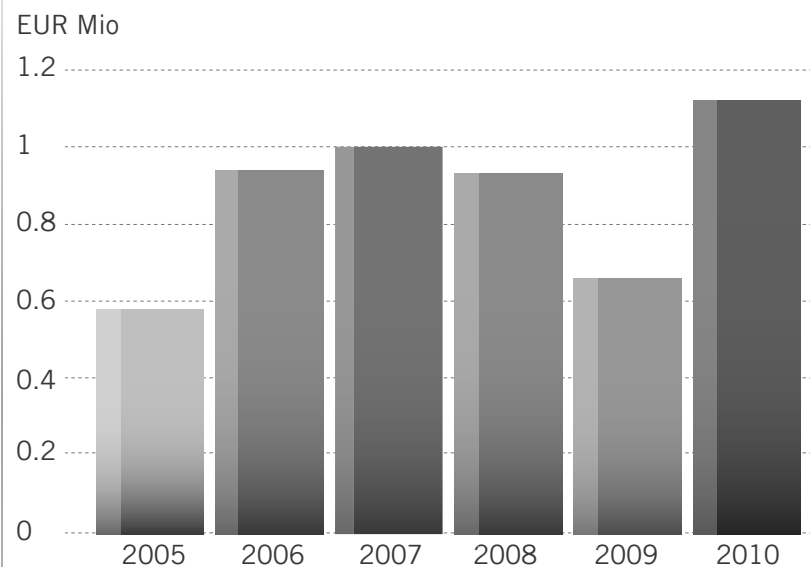
Net Sales per company

■	ACE Estonia	4 904 347
■	ACE Latvia	3 664 711
■	ACE Lithuania	4 265 310
■	Air Proxy Estonia	2 015 357
■	Air Proxy Latvia	720 250
■	Cargo Handling	446 913
■	Sepise Kinnisvara	306 650



Consolidated Net Sales

2005	9
2006	12
2007	15
2008	18
2009	13
2010	15



Consolidated EBT

2005	0,57
2006	0,94
2007	0,99
2008	0,92
2009	0,66
2010	1,12

Goals and Strategy

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.

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 cre-



ates 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 cooperation partners and remains loyal to them.

Infrastructure

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

ACE Logistics Estonia

ACE Logistics Estonia has always achieved its annual financial growth targets ever since its foundation in 1992, only 2009 was a clear exception, when the company faced recession in financial results for the first time during its history. Now it is a relief to conclude that this trend did not continue and we can report very positive growth figures again in 2010 and hopefully for many years ahead.

The last couple of years has been full of challenges. The hard recession of the economy and the recovery process which started in 2010 affected our performance considerably. The dramatic drop of demand for logistics services which took place in 2008-2009 and derived from the significantly diminished foreign demand and domestic consumption turned into the positive direction during 2010.

Another interesting change last year was the complete transformation of the balance of foreign trade in Estonia. For long years before the last recession era, import had clearly exceeded export volumes and this is changing now. During 2010 there were months, where export trade went ahead of imports and in general foreign trade deficit has never been so low as reported in 2010. From the national point of view this is a very positive fact, but it has also direct influence on the logistics sector.

From our perspective we can just re-confirm what has been said above - export cargo volumes trans-

ported by us where increasing relatively faster than import volumes. This has happened in all means of transports where ACE Logistics is involved today, but especially in road- and airfreight sectors.

It is also important to mention that regardless of tough times, the company was still able to deal with the development of its service package. The benefits were evident already in 2010 and we expect to see more of them in the years to come. At the same time the satisfaction of our customers remained also very high over this period. The prospects for further development look very good, so we are optimistic and see the future being full of opportunities.

ACE Logistics Estonia offers its customers door- to-door logistics services globally. The portfolio of ACE Logistics Estonia in 2010 included the following services:

ROAD TRANSPORT

In the road transport segment we continued to render services, which are focused mainly on groupage and part load business. Scheduled routes to and from other European countries still play the most important role for us. The mutually beneficial collaboration with the partners abroad proved to be fruitful. We can cover all the destinations via large pan-European terminal networks all over the region, which gives us the best possibilities for sufficiently fast and reliable delivery of the shipments of our

customers. In addition to regular lines to and from Western and Eastern Europe, we operated fixed scheduled lines also to and from Scandinavia, which has gained importance for us. Under the current economic circumstances the added departures in export and import directions enhanced the opportunities for ACE Logistics customers for raising the frequency of deliveries and adjusting the volumes more flexibly according to their needs.

AIR TRANSPORT

International airfreight market went through several changes over last years and 2010 can be reported as a stabilization period. The overall demand for airfreight has been going through hard times and it has put many airlines into very difficult situation. Now positive signs are noticeable again and more alternatives are available on the market. This all had direct impact on the operations of ACE Logistics in Estonia as well.

In air transport we carried on with our existing networks and the most important areas for us continue to be Far-East and Northern-America, both for exports and imports. There we supplement the traditional direct air transport with combined air- truck solution. Customers' interest in top quality door- to-door service remained high and we managed to satisfy it thanks to the good coverage of loyal partners abroad. The well- experienced staff of ACE Logistics is capable of offering good alternatives, considering



the needs of the customers and the specific circumstances of each shipment.

SEA TRANSPORT

The changes in economy were favourable for sea transport in general. Many customers who used to ship their goods by air became keen on looking for more cost efficient solutions, where sea transport clearly provides many alternatives.

ACE Logistics is focusing on the scheduled transport of LCL shipments, although it provides service for FCL as well. Good collaboration with our foreign partners enables us to offer several special solutions, where port- to- port delivery is supplemented by door- to- door delivery, warehousing and customs clearance.

CUSTOMS CLEARANCE

Customs clearance and brokerage service has played an important role in the service portfolio of ACE

Logistics already from the very beginning. Customs clearance is an important area for the company, which allows us to provide our customers the full range of transport services from one place. After joining EU extensive improvements have taken place in Estonian customs systems. It requires much effort to keep oneself updated with the changing requirements. Many customers are not ready to cope with it; they prefer to authorize us to deal with their customs procedures on behalf of them. In addition, the customers can also use our Intrastat completion service.

WAREHOUSING SERVICES

Company has specialized in handling and storing of smaller items and developing value- added services. Based on the specifics of each order and the needs of the customers, we suggest possibilities in both, public or customs warehouses. For retailers and importers we offer full service package performing storage, quality/quantity check, pick and pack, labelling,

delivery etc. We carry out domestic daily delivery to everywhere in the country and also to neighbouring countries, take care of efficient data exchange and make the purchase of inventory services more comfortable for the customer.

I would like to thank all of my colleagues in the three Baltic countries for their support and understanding, hard work and commitment. I wish them all the best for the future!



ANDRES MATKUR
Managing Director

ACE Logistics Latvia

The short overview of the economic situation of the country, as expressed by the President of the Bank of Latvia, Mr. Ilmars Rimsevics, was the following: "At the global level unprecedentedly deep, but short recession in the Latvian economy saw macroeconomic stabilization in 2010, which was based on the recovery of export competitiveness. It is the structural change necessary for sustainable development, suggesting that the monetary policy of the central bank, supported by the Latvian Government, is a well chosen path.

In the previous period, export has been and still is the driving force of the Latvian economy. It is determined by both, the growth of external demand as well as the increase of the competitiveness of Latvian producers. In 2010 Latvia exported goods and services in the value of 6.7 billion lats, exports increased by 1 billion lats during the year. This is the highest export revenue in the history of the Latvian economy and the overall growth in exports of Latvian goods in 2010 by 30% was the fourth most rapid result in the EU after Estonia, Lithuania and Bulgaria. In addition, all of these countries apply the same exchange rate policy, which also helped to recover from the crisis. However, the overall recovery of the Latvian economy is still fragile. The end of 2010 and the beginning of 2011 gave evidence of gradual economic slowdown. It was influenced by cost reduction processes taking place in many foreign countries,

which are important for Latvian exports, and the negative impact of energy price increases on world markets."

For ACE Logistics Latvia the year 2010 was titled the year of the "merger". The most important highlight for us was joining of airport and roadfreight offices into one spacious modern office and warehouse building near Riga International Airport. Other major accomplishments of the year were the opening of regular daily groupage traffic in import and export road freight between Riga and European hubs and the new developments in airfreight export services.

ROAD FREIGHT

I am happy to say that we achieved a very significant result in 2010 - the highest number of shipments in road freight imports since the beginning of our operations and 41% more than in the previous year. It means that we have recovered even beyond the situation in 2008. The same positive trend can be reported in the road freight export, where we managed to send more than 95% in comparison with 2009, which was also a year of quite good development. Another positive figure is the revenue from road freight services which grew by 40% as compared with 2009. It is especially noteworthy due to the fact that we started a new service with tripled capacity and all the volume was handled by the same number of staff.

An important factor to be considered is the fact that Latvian export growth from transport services is mostly based on FTL services and we have to compete with companies offering parcel and small shipment services in the market. For us it means that in next few years we need to be even better in our team work in order to get more and more shipments into our trucks.

AIRFREIGHT AND SEA FREIGHT

Thanks to the effective and positive attitude of the airfreight colleagues, we were able to increase the number of export shipments by more than 25% comparing with the previous year. It was an outstanding result considering the market situation, where the growth in Riga International Airport is mostly based on transit shipments. Airfreight import did not achieve such high numbers last year, but the increase of 6% is a good outcome, as it is above the average growth of imports according to the statistics of Latvian economy. With perfect service and good cooperation with road freight department in local deliveries, we can offer competitive rates for our partners, which helps to sell a wider range of services for import shipments.

In sea transport we started to make consolidated shipments with loading into railway cars. The number of shipments remained on the same level as in previous years. For sea freight it is vital to find a niche for transit shipments and organize com-



bined forwarding to final destinations. This will be one of our main tasks for the coming years.

PERSONNEL

In 2010 we followed a special exchange program for training our staff. The objective was to get better understanding of the work of our foreign partners and to gain specific knowledge for the daily work. We also organized several team- building events to enhance the communication and awareness between departments, which were located in different buildings earlier. In 2010 we established a new tradition in our company – the celebration of the completion of master's or bachelor's studies to recognize

the young and enthusiastic people who managed to successfully combine working with studying. We are proud that our company is the first employer for many logistics students and we can help them to build a good foundation for their future career.

We made several changes in our software in 2010 to simplify daily work processes for the staff. We also started preparations for changing accounting software to make the reporting more efficient.

I find that we have finished another successful year. I express my gratitude to all the customers and partners of ACE Logistics Latvia for their long lasting

trust; to the management of ACE Group for their special support in the successful development of the new services and naturally to every co-worker of the company for their daily contributions and creativity.



DAINA ZVIRGZDE
Managing Director

ACE Logistics Lithuania

Lithuanian economy started to recover after the recession period of 2008-2009 in the second quarter of 2010. The most rapid economic growth by 4.6% was during the last quarter. The year-end result was modest 1.3% (preliminary numbers by Department of Statistics).

The previous GDP drop in 2009 by approximately 15% was almost the deepest in EU. Recovery in 2010 was mainly steered by the increase in industry, energy, trade and transport sectors. Domestic consumption was still frozen on the “crisis” level, but export-related production accelerated at amazing speed due to the recovery of export markets. Unemployment rate remained very high (17 %).

The last two quarters of 2009 were more optimistic, GDP started to climb up again showing first signs of recovery. The budget of 2010 estimated increase in comparison with 2009.

Efforts made by the management of the company and the organization and the strict control of costs, along with the economic circumstances amplified the annual results. Turnover boosted by 52 % and gross margin by 55%.

ACE Logistics Lithuania is a member of the national freight forwarders’ association Lineka and belongs among the first ten purely forwarding companies in the country. Traditionally airfreight

and sea freight forwarding have been the core businesses of ACE Logistics. It is ranked within the first five airfreight forwarders, taking into account even multinationals. Road freight forwarding is an important business of our company as well; we operate regular groupage lines both for import and export.

ACE Logistics business activities in Lithuania 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

ACE Logistics provides services on both, import and export directions. The number of shipments increased again after a stable period in 2008-2009. The volume of export shipments as well as turnover increased by 35%. The company restored its position as an important player on the airfreight export market. Airfreight import volumes increased by 7% only. However, turnover and earnings grew by 48%.

Our chief target is to continue long term cooperation with professional worldwide partners and to continue to develop solutions for deliveries to and

from Far East, Asia and America.

The professional staff, the dedicated sales team and our reliable partners, everyone contributed to keeping the regular connection between Vilnius and Frankfurt airports in operation twice per week. This service is called “aceEconomy” and our customers prefer it for the optimal service- cost ratio. The other services called “acePriority” and “ace-Standard” make use of direct flights and selected partners all over the world.

ROAD FREIGHT

Groupage cargo is the main road freight forwarding service provided by ACE Logistics in Lithuania. As these shipments require the shortest possible lead time, we needed to completely transform our previous system.

2010 was the year of challenges. ACE Logistics introduced the new standard of groupage service in Lithuania, with the announcement of daily import and export lines to and from Vilnius. We connected all EU countries within a designated time frame by our regular truck traffic. Regular connections were also offered to former Yugoslavia and CIS (Belarus, Kaliningrad region) countries. This effort was based on the cooperation agreement with a pan- European partner and we both considered it as an investment. It paid off - the number of export shipments almost tripled, import shipments increased by 44%; turnover and earnings followed this trend as well.



In connection with our 24- hours domestic distribution system we offered unique opportunities to our export and import customers.

OCEAN FREIGHT

Core activity in ocean freight forwarding is LCL (less container loads). The number of shipments increased by 24 % on import and by 16% on the export side.

The company provides competitive service in co-operation with its multinational network. When handling special cases and routings we work in closely together with regional and local forwarding agents. Regular weekly consolidated containers are arranged from main ports in China, Taiwan, Korea, and USA. Other locations are served via hubs in Hong Kong,

Singapore, Hamburg. Export shipments are weekly co-loaded via Hamburg port.

FCL (full container loads) business was also important in 2010. The co-operation with a dedicated, globally well-known partner allowed us to have equal positions with multinationals. On the other hand we are able to maintain all the advantages of an independent local company.

PERSONNEL

ACE Logistics Lithuania employed 19 persons in the end of 2010.

The success and the positive results of the company rely fully on the efforts of the staff. The co-workers understood and accepted the way chosen to lead the

company through the economic turbulences of previous years. The dedicated commitment to set targets assisted us in achieving them.

I would like to express my gratitude to our good loyal employees!



IGNAS PULUIKIS
Managing Director

Cargo Handling Ltd

Cargo Handling Ltd is a company dealing with the handling of airfreight cargo in Tallinn international airport. Our customers are airlines, courier companies, freight forwarders and international trading companies. 2010 was the seventeenth full year of operations for the company. The year 2010 was full of anticipation – is the economic crisis finally over, if and how fast will the pre-crisis situation be re-established? Looking back we can admit that the import turnover did not meet our expectations, but export gave us a positive surprise.

Hard times in aviation were closing in and this obviously had a direct impact on our activities. The sales revenue increased by 3.2% in comparison with the previous year. Thanks to the growing demand for air transport in the whole world, the airlines could stop selling their services below cost price, increase their rates and focus on normal business operations again. At the same time the strong pressure on decreasing handling rates continued. The conservative credit policy of the company secured minimum debts concerning customers and cooperation partners and helped us to retain the liquidity of the company.

Export was the engine of growth in 2010. Export volumes advanced by 14% in comparison with 2009, the main factor being the sprouting of electronics.

After-the-crisis air cargo import remained rather modest in 2010. The expected increase did not happen. Compared to 2009 the total volume of shipments dropped by 6% more. The deepest decline concerned the volumes of RFS. Import volumes were affected

by the limited domestic consumption, which was the result of ever high unemployment rate and the more restrictive terms on the credit market.

Terminal handling includes the handling of special commodities (VAL, AVI, DGR etc.). Consequently the volume of terminal handling is directly dependent upon the volume of the import shipments. The dramatic decrease in imports resulted in the lower turnover of terminal handling. The storage of goods in the terminal dropped most significantly, giving evidence of the faster delivery to the consignees. At the end of the year the handling of VAL shipments proliferated, but this was the normal side-effect of the currency transfer to EURO and in 2011 we can foresee a much lower level of these activities.

EXTERNAL AUDITS

Airlines carry out regular flight safety and security audits to inspect the quality of the services of the subcontractors, the conformity to the terms of contract and international aviation standards. In 2010 somewhat fewer audits were conducted, probably due to the need to cut costs even on the account of such an important activity. However, the annual quality audit of ISO 9001:2008 was performed on full scale and our audit report did not have any substantial remarks or deviances.

PERSONNEL

There are companies which owe its success to systems or equipment and the persons employed only play a secondary role. In the daily activities of Cargo Handling Ltd, however, the actions of a co-worker have

significant weight. The know-how and team spirit built up over many years are a great advantage especially in hard times. Without specific unique training it is almost impossible to work in aviation. The ever increasing threat of terrorism imposes increasingly more rigorous requirements to flight safety and the related trainings – hence the long-term employees are far more reliable and knowledgeable.

OBJECTIVES FOR THE NEXT YEAR

Our objective for 2011 is to maintain and safeguard our position on the existing market. This presumes seamless collaboration with today's partners, fulfilling our contracts and improving our services and the level of customer service. At the same time we are eager to offer our services to new airlines and couriers entering the market. Let us hope that it will be a vigorous year, opening new opportunities for us, yet we should not be lost in euphoria.

My gratitude goes to all co-workers, long-term partners and customers of the company for the good cooperation and their contribution.



VILJAR LEHTMETTS

Managing Director



Air Proxy

The call for Airproxy is to service airlines, providing them General Sales Agent's (GSSA) services in Estonia, Latvia and Lithuania. Retail sales to final customers are carried out via contracted sales agents, who are nearly all local and international freight forwarders offering air transport services. In addition to knowing the local conditions we are well informed about the opportunities of international air transport and able to offer our customers the best possible solutions.

GSSA FUNCTIONS OF AIRPROXY

- Promotion and sale of air cargo business
- Administration of reservations, i.e. e-bookings
- Accounting and AWB stock control
- Submission of monthly reports
- Development of customer relations
- Representation of the Principal
- Road Feeder Services (RFS)

2010 can be considered as the aftermath of the very complicated year 2009. On the one hand economy and demand became livelier; on the other hand the airlines did not hurry to increase their capacities. With the rising fuel price, the pressure was higher on the cost of both, air transport and advance delivery to major airports. The rates went up, the popular destinations were sold out and the airlines could

earn profits again.

The year 2010 was a successful one for Airproxy. Our aim is to be a reliable partner in shipping goods to any destination in the whole world. Our operational profit remained under strong constriction as the competition continued to be tight. Often the final price was the only criterion in selecting the airline. Our turnover increased, but the margins diminished. We managed to keep the expenses under control and also make some investments into training and equipment.

The airlines continued to operate to Tallinn and Riga with the expected frequency and aircrafts. It was a challenging year for some of our agents, but they could avoid serious financial troubles. We signed a few agreements with new agents, which is a positive outcome of the year.

ESTONIA

2010 was the fourteenth year of operations on the Estonian market. Our customer portfolio includes Lufthansa Cargo, SAS Cargo, Czech Airlines Cargo, Singapore Airlines Cargo and Coyne Airways. There are 3 co-workers in our Tallinn representative office.

LATVIA

The daughter company Airproxy SIA founded in Latvian Republic in 2004 celebrated its 6th

birthday. Airproxy Ltd is 100% shareholder of the company. Our customer portfolio in Latvia includes Lufthansa Cargo, Czech Airlines Cargo, SAS Cargo and Coyne Airways. In Riga office we have one co-worker. Successful operations in Latvia encourage us to look towards the Lithuanian market.

LITHUANIA

For our agents in Lithuania we offer the services of Coyne Airways and Airwalker. Opening our representative office in Vilnius is still the target we try to achieve step-by-step. For servicing our agents in Lithuania we rely on remote sales and personal visits. The Lithuanian market needs more careful approach due to its geographic proximity to Central Europe, which gives the agents more alternatives for shipping goods.

RFS SERVICES

We continued providing RFS, Road Feeder Service, which we started in the second half of 2009. We have regular weekly departures according to a fixed schedule. The service is intended to transport air cargo between airports; airlines as well as agents buy this service from us. Today we offer connections to Helsinki, Frankfurt and Amsterdam. Supported by our good cooperation partners we offer further delivery to all Western Europe. It is easy to cal-



culate our rates, as we use the weight-volume ratio applicable to air transport. The service is also covered by liability insurance at equal level to air transport.

E-SERVICE

We deem high the professional employees who know their field well and who have become experienced experts during their long careers. To give them more time to deal with complex shipments, we focus on e- solutions. Supported by the principals and the open-minded attitude of

our agents we aim to book 40% of shipments electronically next year. Paperless transportation is gaining momentum in Europe, within EU at the initial stage, but we think that this idea will prosper in the future.

Thanks to our competitors we were motivated to achieve efficiency also this year. Thanks to persistent colleagues and supportive principals we were able to offer the best possible solutions to our agents. Thanks to the openness of the agents we are optimistic about our future.

My sincere appreciation to everyone for the pleasant cooperation.



MAANUS MÄTLIK
Managing Director

Quality and HR Management

ACE Logistics' Quality policy emanates from the vision and the mission of the company. The principles followed in the (quality) operations of ACE Logistics' companies are the following:

We are interested in the long- term cooperation with the customer, providing the customer a wide range of logistics services;

Our offer responds to the needs of the customer as well as to our possibilities, we do not create heightened expectations unless we are confident we can fulfil them;

We deem it important to inform the customer at the different phases of the service and we rely on the principle that we would rather provide information that exceeds the expectation of the customer than falls short to it;

Our logistics operations are performed in accordance with national and international agreements;

Our employees are professionals in their field and skilled in customer service;

Addressing to the needs of the customers is unified with the economic efficiency of the company while providing services;

Supported by the employees, the management is

constantly improving the work processes in order to safeguard and increase the satisfaction of customers, owners and employees.

As the Quality and HR Manager of the company, my primary tasks are to monitor the functioning of the quality system, to make proposals for improvement and to implement the necessary changes. Monitoring the satisfaction of the customers and employees and taking care of their well-being has equal importance in my job.

In 1998 we implemented the quality management system ISO 9001, this year we plan to add value to it by the environmental management certificate ISO 14001. The preparations for the audit in the autumn are in the progress now. The implementation of the environmental management certificate means for the company a thorough analysis of all environmental aspects, environmental training for the employees, survey of the environmental activities of the subcontractors, changes in the waste disposal of the company, economical driving training for couriers, even more efficient optimization of delivery routes and other activities facilitating ecological operations. If the applied certificate does not give a direct competitive edge on the transport market today, in the near future the situation may change. The majority of the companies are moving towards environmentally

friendly operations and the attitude of the cooperation partners to preserving natural resources is gaining more attention.

The results of the customer satisfaction survey carried out at the end of 2010 were positive, just like we expected. We asked our customers to assess on a 10-point scale the general satisfaction with our company; the response time to inquiries, timely delivery of shipments, speed of solving problems, information exchange, etc.

We are happy to admit that in comparison with earlier years the assessments are higher for all 10 questions. 83% of the respondents graded their satisfaction from 8 to 10 when asked Considering your experience so far, you are satisfied with ACE Logistics; the average was 8.67, in 2009 it was 8.30. Answering the question Would you recommend cooperation with ACELogistics to others, 86% graded 8-10, the average score was 8.81, in 2009 it was 8.30. We calculated the recommendation index, which was 63.6% in 2010, and 35% in 2009. 89% of the respondents will probably use the services of ours in the future, the average score was 9.11 (2009 – 8.63). Another improved criteria worthwhile mentioning here is the speed of information exchange – it has moved to 8.25, from 7.8 last year.

We still have space for improvement in the speed



of handling problems and the timely delivery of shipments. These two issues are interlinked to great extent and improved efficiency of the cooperation with our partners abroad plays an important role in them.

As for the co-workers' satisfaction, some higher scores deserve pointing out here. The activities of the management team/ heads of departments received positive assessment. After more intricate times on the labour market people are more open to changes in work processes and there is increased

interest/ participation in the events organized by the company. Feedback and the recognition system of employees can be improved.

The fact that almost 25 co-workers have been employed by ACE Logistics for more than 10 years gives evidence of company as a good employer. 20 more persons have worked with us from 5 to 10 years. The employee- friendly environment of ACE Logistics has provided for stable personnel, which secures long- term reliable cooperation relationship for our customers and partners.

I would like to thank all our customers and naturally all the co- workers of ACE Logistics Group.



INGE PARRINGTON
Quality and HR Manager

Sponsorship Projects

LOGISTICS SEMINAR

Logistics Seminar is an annual event organized by students of logistics since 2000. The idea has evolved and the seminar has become a well-rooted tradition. The initial single day of logistics for students has developed into a two-day event, the largest one dedicated to logistics in Estonia.

The mission of the Logistics Seminar is to give the students of logistics practical experience in organizing an international event as well as to receive and exchange current information among students, lecturers and entrepreneurs. As a result of this experience and participation, the students are much more active on the landscape of the field they study. By the event the vigour and awareness of the youth in transport and logistics are built up. In longer perspective it contributes to the promotion of these fields in Estonia and this in turn supports the economic growth in the entire region.

ACE Logistics has been the sponsor of the seminar from the very first year and we shall continue supporting the initiative of the students also in the future.

RAT RACE

RatRace is an entertaining charitable race of office clerks originating from New York. The white collars run through the downtown area in jogging shoes, wearing business suits and holding cell phones and portfolios. Rat Race has become increasingly popular in great cities of the world, like New York, Toronto, Sydney, Rotterdam etc.

In Estonia this popular entertaining charitable event has been organized since 2002 as the opening event of the annual festival of Old Town Days. The number of participants and spectators has been growing every year, giving evidence of the increasing appreciation for spending time with colleagues outside the office. Every year more than 600 office rats participate in Tallinn, Tartu, Rakvere and Jõhvi. The amount raised every year is approximately EUR 10.000 and it is donated for charitable purposes like tuition of children in orphanages or support for large families. ACE Logistics has been the logistics partner for the event and also participated with its team in the recent years.

The event is organised by JCI Tallinn, an organization incorporating young professionals and entrepreneurs aged 18-40. JCI is the world's third largest international not-for-profit organization with the membership above 350 000 in more than 125 countries.

ACE XDREAM

NGO Adventure Sports Club Xdream and ACE Logistics signed an agreement at the end of 2010

on calling the successful adventure sports event series "ACE Xdream" in the coming years. "It is a sports event of experience, which assumes good physical shape and quick mind, the foundation for success is smooth teamwork," explains the Managing Director of ACE Logistics Group Andres Matkur. Karli Lambot, the Chairman of the Council of ACE Logistics Group has done adventure sports for years and his team almost won the series last year.

ACE Xdream consists of 4 adventure races, where 3-member teams need to move through the terrain and collect checkpoints by trekking, mountain-biking, canoeing and completing additional tasks. There can be male, female or mixed teams. Xdream is the most popular adventure sports series; there are almost 1000 participants in every race of the series.



MARTIN RAUD

Sales Executive





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

Rimess OÜ has audited the consolidated financial statements of ACE Logistics Group and clean Auditor's Report to the shareholders was issued.



Income Statement

Consolidated, in EUR

	2010	2009
REVENUE		
Net sales	15 094 575	12 797 252
Other revenue	16 848	16 094
TOTAL REVENUE	15 111 423	12 813 346
EXPENSES		
Materials and supplies	-11 556 594	-9 943 565
Other operating expenses	-649 293	-590 835
Personnel expenses	-1 639 900	-1 476 112
wages and salaries		
social security and other costs		
Depreciation	-93 788	-101 477
Other expenses	-33 248	-27 776
TOTAL EXPENSES	-13 972 823	-12 139 765
OPERATING PROFIT	1 138 600	673 581
FINANCIAL INCOME and EXPENSES		
other interest and similar income	7 467	7 689
interest expences	-16 235	-14 186
TOTAL FINANCIAL INCOME and EXPENSES	-8 768	-6 497
PROFIT BEFORE TAXES	1 129 832	667 084
PROVISION FOR TAXES	143 592	128 408
NET PROFIT FOR THE FINANCIAL YEAR	986 240	538 676
EQUITY HOLDERS OF THE PARENT	952 381	525 518
MINORITY INTEREST	33 859	13 158



Balance Sheet

Consolidated, in EUR

	31.12.10	31.12.09
CURRENT ASSETS		
CASH AND BANK	899 888	729 468
RECEIVABLES		
Customer receivables	1 793 071	1 353 151
Prepaid/refundable taxes receivables	92 433	89 502
Other receivables	457 500	241 095
Other prepaid expenses	21 569	28 985
TOTAL	2 364 573	1 712 733
TOTAL CURRENT ASSETS	3 264 461	2 442 201
NON-CURRENT ASSETS		
NON-CURRENT PHYSICAL ASSETS		
Long-term receivables	2 784	
Buildings, land	1 925 891	1 989 433
Plant and equipment	13 630	15 215
Other equipment and fixtures	18 571	15 343
TOTAL	1 958 092	2 019 991
INTANGIBLE ASSETS	10 059	9 413
TOTAL NON-CURRENT ASSETS	1 970 935	2 029 404
TOTAL ASSETS	5 235 396	4 471 605

Balance Sheet

Consolidated, in EUR

	31.12.10	31.12.09
CURRENT LIABILITIES		
SHORT-TERM LOANS		
Short-term loans from credit institutions	60 669	79 341
TOTAL	60 669	79 341
LIABILITIES AND ADVANCES		
Supplier payables	1 868 467	1 462 409
Payables to employees	238 520	200 336
Taxes payables	187 318	80 201
Other payables	105 409	234 637
Advances from customers	857	857
TOTAL	2 400 571	1 978 440
TOTAL CURRENT LIABILITIES	2 461 240	2 057 781
NON-CURRENT LIABILITIES		
LONG-TERM LIABILITIES		
Bank loans	71 075	131 761
TOTAL NON-CURRENT LIABILITIES	71 075	131 761
TOTAL LIABILITIES	2 532 315	2 189 542
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Minority interest	57 131	33 533
Share capital	28 121	28 115
Statutory legal reserve	2 812	2 812
Retained earnings	1 668 866	1 698 257
Net profit (loss) for the financial year	952 381	525 518
Unrealised exchange rate differences	-6 230	-6 172
TOTAL EQUITY	2 703 081	2 282 063
TOTAL LIABILITIES AND EQUITY	5 235 396	4 471 605

Cash Flow Statement

Consolidated, in EUR

	2010	2009
Operating profit	1 138 602	673 581
Depreciation of fixed assets	93 788	101 477
Sales of fixed assets	-43	
Change in current receivables	-456 738	146 863
Change in current liabilities	421 457	-556 774
Interest received	2 713	6 072
Interest paid	-5 475	-11 298
Income tax paid	-155 180	-122 290
Cash flow from operating activities	1 039 124	237 631
Acquisition of tangible assets	0	13 444
Sale of tangible assets	406	12 983
Purchase of fixed assets	-32 457	-23 783
Given loans	-191 735	
Cash flow from investing activities	-223 786	2 644
Repayment of loans	-79 358	-87 163
Paid dividends	-565 660	-364 796
Cash flow from financing activities	-645 018	-451 959
Total cash flow	170 320	-211 684
Cash at the beginning of the period	729 626	939 330
Cash at the end of the period	899 889	729 468
Effect of exchange rate changes	-77	1 722
Hange in casha	170 263	-209 862



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