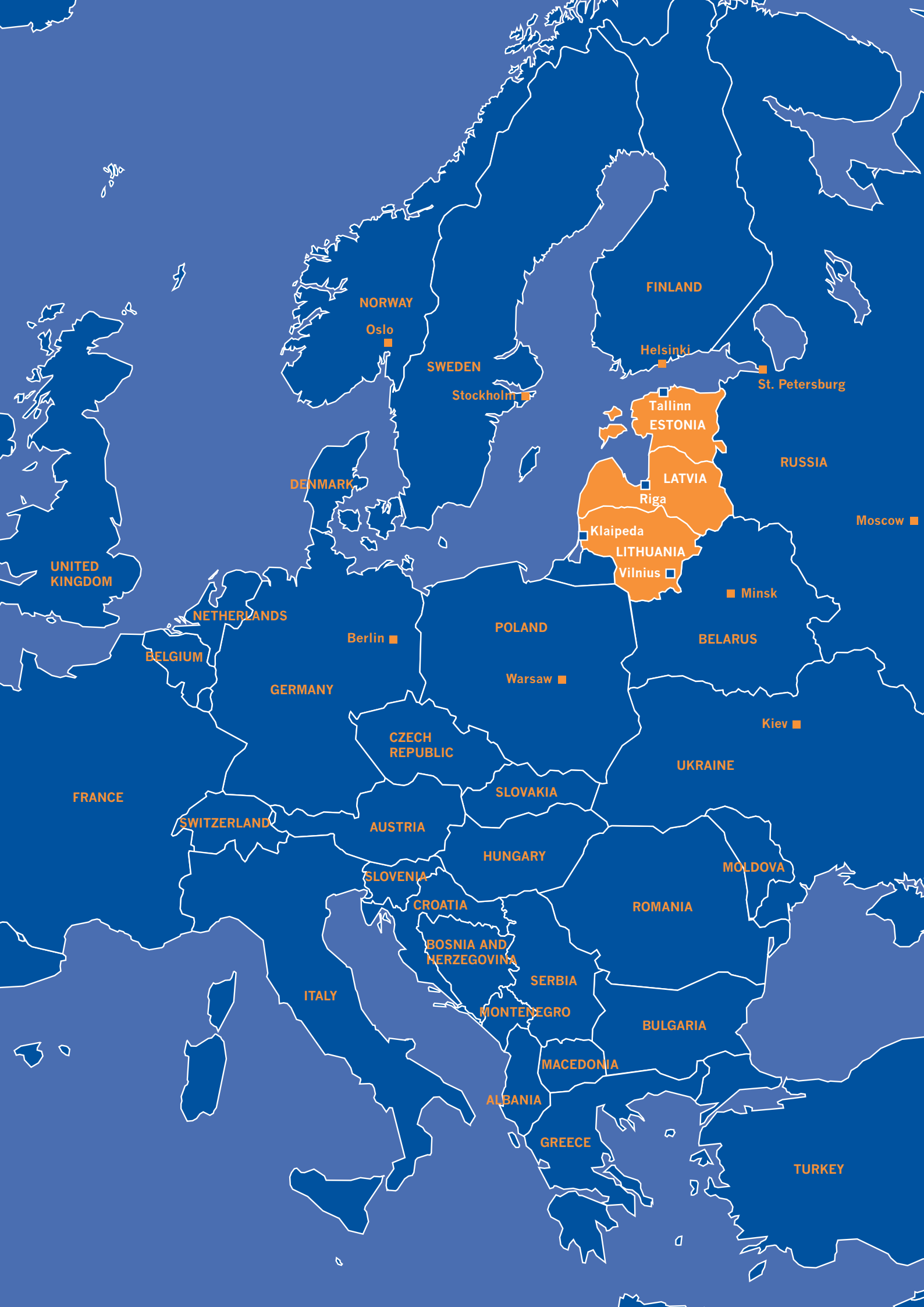




Annual Report 2008 | ACE Logistics Group



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Goals and Strategy of ACE Logistics Group 2007-2011

2

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 develop-

ment 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 infrastructure is crucial.

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Main Financial Highlights of ACE Logistics Group Ltd.

4 in EUR, consolidated

For the Year	2008	2007	2006	2005
Net sales	17,913,259	14,929,545	12,008,118	9,011,533
Change of Net sales	20%	24%	33%	
EBT	925,712	996,618	941,914	579,648
Change of EBT	-7%	3%	62%	
Total cash flow	145,620	-35,813	489,471	-6,784

Per share

EBT per share	2,104	2,265	2,141	1,317
Dividend proposal per share	574	1,033	1,452	1,006

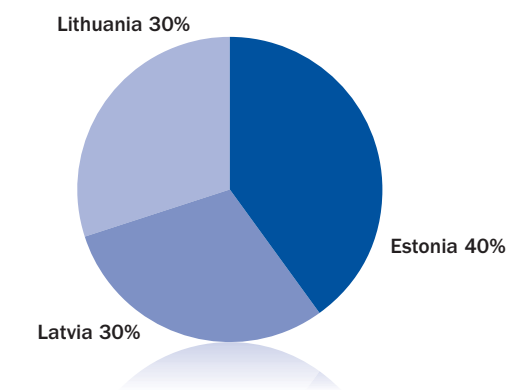
Capital ratios

Return On Equity (ROE)	37%	44%	48%	32%
Profitability	5.2%	6.7%	7.8%	6.4%

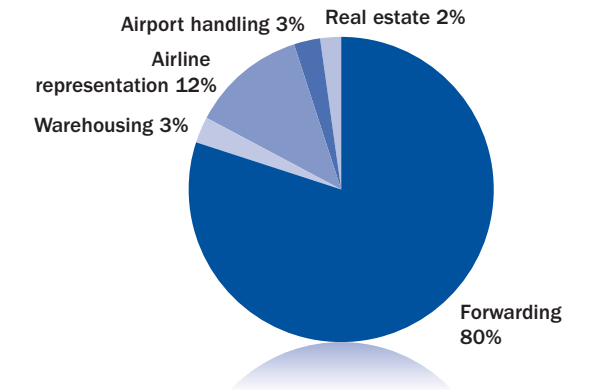
By the end of the year

Total assets	4,897,172	5,152,437	4,764,336	4,081,035
Share capital	28,115	28,115	28,115	28,121
Equity	2,092,939	1,894,131	1,732,837	1,517,904
Number of employees	98	102	91	84

Net Sales per country (2008)

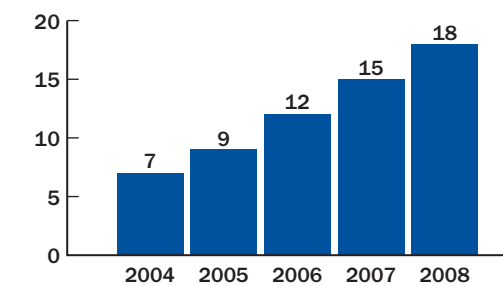


Net Sales per services (2008)



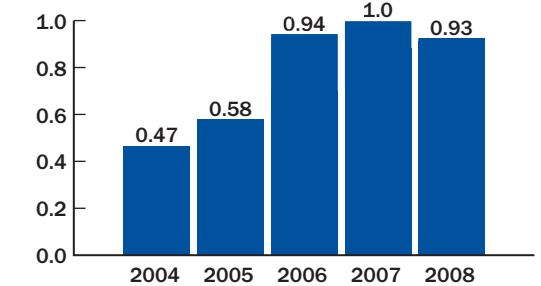
Growth of Net Sales

(EUR, Mio)



Growth of EBT

(EUR, Mio)



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Managing Director's Report of ACE Logistics Group

6 **The economies of the three Baltic States — Estonia, Latvia and Lithuania — have been among the fastest growing in the EU area during many years. Radical GDP growth lasting for several years tends to bring about higher living standard, but also relatively high inflation and extensive imports, along with the current account deficit. This principle applied to all three Baltic countries until last year.**

Already during the year 2007 the economic growth of the Baltic countries started to slightly slow down, however real changes took place in 2008, especially during the 4th quarter of the year, when GDP growth turned around falling into negative figures. Global financial and economic crises had direct and immediate impact on the liberal and small economies like the ones of the Baltic countries. The deceleration of economic growth in the Baltic States is mostly the consequence of the reduced domestic demand, which directly results in the significant decrease of import. At the same time the main export markets of the Baltic countries are also going through economic recession, which puts additional pressure on the exporters and state budgets. Diminished demand has negative effect on export possibilities, which has actually been the key element of the long-term sustainable development of the Baltic economies. The only maintained advantage is the level of production costs, which is still lower than in most of the export markets in Scandinavia and Western Europe.

Forecasts for the next years are unfortunately not more optimistic either. In 2009 all the Baltic countries are expected to undergo GDP decrease of minus 10 to 15% and in 2010 from 0% to minus 5%.

The next couple of years will show how well the Baltic economies manage to conform to the obviously changed external environment. Hopefully the global crisis will hit

the bottom soon, forming the foundation for the anticipated new growth with all its positive effects. Let us hope that due to the crisis our economy and especially the export sector will strengthen and expand.

ACE Logistics Group in 2008

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 aims to achieve annually at least 30% return on equity and 5% of net profitability.

ACE Logistics Group can report that 2008 was another successful year. The turnover grew more than 20% and net profitability was 4,2%. The year of 2008 will be remembered as the one of major changes in business environment and paradigm. The first half of the year can be recorded as the preparation period for dramatic drop of shipping volumes, which took place in the second half of the year and continues in the beginning of 2009 as well. The decrease of volumes gives rise to tightened competition and causes free fall of prices, consequently the profitability of the logistics companies has diminished.

Reasonably good financial figures of 2008 were derived from the organic growth of the company as well as our entrance into the field of project logistics. All companies of the Group achieved their main financial objectives. At the same time the companies managed to make investments for the future by launching new development projects and pushing the existing ones ahead. Direct investment

into the new financial software for the entire group is worthwhile mentioning. Its implementation process will start step-by-step in 2009. The purchased software enables to manage the financial data in more efficient and uniform manner by individual companies as well as on the corporate level.

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 all actions of each employee is to focus constantly on the changing demands of the customers. The comprehensive selection of personnel along with creating conditions for sustained improvement of the competence of the employees are the key elements of our performance. At the end of 2008, ACE Logistics Group employed altogether 98 persons.

Quality Management System ISO 9001:2000 has been used in two companies of ACE Group since 1998 already. Based on the feedback from our customers, cooperation partners and employees we have improved and enhanced the procedures within the company. The high customer satisfaction index of the last two years and successful external audits give evidence of the achievement of our goals. Proceeding from its quality objectives ACE put the stakes on personnel development in 2008 as well. In addition to extensive sales trainings, the staff completed a course on e-service and on teamwork, FIATA international freight forwarder's courses and 360-feedback assessment of heads of department are also worthwhile mentioning. The increase of training volumes is reflected in the improved results of employee satisfaction survey. It is a pleasure to acknowledge that participating in the com-

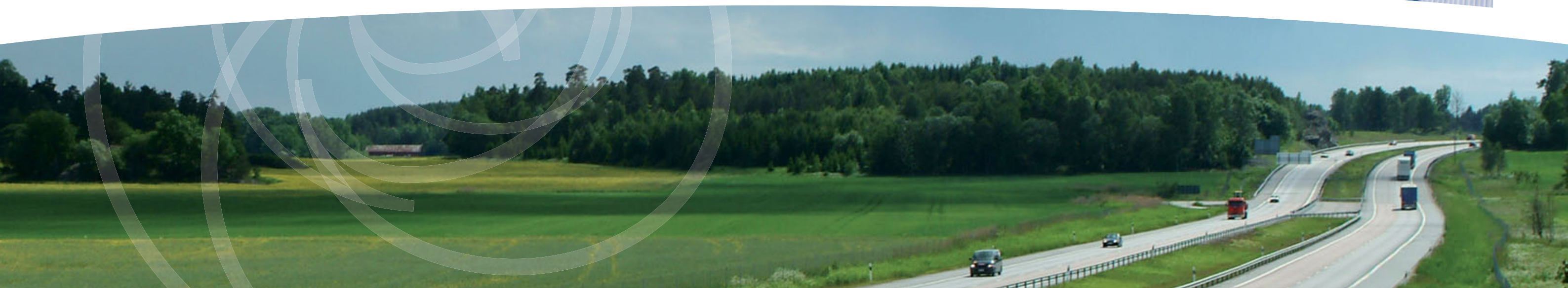
petition of "Family- and Employee- Friendly Enterprise" ACE received only positive reviews from the staff.

Company has been open for cooperation with students of logistics for years in order to find new employees. Many summer-season apprentices have been offered the opportunity to continue working in the company. Last year we presented ACE as an employer at the career days of students "Key to Future" and also at the annual logistics seminar, where we conducted a workshop sharing our experience in self- assessment.

The results of the year 2009 will certainly be influenced by the ongoing recession and the negative trend of economic growth on our home markets. This year should be considered as the period of adaptation, inferring considerable changes in the costs' structure of the company. The changes are vital for making the business procedures more effective in the circumstances of the significant decrease of shipping volumes. When appropriate decisions have been taken and actions have been carried out, the long-term sustainability of the company is secured and we can face the future with optimism.

I would like to thank all of our employees for their hard work, contribution and commitment and wish them all the best for the future, which is full of challenges.

Andres Matkur
Managing Director



Managing Director's Report of ACE Logistics Estonia

8 The results of ACE Logistics Estonia (hereinafter ACE) were greatly affected by the shrinking demand for transport services due to decreased domestic consumption. On the whole we managed to increase our turnover; however some of the fiscal targets remained unapproachable. Close relationships we have built with our customers over the years and the concord of our professional team give us fortitude to come successfully through the harder times of today.

During the last fiscal year the following services were rendered to our customers:

- ▶ Road Transport;
- ▶ Air Transport;
- ▶ Sea Transport;
- ▶ Customs Clearance and Intrastat;
- ▶ Regular warehouse and bonded warehouse services;
- ▶ Domestic Distribution

Road Transport

In road transport our priorities still are the transportation of small shipments and the continuous development of scheduled routes. To complement the routes to Western Europe, the traffic to Sweden and Denmark was started in spring. The selection of regular service destinations was based on the growing interest of our customers in having direct access to those markets that were unavailable earlier. The launch of the new routes was successful and by the end of the year we operated 3 weekly departures to Sweden. Good results were achieved also in export to Western Europe, with 2 weekly departures. To save some time for the customer service personnel to be spent with the customers, we started to implement several IT ini-

tiatives. The objective is to automate the invoicing procedures and to make the movement of the shipment in the system even more transparent.

Air Transport

International aviation market underwent several changes; dropped demand for regular departures of large "freighter" aircrafts seems to be the new trend. In addition to that the airlines cut the numbers of departures, replaced the aircrafts with smaller ones and even terminated some routes. Freighter aircrafts became popular during the peak of imports from Far-East, when the consumption of the whole Western-Europe escalated. ACE managed to adapt well and offer its customers the service of air transport on scheduled passenger flights, maintaining the convenience of door-to-door service. Regardless of the final destination our competent staff can always find a solution that meets the customer's needs.

Sea Transport

The changes in economy were favourable for sea transport. Many customers, who earlier used only airfreight services, became keen on our LCL options. Combined with the extra advantage of high service quality the sea transport turned out to be successful even beyond our expectations. The most popular ports are still located in Far-East and North-America. Good collaboration with our foreign partners enables us to offer several special solutions, e.g. direct deliveries to Latvia and Lithuania, where our sister-companies are located. When necessary we also arrange transit to Russia and Byelorussia.

Customs Clearance and Intrastat

After Estonia joined EU extensive improvements have taken place in Estonian customs system. It takes a lot of time and effort to keep oneself abreast of all the latest requirements and it is too big a burden for many of our customers. We can assist them by offering the full service package – international transport with customs clearance and delivery to door. It is the core business of our customs brokers, who are always well informed and able to refer to the most relevant information, thus we highly suggest making use of their expertise.

Warehousing Services

Our focus on handling smaller goods and developing value added services has borne fruit. Unfortunately the diminished domestic consumption had negative impact on the outcomes of our warehousing activities, expressed by the decrease of handled order lines. However we expect the future to be more optimistic, as many customers are interested in turning their fixed costs into current costs and consequently preferring 3rd party service providers for warehousing activities. We offer our customers the storage of smaller commodities and EUR pallets, order picking, labelling and other operations to prepare retail packages, composition of campaign displays and many other value added services. Part and parcel of the service is automatic data exchange and delivery to the whole territory of the country.

Committed to Excellence

We decided to take the next step and participate in the

9 program "Committed to Excellence", conducted by Enterprise Estonia and Estonian Association for Quality. The program descends from "EFQM Excellence Award", a model well known in Europe. During this program we carried out self-assessment and prioritised 3 most essential improvement projects, which we successfully implemented. In October 2008 ACE Logistics Estonia was awarded the title "Committed to Excellence" by Estonian Association for Quality.

We can recommend this program for the companies, who have acquired the quality certificate of ISO like we have, and who continuously focus on the welfare and sustained development of the company and its employees.

Hereby I would like to express my appreciation to our customers, colleagues and partners for the pleasant co-operation in 2008.

Maanus Mätlik
Managing Director



Managing Director's Report of ACE Logistics Latvia

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The previous year was full of fascinating events for Latvia as well as the whole world. The same can also be said about our company—we spent another fruitful year of challenges and interesting experience. It can clearly be divided under two separate headlines. The first half of the year offered a new opportunity, we could test our skills in project logistics. The second half of the year drew our attention to the completely changed financial situation in our country and in the world.

The economy of Latvia, which had grown for many years, turned into downtrend in the second part of 2008. Along came various negative effects of the complicated financial situation of the country, like shrinking cash flows, the increase of bad debts and the spread of wholesale trade. All these factors had negative impact on the performance of ACE Logistics Latvia in 2008 and the trend unfortunately continues in 2009.

At the same time I am pleased to report that the year 2008 was the best year in the history of ACE Logistics Latvia, we managed to maintain the services we have always offered and also add some new ones.

Main services we offered in 2008 were:

- ▶ Road Transport
- ▶ Airfreight
- ▶ Sea Freight
- ▶ Custom Clearance and Local Distribution
- ▶ Project Freight

As mentioned above, we achieved the best results, with the increase of the number of by 126% and net profit by 161% as compared with 2007. The most interesting and exciting task for us was the quick response and proactive work needed for project business. It gave us new experience and better understanding of the requirements related to providing the new service.

In road freight we started new routes to and from Sweden and Denmark. I have to admit that the first year of operations of these two regular routes failed to bring us profit, but our task is to follow up and develop them in the coming years.

The year 2008 was a very successful one on our main routes to and from Western Europe, where we managed to

increase the number of shipments. It forms a good foundation for 2009 and gives us confidence that the service we are offering is of good quality. I have to recognize the efforts of our road freight team, where every person tries to find the best solutions for our customers and is always open for best transportation options together with our good partners.

Airfreight traffic that started on first days of 2008 created a very good import flow. We mainly owe it to good partnerships, our partners managed to sell and offer good services via Riga airport. For us it was like another exam: our flexibility, accuracy and communication skills were put to test. We passed it well and could provide the service for globally well-known brands.

In airfreight exports the trends of previous years were maintained and there is no significant increase to report. Meanwhile we really appreciate the loyalty of our customers, with whom we have been working for long years already.

The year 2008 brought changes for sea freight department concerning the LCL service provider. In the first half-year LCL business showed good results, which cannot be said about the second half of the year. However, based on the good relations we built at the end of the year, we can expect to offer more and more export FCL shipments in the future.

I would like to thank the whole team of ACE Logistics Latvia, our partners and customers, for holding together in 2008, the year full of challenges. And wish everyone patience and lots of energy for 2009.

Daina Zvirgzde
Managing Director



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Managing Director's Report of ACE Logistics Lithuania

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2008 was the 13th year of operation for our company in Lithuania.

Previous 5 years can be called the period of good progress of the company, which was mainly due to the continued economic growth of the country as well as the efforts of the management and employees. The year 2008 started to indicate the slowdown of economic development. Especially the last quarter of the year was not up to expectations.

Although the budget of 2008 did not estimate so rapid growth as in previous years, the budget plan of the company was fulfilled by 85 % (EBT). The turnover remained almost on the same level as in 2007; gross margin, however, increased by 14 %.

The unfortunate drop of EBT by 39 % was mostly caused by the constant increase of salary, marketing and IT related expenses.

When analyzing the overall economic figures of the country, it becomes evident that our company followed its principal ratios. The economy of Lithuania reached its peak in 2007 with annual growth of approx. 8.9 %. In 2008 it slowed down to 3 %, whereas it was still 7 % in 1st quarter and then dropped to -2.2 % in 4th quarter.

ACE Logistics is a member of the national freight forwarders' association Lineka and belongs among the top ten pure forwarding companies in the country. Traditionally airfreight and seafreight forwarding have been the core services of ACE Logistics. As a result ACE Logistics stands proudly in the top five airfreight forwarders, including even great multinational companies. Road freight forwarding is an important niche business for us, we can be described as a regular groupage routes provider both for import and export.

ACE Logistics Lithuania business activities are:

- ▶ Airfreight Forwarding,
- ▶ Road Freight Forwarding,
- ▶ Sea Freight Forwarding,

- ▶ Customs Clearance.
- ▶ All services cover import and export and include door-to-door delivery.

Airfreight

Airfreight forwarding services import and export routes. The volumes and the number of shipments of airfreight stayed put on the level of 2007. ACE Logistics maintained its role as an important player on the airfreight export market regardless of the tightened competition. Airfreight import volumes and numbers made still positive progress in 2008. The number of shipments on air freight import grew 18 % and we kept the strong position we are accustomed to.

Our success is based on the professional staff and the worldwide partners' network. ACE Logistics perseveres to its strategy to stay independent and keep good business relations on long term bases with selected partners. Our partners and agents are market leaders in regions like Far East, North-America and Europe.

Thanks to reliable partners ACE Logistics could introduce its six service levels from Far East to Lithuania. The most popular among them are aceEconomy and aceMultimodal. These combinations via Frankfurt airport are well appreciated by customers due to the optimal relation of service to cost. Regular scheduled truck routes from Frankfurt to Vilnius are in most cases much more efficient than small passenger flights to Vilnius.

The hub system is improved continuously. Noticeable results can be reported: several regular truck routes are connecting main hubs in Europe with Vilnius airport on weekly bases. The number of shipments under the label "aceEconomy" almost reached the number of shipments arranged by "direct flights".

Export shipments via European hubs in Frankfurt and Amsterdam are arranged weekly in combination with our road export trailers.

Our dedicated staff renewed the required licenses to keep on providing transportation services of live animals and dangerous goods.

Road Freight

The biggest steps in 2008 were made in road freight export, where the number of shipments sprang up by almost 50%. We continued to operate regular weekly truck departures, delivering groupage shipments to the hub in Dortmund for further distribution in Germany and the rest of Europe.

Import traffic was also further developed in 2008, reaching 7 regular weekly departures from Germany to Vilnius. New groupage line from Northern Germany, Hamburg was launched in spring with 2 regular departures per week.

ACE Logistics was able to offer a new service for its existing and new customers, when a new partnership agreement was signed with a partner in Scandinavia. Vilnius became a hub for cargo from the Baltic countries to Denmark. This new service helps to shorten transit times and offer better rates, especially for the route Denmark -Lithuania-Denmark.

Unfortunately the numeric outcomes of our activities remain below the ones reported by our colleagues in Latvia and Estonia. The increase of the number of import shipment was only 6 %; and gross margin went down by 19 %, which cannot be considered satisfactory.

Ocean Freight

Ocean freight was another of the most rapidly developing segments of our company during 2008. Although the number of shipments fell by 21 %, gross margin doubled. We decided to cancel some non-profitable consolidations and replace them with reliable co-loaders. Export numbers remained on the same level.

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ACE Logistics Lithuania is able to provide competitive service in co-operation with its multinational network. When handling special cases and routings we work in close co-operation with regional and local forwarding agents.

LCL (less container loads) is a very important part of ocean freight business. In 2008 LCL volumes increased thanks to the regular departures from main seaports in China, Taiwan and the rest of Asia.

FTL (full container loads) business showed also good results due to the good partnership with a well – known worldwide network. It allowed ACE Logistics Lithuania to have an equal position with multinationals represented in the Baltic countries.

Personnel and IT Solutions

ACE Logistics Lithuania employed 25 persons in the end of 2008. The company offered several "in-house" and "out-house" training sessions to its employees to improve their sales and customer service skills.

In 2008 the annual summer event of all the group's companies and the representatives of the partners took place in Latvia and was a great success.

The good results and success of the company rely upon its employees, customers and partners. I would like to thank our committed employees, loyal customers and reliable partners for achieving those.

Ignas Puluikis
Managing Director



Managing Director's Report of Cargo Handling Ltd.

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Cargo Handling Ltd is a company dealing with handling air cargo in a regular warehouse, customs terminal and bonded warehouse. Our customers are airlines, couriers, freight forwarders and international trading companies. 2008 was the 15th full year of operations for Cargo Handling Ltd. The global economic recession that started in 2007 found expression in the downfall of airfreight volumes, particularly during the last two months of 2008.

The sales revenue of Cargo Handling Ltd was EEK 9,56 million in 2008, with annual growth of 0,4 %. However the targeted increase of sales revenue for 2008 had been 7%. The budgeted objective turned out to be unachievable due to the drop of the volumes of air shipments and express shipments as a result of the dramatic cooling of economy, and also the termination of transit LCL transport flow via Estonia of one of our key customers. 100% of sales revenue was made of the sales of services, including 88% of domestic sales and 12% sales to foreign markets. The decline of export sales accrued from the decrease of cargo volumes carried by different airlines.

Majority of the turnover of Cargo Handling Ltd comes from the following services:

- ▶ Handling of export airfreight
- ▶ Handling of import airfreight
- ▶ Terminal handling

Handling of Export Airfreight

As compared to 2007 the number of export shipments fell 3,2% and gross weight 2,6% in 2008. In total 843 tons of air cargo was handled, out of which 64% was shipped by aircrafts and 36% RFS, thus the ratio of the previous year was maintained. It is a pleasure to conclude that the downtrend of the volumes or disappearance from the market of a few major exporters were smoothly replaced by increased export activities of numerous smaller-scale traders.

Handling of Import Airfreight

The rapid cooling of economy in the whole world could also be sensed in Estonia. In 2008 the total number of shipments dropped 5% and the gross weight diminished by 8% in comparison with 2007, the downtrend was significantly steeper in November and December. In 2008 the total volume of handled import cargo and express shipments was 2340 tons.

Terminal Handling

Terminal handling covers terminal fees and extra charges for special import shipments (VAL, AVI, DGR etc.) Consequently the turnover of terminal handling is directly derived from the volume and weight of import shipments. As imports decreased significantly, the turnover of terminal handling also declined. The storage of goods in the terminal dropped significantly, revealing faster movement of goods to the end consumer.

Audits

Cargo Handling Ltd cooperates with 15 different airlines and couriers. Most of them organise regular air safety and security audits in order to assess the service quality of their subcontractor and its congruity to the contracts and international aviation standards. This means we undergo one audit per months as an average. In 2008 the audit reports did not include any significant remarks, so we managed to pass the audits successfully. ISO 9001:2000 quality audit is also carried out annually, and was completed last year without any remarks or non-compliances.

Objectives for the Next Fiscal Year

The objective for 2009 is to preserve and reinforce the market position of the company on our existing market. The prerequisites for achieving this goal are smooth co-operation with our present partners, adherence to agreements as well as the enhancement of services and the customer service level. We are also willing to offer our services to new customers, the airlines and couriers just entering the market. We expect the sales revenue to fall

down to the outcomes of last year by approximately 30%, thus the costs of the company need revision and reduction if possible. Based on the initial results of the first months of 2009 the fulfilment of this year's budget seems like a rather optimistic expectation. However the employees will do everything they can to secure high quality service, permanent supervision of expenses as well as good relations with customers and partners.

The steep downtrend of economy undoubtedly makes us to exert ourselves, yet I hope that we can continue with success regardless of the significant decrease of economy.

Viljar Lehtmetts
Managing Director



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Managing Director's Report of AirProxy Group

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2008 was the 12th year of activities for AirProxy Group. Looking back we can admit that the company has evolved towards the right direction, being a cooperation-centred partner for its principals (airlines) and its customers. It is a special pleasure to acknowledge our business relationship with two of the principals, SAS Cargo and Lufthansa Cargo that has lasted for 12 years already. The Latvian office of AirProxy has operated for 4 years now and as appropriate for a young company its rapid growth continued. The total turnover of AirProxy Group increased by 14,5% in comparison with 2007, reaching EUR 2.2 million a year.

The main tasks for 2008 of AirProxy Group of companies were to maintain its market share in Estonia and to expand on the Latvian market, which were successfully fulfilled. Another important target was the increase of turnover, which was also achieved. Thoroughly prepared sales policy was the main precondition for our success. We succeeded in increasing the sales to our key customers on both markets.

2008 was a good year for AirProxy Estonia as we could keep our market share. The fact that we could preserve the average "yield" so important for the airlines regardless of the accelerated pressure on sales prices can be considered as the most significant factor of this achievement. We managed to grow the sales in different service segments. Although we terminated the contract with FLYLAL due to disaccorded views on sales policies, remained the rest of our contract partners the same as in 2007. In the chronological order our partners are: Lufthansa Cargo, SAS Cargo, Czech Airlines, Air Baltic, Copterline and

Singapore Airlines Cargo. We still consider long-term mutually beneficial activities to be the foundation for good cooperation with air companies. Collaboration with agents was very agreeable and it is a pleasure to declare that our loyal customers still value the services of our carriers highly.

The year 2008 brought changes for AirProxy SIA. The targets were set high concerning the increase of turnover as well as profitability and we managed to achieve the first. It became evident that the company needed restructuring, consequently personnel changes took place. The management was shifted back to the Estonian company, leaving Riga office with an operational employee only. The results of the customers' satisfaction survey reassured us of our highly recognised customer service and professionalism.

AirProxy has been the Estonian member of the international consortium uniting general sales agents, EGSAC (European General Sales Agency Cargo) since 2004. The membership has provided us with the opportunity to learn from the long-term experience of our European colleagues. It also enhances the possibilities to reach new contracts with airlines in the Baltic area. In 2008 we were the member of the organisation for all the Baltic countries.

The year 2008 was a fascinating one for our team. In addition to work-related targets we also set a sportive goal - to run a half-marathon in Helsinki. The team accepted the challenge and succeeded; moreover, we were amazed to witness all our customers cross the finish line. Let us hope that the tradition will survive.

Significant changes can be foreseen for 2009. The aviation market is falling everywhere. There were more bankruptcies in 2008 in aviation than after 9/11, which means that the environment is becoming ever more complicated. The fuel surcharge issue that influenced the whole field in 2008 will continue to be on the top of the agenda and impact our results of 2009. Due to the modest size of the company AirProxy has managed to be very flexible throughout the years and respond immediately to changes. This experience gives us courage to face the challenges of 2009.

The main objective of AirProxy Group in 2009 is to expand the borders of representation rights of present principals to cover all the Baltic countries. Both parties would ultimately benefit from the tightened and more efficient cooperation. The experience with Lufthansa Cargo reveals good results. We continue to follow our core principles in order to secure the satisfaction of air companies as well as customers with our work. It is also important for us to use the possibilities we have and offer suitable solutions to our agents. New carriers will widen our options and we expect to start cooperation with at least 2 new airlines. There should be no destination in the world unreachable by the intermediary services of AirProxy. The objective of our team is to develop professionally as well as on personal level, being satisfied with the work done and one's self.

In conclusion I would like to express my gratitude to my diligent and courageous colleagues, always ready to give the maximum, at the same time being well recognised in the field and highly respected as cooperation partners. Years ago we composed the principle of how we work:

"The music, which we create in the progress of expressing respect towards one another, listening to one another carefully and trying hard to find the harmony, should be enjoyable for us as well as for our customers." Let us follow this also in 2009.

Once again — thank you, dear colleagues, and let us have courage and make right decisions in 2009!

Helena Roots
Managing Director



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The background of the slide is a photograph of a bright blue sky filled with fluffy white clouds. A thin, solid orange line curves across the top edge of the image. The text "Financial statements" is centered in the upper half of the slide.

Financial statements

ACE Logistics Group Balance Sheet

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ASSETS	12/31/2008	12/31/2007
<i>in Eur, Consolidated</i>		
CURRENT ASSETS		
▶ Cash and bank	939,330	793,710
▼ Receivables		
▶ Customer receivables	1,478,253	1,815,976
▶ Prepaid/refundable taxes receivables	42,161	62,496
▶ Other receivables	254,358	219,305
▶ Other prepaid expenses	62,988	62,028
Total	1,837,760	2,159,805
TOTAL CURRENT ASSETS	2,777,090	2,953,515
NON-CURRENT ASSETS		
▼ Non-current physical assets		
▶ Buildings, land	2,048,091	2,109,000
▶ Plant and equipment	39,248	61,016
▶ Other equipment and fixtures	27,355	28,906
Total	2,114,694	2,198,922
▶ Intangible assets	5,388	0
TOTAL NON-CURRENT ASSETS	2,120,082	2,198,922
TOTAL ASSETS	4,897,172	5,152,437

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LIABILITIES AND OWNER'S EQUITY	12/31/2008	12/31/2007
<i>in Eur, Consolidated</i>		
CURRENT LIABILITIES		
▼ Short-term loans		
▶ Short-term loans from credit institutions	78,360	117,624
Total	78,360	117,624
▼ Liabilities and advances		
▶ Supplier payables	1,943,111	2,200,150
▶ Payables to employees	233,839	254,668
▶ Taxes payables	152,916	127,366
▶ Other payables	150,290	249,050
▶ Advances from customers	25,832	7,247
Total	2,505,988	2,838,481
TOTAL CURRENT LIABILITIES	2,584,348	2,956,105
NON-CURRENT LIABILITIES		
▼ Long-term liabilities		
▶ Bank loans	219,885	302,201
TOTAL NON-CURRENT LIABILITIES	219,885	302,201
TOTAL LIABILITIES	2,804,233	3,258,306
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
▶ Minority interest	18,326	30,450
▶ Share capital	28,115	28,115
▶ Statutory legal reserve	2,812	2,812
▶ Retained earnings	1,306,236	1,042,403
▶ Net profit (loss) for the financial year	745,376	796,841
▶ Unrealised exchange rate differences	-7,926	-6,490
TOTAL EQUITY	2,092,939	1,894,131
TOTAL LIABILITIES AND EQUITY	4,897,172	5,152,437

ACE Logistics Group Income Statement

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	2008	2007
<i>in Eur, Consolidated</i>		
REVENUE		
► Net sales	17,913,259	14,929,545
► Other revenue	16,806	82,752
TOTAL REVENUE	17,930,065	15,012,297
EXPENSES		
► Materials and supplies	-14,078,432	-11,386,693
► Other operating expenses	-895,698	-821,166
▼ Personnel expenses		
► wages and salaries	-1,410,465	-1,255,109
► social security and other costs	-441,573	-395,510
► Depreciation	-117,360	-122,224
► Other expenses	-54,858	-14,667
TOTAL EXPENSES	-16,998,386	-13,995,369
OPERATING PROFIT	931,679	1,016,928
FINANCIAL INCOME and EXPENSES		
► other interest and similar income	17,325	8,640
► interest expenses	-23,292	-26,295
► other financial expenses	0	-2,655
TOTAL FINANCIAL INCOME and EXPENSES	-5,967	-20,310
PROFIT BEFORE TAXES	925,712	996,618
Provision for taxes	167,571	178,355
NET PROFIT FOR THE FINANCIAL YEAR	758,141	818,263
Equity holders of the parent	745,376	796,841
Minority interest	12,765	21,422

ACE Logistics Group Cash Flow Statement

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	2008	2007
<i>in Eur, Consolidated</i>		
Operating profit	931,679	1,016,928
Depreciation of fixed assets	117,360	122,224
Loss from sales of subsidiaries	0	2,655
Change in current receivables	318,931	-491,264
Change in current liabilities	-197,187	142,914
Interest received	17,471	3,327
Interest paid	-27,445	-26,171
Income tax paid	-148,142	-67,076
CASH FLOW FROM OPERATING ACTIVITIES	1,012,667	703,537
Acquisition of tangible assets	0	-2,569
Sale of tangible assets	0	11,853
Purchase of fixed assets	-38,519	-37,941
CASH FLOW FROM INVESTING ACTIVITIES	-38,519	-28,657
Repayment of loans	-121,580	-199,902
Paid dividends	-705,926	-498,403
CASH FLOW FROM FINANCING ACTIVITIES	-827,506	-698,305
TOTAL CASH FLOW	146,642	-23,425
Cash at the beginning of the period	793,710	829,523
Cash at the end of the period	939,330	793,710
Effect of exchange rate changes	-1,022	-12,388
CHANGE IN CASH	145,620	-35,813

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 prevoius periods and the audited net profit in 2008 in total of EUR 2 051 612. The proposal of the Board to the general meeting of shareholders is to divide the profit of ACE Logistics Group in the following way:

- ▶ The sum of EUR 1 799 216 to leave to the company.
- ▶ The sum of EUR 252 396 to share to shareholders as net dividends

ACE Logistics Group

Andres Matkur
Managing Director

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 pre-

sented 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS ACE Logistics Group

We have audited the accompanying consolidated financial statements of AS ACE Logistics Group, which comprise the balance sheet as of 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Estonian General Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Estonian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of AS ACE Logistics Group as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with Estonian General Accepted Accounting Principles.

30 April 2009, Tallinn

Liis Õll
Certified Public Accountant

Rödl & Partner International:

Saksamaa, Ameerika Ühendriigid, Araabia Ühendemiraadid, Austria, Belgia, Brasiilia, Bulgaaria, Hiina RV, Hispaania, Hongkong, Horvaatia, India, Indoneesia, Itaalia, Leedu, Lõuna-Korea, Läti, Malaisia, Moldova, Poola, Prantsusmaa, Rootsi, Rumeenia, Singapur, Slovakkia, Sloveenia, Šveits, Tai, Tšehhi, Türgi, Ukraina, Ungari, Valgevene, Venemaa, Vietnam

IBAN: EE37 3300 3325 0275 0005
BIC: FORE EE2X
Danske Bank A/S Eesti filiaal
Äriregistri kood: 10585817



Structure of ACE Logistics Group

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ACE Logistics Group comprised the following independent companies (December 31, 2008)

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

Majority 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, 2008 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



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Contacts

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“ACE services may be summarised as a logistic solution. Each solution depends on the necessities of the customer.”



