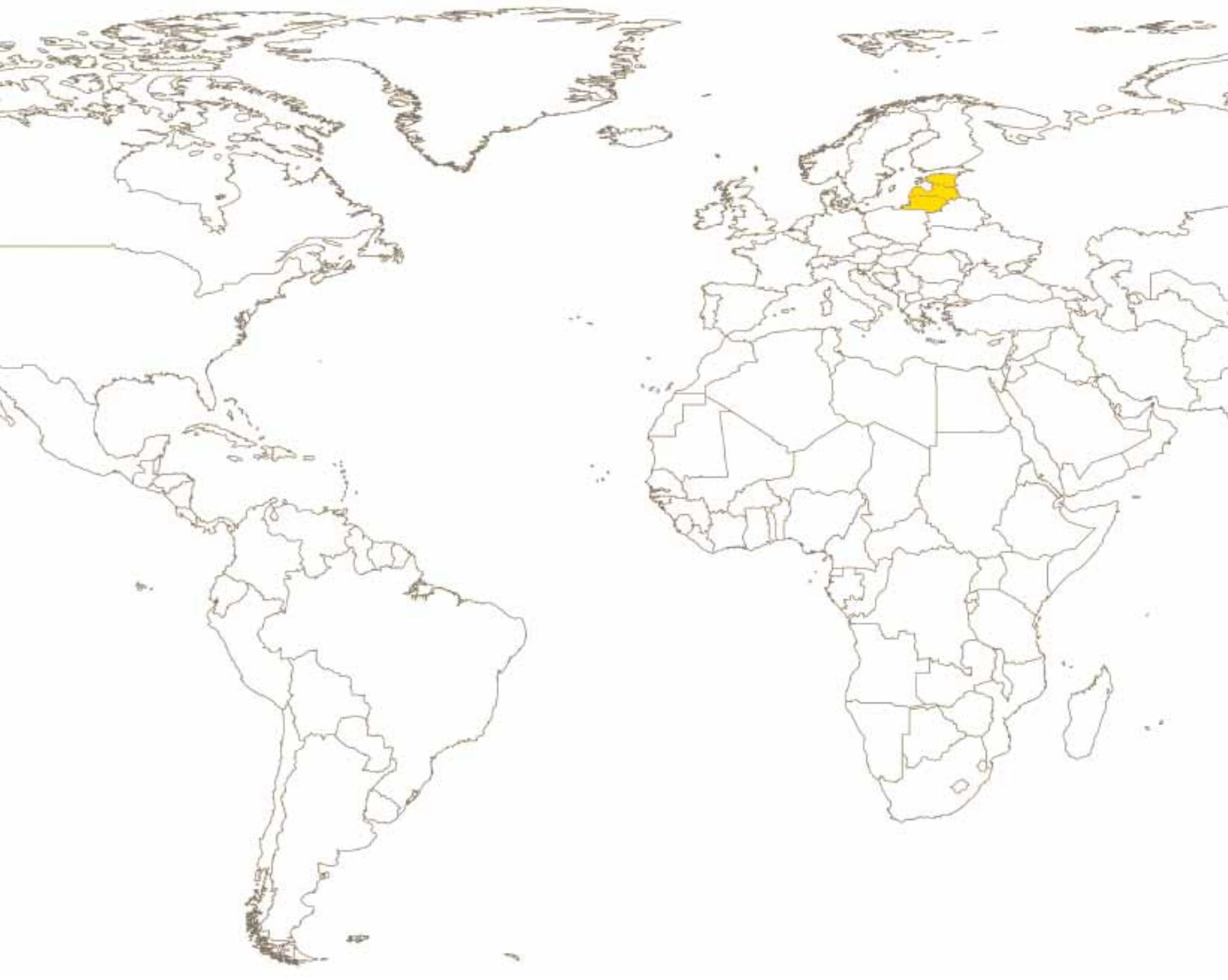


2009

ace Logistics | Annual
report



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Economic recession reached its turning point in 2009.

According to the forecasts the recovery will continue, however, the impact of the crisis has not passed yet and there is the probability of backlashes during the process of further improvement of the economy.

Preface

Severe economic recession has had its impact on the competitiveness of all the three Baltic countries over the past few years already. A positive impulse from external markets by itself is not sufficient to overcome the deep decline and re-establish long-term sustainable economic growth. We must admit that the two years of crisis have erased a big part of the economic flourishing the Baltic countries were enjoying since they joined the EU in 2004.

Economic recession reached its turning point in 2009. After the record fall of real GDP, accompanied by the decline of investments and consumption, economic figures started to climb upwards in the fourth quarter of last year, primarily due to the increased foreign demand. We should not be misled taking it as a guarantee for long-term recovery, as passive domestic demand and high unemployment rate are the main factors influencing the prospects of the Baltics still in 2010 and 2011. According to the forecasts the recovery will continue, however, the impact of the crisis has not passed yet and there is the probability of backlashes during the process of further improvement of the economy. The problem of long-term unemployment has escalated, putting high pressure on state budgets, and no real measures to bring fast relief can be seen on the horizon.

Latvia and Lithuania face the forecast of the decline of GDP by 2% and 1% respectively, mostly due to paralyzed domestic demand. There is reason to believe that the forecast for Estonia is more positive, no further decrease is foreseen. The increase of import demand along with the enhanced need

for balancing the budget policy may occur as hindrance to the anticipated growth in 2010. However, the prospects for all three Baltic countries are expected to improve by a small percent year by year.

Increased insecurity in budget issues as well as the escalated risk of steep global inflation may limit the possibilities of Latvia and Lithuania to transfer to Euro. It takes forceful efforts to bring the countries out of their economic and budgetary dead-ends. The budget cuts Estonia executed are good examples of efficient measures for the right purpose, as today it is deemed highly realistic that Estonia will start using Euro from January 2011.

Estonia has received a positive forecast for economic growth this year. The optimism is rooted in the convalescence of the entire Baltic region and naturally the anticipation of Euro. The positive view on the future rather proceeds from the considerable drop in the probability of negative scenarios than the implementation of positive scenarios. A foreign investment boom can hardly be anticipated in 2011, even the chances are high that the common currency will be introduced this year.

The main challenge for the Baltic area will be to improve the economic conditions for small and medium size companies on the background of sustained rigid budget policy and limited resources. This means removing bureaucratic obstacles and expanding the access to credit opportunities. The modernization and increased competitiveness of export industry and service sector are high on the priorities' list.

The two years of crisis have erased a big part of the economic flourishing the Baltic countries were enjoying since they joined the EU in 2004. However, the prospects for all three Baltic countries are expected to improve by a small percent year by year.





Structure of ACE Logistics Group

ACE LOGISTICS GROUP COMPRISED THE FOLLOWING INDEPENDENT COMPANIES (DECEMBER 31, 2009)

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;
 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%.

As of December 31, 2009 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
- ▶ Integrated Logistics and Warehousing
- ▶ Airport Cargo Handling
- ▶ Airline Representation – GSA Activities
- ▶ Real Estate Management



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.

At least
30%

return on equity annually and 5% of net profitability are two of ACE Logistics Group's main financial goals.

ACE Logistics Group in 2009

ACE Logistics Group operated with seven independent companies in 2009, 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 agents' networks worldwide; as a result the company can call on professional partners everywhere in the world. As for our financial targets, ACE Logistics Group would like to achieve annually at least 30% return on equity and 5% of net profitability.

2009 can be characterized by the significant decrease of the volumes in the Baltic logistics sector, which fell back to the level of 2005-2006. It is clearly reflected in the drop of consolidated turnover of ACE Group by 28% in comparison with 2008.

Another key-word for 2009 that deserves mentioning is the severe cut of expenses in various segments, which allowed us to close the year with a satisfactory outcome after all.

The relatively good financial results in 2009 are derived from making hastened correct decisions,

which enabled the companies to cope in the condition of plummeting markets. All companies of ACE Group managed to close the year with positive financial results, even the first half of the year created doubts.

All companies of the Group aim to achieve 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 conditions for sustained enhancement of the competencies of the employees are the key elements of our performance. At the end of 2009, ACE Logistics Group employed altogether 82 persons, which is 16% less than the year before.

We are moderately optimistic when looking into 2010. We assume that the bottom of the economic decline in the Baltic countries was reached in 2009 and the situation will change for the better in 2010 on the macro-economic level as well as for the companies of ACE Group.

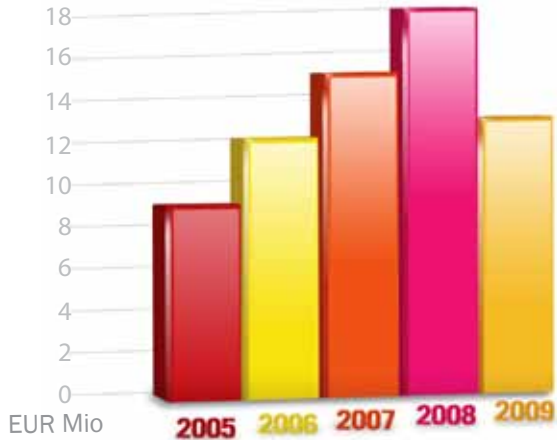
Another key-word for 2009 that deserves mentioning is the severe cut of expenses in various segments, which allowed us to close the year with a satisfactory outcome after all.

Main Financial Highlights

ACE Logistics Group

CONSOLIDATED IN EUR

FOR THE YEAR	2006	2007	2008	2009
Net sales	12 008 118	14 929 545	17 913 259	12 797 252
Change of Net sales	33%	24%	20%	-28%
EBT	941 914	996 618	925 712	667 084
Change of EBT	62%	3%	-7%	-28%
Total cash flow	489 471	-35 813	145 620	-209 862
PER SHARE				
EBT per share	2 141	2 265	2 104	1 516
Dividend proposal per share	1 452	1 033	1 205	803
CAPITAL RATIOS				
Return On Equity (ROE)	48%	44%	37%	30%
Profitability	7,8%	6,7%	5,2%	5,2%
BY THE END OF THE YEAR				
Total assets	4 764 336	5 152 437	4 897 172	4 471 605
Share capital	28 115	28 115	28 115	28 115
Equity	1 732 837	1 894 131	2 092 939	2 282 064
Number of employees	91	102	98	82



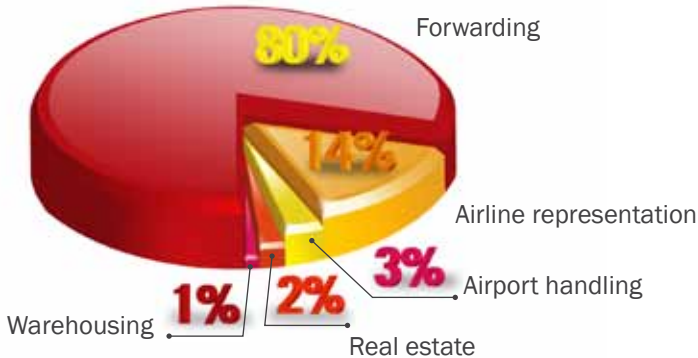
TOTAL NET SALES



GROWTH OF EBT



NET SALES PER COUNTRY



NET SALES PER SERVICES

Company Overviews 2009





ACE Logistics Estonia

The year 2009 was a very special and extraordinary one for ACE Logistics Estonia. The hard recession of the economy of Estonia affected also the performance of the company to a great extent. The dramatic drop of demand for logistics services became a clear fact, as the result of the significant decrease of domestic consumption as well as equally difficult situation in most countries with whom Estonian companies trade.

Ever since its foundation in 1992, ACE Logistics Estonia has always achieved its annual financial growth targets. In this respect, the year 2009 was clearly a different one, the company faced recession in financial results for the first time in its history. The end-year result was the decrease of turnover by 28% and profit by 26% in comparison to the previous year.

Even the year was full of challenges, I can sum it up by saying that the company was able to react fast enough for the changed environment around us. The corrective plans and actions to adapt to the new situation were made relatively flexibly and urgently,

which helped us to survive the most difficult times without major negative effects. Even the year was not the best one over many years; we must be satisfied with our achievements. It is certainly worthwhile to acknowledge that the company was even able to deal with new development projects during these hard times, which will bring us benefit for many years ahead. At the same time, the satisfaction of our customers remained also very high. The prospects for further development look good, so we are full of optimistic anticipation and see the future being full of opportunities.

ACE offers its customers global door to door logistics services. The service portfolio of ACE Logistics Estonia in the year 2009 included the following:

ROAD TRANSPORT

In road transport segment we continued to render services, which are oriented mainly to groupage and part load business. Scheduled fixed routes to and from other European countries still play the most important role for us. The mutually beneficial col-

laboration with the foreign partners proved to be fruitful. We can cover all the European destinations via large terminal networks all over the region, which gives us best possibilities for sufficiently fast and reliable delivery of the shipments of our customers. In addition to regular lines to continental Europe, we operated fixed scheduled lines also to and from Scandinavia, which has proven very successful especially during 2009. Under the current economic circumstances the added departures in export and import directions improve the opportunities for ACE Logistics customers for raising the frequency of deliveries and adjusting the volumes more flexibly according to the market needs.

AIR TRANSPORT

International airfreight market went through several changes in 2009. The overall demand of airfreight was going through hard recession, which put many airlines into very difficult situation. Airlines cut the number of departures, replaced the aircrafts with smaller ones and even terminated some of the traditionally operated routes. This all had direct impact on

the operations of ACE Estonia as well. In air transport we carried on with our existing networks and the most important areas for us still are Far East and Northern America and import traffic from these areas. There we supplement traditional direct air transport and also offer combined air-truck solutions. 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 Estonia 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 favorable for sea transport in general. Many of the 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 Estonia 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 ACE Estonia's service portfolio already from the very beginning. Customs clearance is an important area for the company, which allows 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 and consequently allow us to deal with their customs procedures on

behalf of them. In addition, customers can use our Intrastat completion service as well.

In 2009 ACE Estonia signed a special agreement with an internationally very well known courier company and now all the shipments subject to customs procedures transported by them are handled by our customs brokers.

WAREHOUSING SERVICES

ACE Estonia has specialized in handling and storing of smaller items and developing value-added services. Proceeding from the specifics of each order and the needs of the customers we suggest possibilities in both, regular or customs warehouses. For retailers and importers we offer full service package, performing storage, quality/quantity check, pick and pack, labeling, delivery etc. We carry out domestic daily delivery to all destinations in the country and also neighboring 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

Ever since its foundation in 1992, ACE Logistics Estonia has always achieved its annual financial growth targets.

In this respect, the year 2009 was clearly a different one, the company faced recession in financial results for the first time in its history.

The prospects for further development look good, so we are full of optimistic anticipation and see the future being full of opportunities.

General economic situation of Latvia had different impacts on most of the companies.



The crisis has made the majority of Latvian companies think about their competitiveness along with penetrating new export markets.



Turnover in 2009 was only 4% less than in the previous year. However, EBT decreased by 35%, which made it possible for us to keep our competitive staff. The total number of shipments dropped by 30% in comparison with 2008.

ACE Logistics Latvia

On behalf of Ace Logistics Latvia I can say that the year 2009 was challenging. It started with unclear expectations for the coming year and many unanswered questions, like how to cope with obstacles, how to sell and how to save. The first two months brought along a new market situation and new price policies. Later on we could be really proud that we adapted so easily and we can conclude that we finished 2009 as one of the most successful years in the history of the company.

Turnover in 2009 was only 4% less than in the previous year. However, EBT decreased by 35%, which made it possible for us to keep our competitive staff. The total number of shipments dropped by 30% in comparison with 2008.

General economic situation of Latvia had a different impacts on most of the companies. Total import sales decreased by 30%. Lots of construction companies as well as companies related to car industry were forced to diminish capacities. The same applied to transit shipments to Russia, important part of business for many Latvian transport companies. According to Central Bureau of Statistics, the import of services decreased more than 33% and export 28%. The crisis has made the majority of Latvian companies think about their competitiveness along with penetrating new export markets.

The main target for ACE Logistics Latvia for the coming years is to attract more and more new

export customers and provide them high quality services in road freight, airfreight and sea freight as well as other services related to freight forwarding.

Together with colleagues and partners in whole Europe and Scandinavia, we made important steps in 2009 towards developing our road freight services.

The volume of import shipments by road decreased by 27%, reflecting the general trend of the market, where we managed to stay slightly better. Still the main product of road freight is so-called groupage shipments and part loads. In 2009 we planned and prepared new services to offer the market in 2010 – regular daily traffic to Germany and Scandinavia.

For road export our target for 2009 was to increase the number of shipments in spite of the hard economic situation. Today I can report that we succeeded. Our road freight team made a real effort, every person offering the best solution for our customers and being creative to find best transportation routes together with our good partners.

It was the first year when we offered regular export services twice a week from Riga to Germany and then distribution to whole Europe.

Airfreight revealed the most significant decrease of the number of shipments. Influenced by the global economic situation, especially the imports from Far East dropped dramatically. Key issue for us was to offer our customers cheaper services with the



same quality as on direct lines from Far East to the Baltics. The solution was shipment by air to main European airports and then by regular truck routes to the final destinations.

Similar to road transport, we used our capacity for developing export traffic. And again, thanks to good partnerships and excellent team work we can report the achievement of our “small” local objectives also in airfreight. We must underline good cooperation with GSA companies, together with whom we can offer new and optimal routings for our customers.

As for sea freight and project freight: as a result of global situation there were changes in LCL trends. In import the general picture resembles air freight and road freight, however new customers were attracted from among former air freight service users. Consequently the decline in import shipments was smaller than in air freight. In 2009 we had very good cooperation with ocean lines, which allowed us to raise export shipments and offer competitive

rates for our customers. Thanks to the long-term good cooperation with LCL service providers we could expand our destinations, giving our customers the opportunity to reach new markets.

In project freight we could offer best possible services for globally well-known companies thanks to the cooperation with our foreign partners. It gave evidence again of the potential and significance of Latvian ports in transit traffic and the unutilized capacities of road freight business.

Personnel and IT have always been important for good performance of a company, but they become crucial in the time of economic recession. The very positive results of 2009 we owe to all our colleagues, who without hesitation took correct decisions in order to respond to the market situation urgently. We made use of these conditions to gain knowledge about sales and customer service, implement new IT tools and “green thinking” philosophy. I am very pleased with all departments

with their highly motivated teams, who collectively did a great job in 2009.

Economic fluctuation is not over yet. Therefore I would like to wish to our partners and customers to be open for changes. The famous Latvian poet Rainis has said: “The one, who reshapes, will exist!”

My appreciation to all colleagues, our reliable partners and always loyal customers!



Daina Zvirgzde
Managing Director

Reduced incomes and earnings were followed by necessary cuts on the costs' side. As a result the total costs were reduced by 32%.

The financial situation of the company remained stable due to conservative credit policy and special attention to cash flow control.

ACE Logistics Lithuania

2009 was the 14th year of operation for our company in Lithuania. This year was hard and difficult for the company and reflected the general economic situation of the country. Traditional import-export ratio in Lithuania has been 70/30. The consumption at local market dropped dramatically in the first months of 2009. Export numbers were not able to compensate for the loss of earnings on import side.

Annual GDP dropped by approximately -15%: the first and second quarters were most difficult and showed GDP drop of -13% and -19.5%; fortunately the last two quarters were more positive, GDP started to grow again, showing first signs of recovery. Unemployment rate reached 12%, inflation was 4%.

The budget of 2009 estimated small decline in comparison with 2008. But the management team of the company could not foresee such a severe impact of economic recession. Unfortunately the actual results differed from the estimations to great extent. Turn-over diminished by 50%, gross margin by 36%, and EBT by 56%.

Such challenges triggered a number of efforts to keep the company stable and intact. Reduced incomes and earnings were followed by necessary cuts on the costs' side. As a result the total costs were reduced by 32%. The financial situation of the company remained stable due to conservative credit policy and special attention to cash flow control. Under these circumstances, the result of 2009

should be considered satisfactory.

ACE Logistics 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. In addition, road freight forwarding is an important niche business for our company, we operate regular groupage lines both for import and export.

ACE Logistics UAB business activities are:

- ▶ Airfreight forwarding,
- ▶ Road freight forwarding,
- ▶ Sea freight forwarding,
- ▶ Customs clearance.

All services cover import and export as well as door – door delivery.

AIRFREIGHT

Airfreight export and import volumes dropped by 25% and 48 % respectively. This situation was inevitable, as local import customers reduced transportation bookings considerably, especially in the beginning of the year. However, sales coverage increased due to the fact that the company rejected high volume unprofitable business.

Our chief target is to continue long term cooperation with professional worldwide partners. ACE Logistics remains true to its strategy to stay independent and keeps business relations on long term bases



with selected partners. Our partners and agents are market leaders in such regions as Far East, USA and Europe.

Generally shipments became smaller, but it did not mean that customers compromised on quality and frequency requirements. We had to find a way to maintain the regular line between Frankfurt and Vilnius hubs at least twice per week, both for import and export. After these changes the number of shipments routed via the hub in Frankfurt reached the number of shipment arranged as "direct flights".

ACE Logistics upheld its role as one of the important players on the airfreight market regardless of the tightened competition and changed economic situation.

ROAD FREIGHT

Road freight export showed positive statistics even during "the year of crisis", e.g. the number of shipments increased by 20%. The second regular export truck route was launched and started operations in the autumn of 2009. In total 2 weekly groupage trucks connected Lithuania with European countries via the terminal in Germany. Import traffic continued on stable trend with just

some minor changes. 7 regular weekly departures from Germany to Vilnius were reduced to 5, as the number of shipments decreased by 14%. Previous 3 hubs (Dortmund, Munich, Hamburg) where reduced back to 2 hubs system (Dortmund, Munich).

These negative changes not much influenced level of service and not made transportation times longer.

OCEAN FREIGHT

Ocean freight is considered the best option when comparatively bulky volumes are transported. Our experience showed that volumes on FCL containers went plausibly down in the first quarter of 2009.

The year of 2009 was marked by unpredictable fluctuation of rates. Ocean lines decreased rates drastically in the first months of 2009. As it did not help to bring volumes back on board, a further step of cutting the ships' capacity was implemented. Supply and demand was in balance for a short period, and soon after the rate restoration programs were started by ocean lines.

Luckily we had a solution at hand for our customers – the regular weekly LCL service. Thanks to our experience, long- term reliable partnerships and special relations with co-loaders – our rates and services

were under control.

We are proud to report that the number of export shipments increased by 7 %.

PERSONNEL

ACE Logistics employed 17 persons in the end of 2009. This year was one of the most challenging years for every employee. Striking changes in the business environment demanded a lot of commitment and energy. Every single team- member made a serious and valuable contribution, supported the company and accepted the necessary costs' saving policy. I would like to express my gratitude to our loyal staff.



Ignas Puluikis
Managing Director



Cargo Handling

Cargo Handling Ltd is an enterprise that deals with the handling of airfreight at ordinary warehouse, customs terminal and bonded warehouse. Various airlines, couriers, freight forwarders and companies dealing in international trade are among our customers. The year 2009 was the sixteenth full year of operations for our company.

2009 was the year of deep crisis everywhere in the world. Aviation also went through hard times and naturally it had direct impact on the activities of Cargo Handling Ltd. Sales revenue decreased by 1/3 in comparison with the previous year. Majority of the airlines flying to Tallinn cut the frequency or terminated their flights. On the other hand the pressure to decrease the handling rates from the side of the airlines could be felt constantly. This in turn made Cargo Handling Ltd. revise critically even its smallest costs. Economic

recession influenced everyone and we approached each customer individually, with the outcome of finding possibilities to economize. By changing procedures and systems we also managed to cut down the personnel costs. Our rather conservative credit policy helped secure the minimum occurrence of bad debts and kept the company solvent.

HANDLING OF EXPORT CARGO

In 2009 the export volumes decreased much less in comparison with 2008 than the total cargo volumes. Some large-scale projects passed our terminal in the second half of 2009, increasing our volume and turnover. Unfortunately they vanished as swiftly as they had appeared. The export result of the year was 1/10 smaller than in the previous year. The raise in export volumes and amounts at the end of the year revealed signs of the withdrawal of the crisis in the world.

HANDLING OF IMPORT CARGO

The fast cooling-down of economy was especially plainly felt in import. In 2009 the total volume of shipments dropped almost 40% in comparison with 2008. Most dramatic decline concerned the volumes of RFS, the road feeder service. Limited and cautious domestic consumption due to the high level of unemployment and tightened credit market terms had found its full expression.

TERMINAL HANDLING

Terminal Handling includes terminal fees and the additional charges on the import of special commodities (VAL, AVI, DGR etc.). Consequently the volume of terminal handling is directly dependent upon the amount and weight of import shipments. The dramatic decrease in imports resulted in the lower turnover of terminal handling. The storage period of goods at the terminal was shortened significantly, giving evi-

dence of the faster delivery of goods to the final consumer.

AUDITS

Airlines carry out regular flight safety and security audits to inspect the quality of the services of the subcontractors, their conformity to the terms of contract and international aviation standards. In 2009 somewhat fewer audits were conducted, probably due to the necessity the air companies were facing to cut costs even of such an important activity. However, the annual quality audit of ISO 9001:2008 was carried out on full scale and our audit report did not have any significant remarks or deviations.

PERSONNEL

There are companies that owe its success to systems or equipment and the persons working in them 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 of avail especially in hard times. In this context it is a pleasure to denote that half of the employees of the company have worked here for more than 10 years. In 2009 two of them joined the "oldies" club of ACE Logistics Group, i.e. with 15 years of professional career in the Group. Another pair will be added to that list in 2010. Long-term loyal employees are a valuable asset and definitely contribute to the success of the company.

STATUS OF AGREED REPRESENTATIVE

In summer 2009 Estonian Civil Aviation Administration recognized Cargo Handling Ltd. as an Agreed Representative. The company developed its own safety and security manual, stipulating all the necessary actions and conditions to secure flight

safety. Almost half of the staff underwent special safety training. The status of the Agreed Representative of Cargo Handling Ltd. gave the company the opportunity to screen the export goods by ourselves. We terminated the contract with our previous screening operator and the service became much more profitable for us.

OBJECTIVES FOR THE NEXT FISCAL YEAR

Our objective for 2010 is to maintain and safeguard our market position on the existing market. This presumes smooth collaboration with today's partners, fulfilling our contracts and improving our services and customer-service level. At the same time we are ready to offer our services to new airlines and couriers entering the market. We hope that in the second half of this year economy will come out of the recession and the aviation market will stabilize. After last years recession we are even better prepared for new growth and challenges.

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



Viljar Lehtmets
Managing Director

After last years recession we are even better prepared for new growth and challenges.

Long-term loyal employees are a valuable asset and definitely contribute to the success of the company.

Our principals gave us significant support by not changing the aircrafts to smaller ones concerning the cargo capacity.

There were no major closedowns among our agents either, allowing us to look into the future with optimism.

We are considered a reliable partner for sending cargo from the Baltic countries to the whole world. The size of our portfolio is sufficient for finding necessary solutions for all the inquiries of our agents.

Air Proxy

Airproxy Ltd is rendering the services of General Sales Agent (GSSA) to many highly recognized airlines in Estonia and via its daughter-company also in Latvia. All the major air freight forwarders act as our agents. Knowing equally well the local conditions and the current opportunities of international air transport, we are able to offer suitable solutions to all parties involved.

- ▶ GSSA functions of AirProxy
- ▶ Promotion and sale of air cargo business
- ▶ Administration of reservations
- ▶ Accounting and AWB stock control
- ▶ Submission of monthly reports
- ▶ Development of customer relations
- ▶ Representation of the Principal
- ▶ Road Feeder Services (RFS)

Aviation in general went through somewhat turbulent times in 2009, bearing extensive losses according to many different sources. In earlier years the rates were on the downslide and it was not sustainable to continue with similar costs' level. In order to adapt to the changing conditions many air companies were forced to cut the number of destinations and remove bigger aircrafts from some scheduled flights. Due to the diminishing supply the decrease of the prices slowed down, first signs of upturn were visible only in the second half of the year. In addition, the increasing oil price made the airlines raise the fuel surcharges.

The year of 2009 was full of challenges also for us. We kept the motivation high by friendly at-

titude and good relations; this was the best we could afford. It definitely strengthened our team. Our principals gave us significant support by not changing the aircrafts to smaller ones concerning the cargo capacity on the flights to Tallinn and Riga. There were no major closedowns among our agents either, allowing us to look into the future with optimism.

We are considered a reliable partner for sending cargo from the Baltic countries to the whole world. The size of our portfolio is sufficient for finding necessary solutions for all the inquiries of our agents.

ESTONIA

2009 was the 13th year of operations in Estonia. Our customer portfolio includes Lufthansa Cargo, SAS Cargo, Czech Airlines Cargo, airBaltic Cargo, Singapore Airlines Cargo and Coyne Airways. The cooperation with all our former principals continued successfully. In 2009 the cargo airline Coyne Airways was added into our portfolio, it was the first year we represented this company. The strength of Coyne Airways is the professional service to destinations in Caucasus and Middle East. There are 3 co-workers in our Tallinn office.

LATVIA

The daughter company Airproxy SIA founded in 2004 in Latvia celebrated its 5th birthday. Airproxy Ltd is 100% shareholder of the company. Our customer portfolio in Latvia comprises: Lufthansa Cargo, Czech Airlines Cargo, SAS Cargo



and Coyne Airways. 2009 brought two new clients: SAS Cargo and Coyne Airways. The purpose of founding the Latvian company was to expand the market share in the Baltic countries and today we can conclude that the strategy has proved fruitful. In Riga office there is one co-worker.

LITHUANIA

Our vision is to offer GSSA services throughout the Baltic States. We do not have our own office in Vilnius yet; sales and services are carried out by cross-border principle. We offer Coyne Airways and Airwalker services to our agents in Lithuania. Opening our own office in Vilnius airport is still an attractive target and we approach it step by step.

RFS

We have developed our own RFS – Road Feeder Service, for transporting air cargo by road between airports. Today we have linked Tallinn with Riga, Helsinki, Frankfurt and Amsterdam. It is scheduled regular traffic with guaranteed delivery. Our partners for this service are neutral road carriers not involved in air transport. This service is easy to

use by our customers due to the fact that the applicable weight-volume ratio and liability insurance coverage are equal to air transport.

EGSAC MEMBERSHIP

EGSAC (European General Sales Agency Cargo) unites GSSA companies in Europe, Africa and Far East. For airlines it is much easier to communicate with one unified organization. It saves their costs and gives access to capable partners in more than one country at the same time.

We have benefited from EGSAC membership by acquiring new professional knowledge, generously shared by other EGSAC members with much longer experience in the field.

TEAM AND SOCIAL RESPONSIBILITY

We have always wished to develop good relationships with our long-term customers and create additional value for principals, agents, employees and owners. The training of co-workers is an ongoing activity, we have also offered training events for our agents. Regular meetings with principals and agents always guarantee the best results for all

parties concerned.

Although the year 2009 was hard for us, it was even more difficult for others in the society. Therefore we decided that instead of presents for our clients we make presents for small children in Estonia and Latvia.

Dear co-workers, principals and agents, thanks to you we managed to make it through this intricate year. I would like to thank you all for your commitment and loyalty. Together we can achieve even more in the future.



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

AUDITING

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

Rödl & Partner

Rödl & Partner Audit OÜ

Audit, accounting, tax advisory

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Translation of the Estonian original

Independent sworn 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 2009, 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.

SWORN 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 sworn 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 sworn auditor considers internal control relevant to the entity's preparation and fair presentation of the fi-

nancial 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 financial statements present fairly, in all material aspects, the financial position of AS ACE Logistics Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with Estonian General Accepted Accounting Principles.

17 May 2010, Tallinn
(digital signature)
Mart Nõmper
Member of the Management Board
Sworn auditor

Rödl & Partner Audit OÜ
Activity licence of the firm of auditors No. 2

ACE Logistics Group

Balance Sheet

Assets

CONSOLIDATED IN EUR	31.12.2009	31.12.2008
CURRENT ASSETS		
CASH AND BANK	729 468	939 330
RECEIVABLES		
Customer receivables	1 353 151	1 478 253
Prepaid/refundable taxes receivables	89 502	42 161
Other receivables	241 095	254 358
Other prepaid expenses	28 985	62 988
Total	1 712 733	1 837 760
TOTAL CURRENT ASSETS	2 442 201	2 777 090
NON-CURRENT ASSETS		
NON-CURRENT PHYSICAL ASSETS	1 989 433	2 048 091
Buildings, land	15 215	39 248
Plant and equipment	15 343	27 355
Other equipment and fixtures	2 019 991	2 114 694
Total	9 413	5 388
INTANGIBLE ASSETS	2 029 404	2 120 082
TOTAL NON-CURRENT ASSETSTOTAL ASSETS	4 471 605	4 897 172

Liabilities and owner's equity

CONSOLIDATED IN EUR	31.12.2009	31.12.2008
CURRENT LIABILITIES		
SHORT-TERM LOANS		
Short-term loans from credit institutions	79 341	78 360
Total	79 341	78 360
LIABILITIES AND ADVANCES		
Supplier payables	1 462 409	1 943 111
Payables to employees	200 336	233 839
Taxes payables	80 201	152 916
Other payables	234 637	150 290
Advances from customers	857	25 832
Total	1 978 440	2 505 988
TOTAL CURRENT LIABILITIES	2 057 781	2 584 348
NON-CURRENT LIABILITIES		
LONG-TERM LIABILITIES		
Bank loans	131 761	219 885
TOTAL NON-CURRENT LIABILITIES	131 761	219 885
TOTAL LIABILITIES	2 189 542	2 804 233
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
MINORITY INTEREST	33 533	18 326
SHARE CAPITAL	28 115	28 115
STATUTORY LEGAL RESERVE	2 812	2 812
RETAINED EARNINGS	1 698 257	1 306 236
NET PROFIT (LOSS) FOR THE FINANCIAL YEAR	525 518	745 376
UNREALISED EXCHANGE RATE DIFFERENCES	-6 172	-7 926
TOTAL EQUITY	2 282 063	2 092 939
TOTAL LIABILITIES AND EQUITY	4 471 605	4 897 172

ACE Logistics Group Income Statement

CONSOLIDATED IN EUR	2009	2008
REVENUE		
Net sales	12 797 252	17 913 259
Other revenue	16 094	16 806
TOTAL REVENUE	12 813 346	17 930 065
EXPENSES		
Materials and supplies	-9 943 565	-14 078 432
Other operating expenses	-590 835	-895 698
Personnel expenses	-1 476 112	-1 852 038
wages and salaries		-117 360
social security and other costs		
Depreciation	-101 477	
Other expenses	-27 776	-54 858
TOTAL EXPENSES	-12 139 765	-16 998 386
OPERATING PROFIT	673 581	931 679
FINANCIAL INCOME AND EXPENSES		
other interest and similar income	7 689	17 325
interest expences	-14 186	-23 292
TOTAL FINANCIAL INCOME AND EXPENSES	-6 497	-5 967
PROFIT BEFORE TAXES	667 084	925 712
PROVISION FOR TAXES	128 408	167 571
NET PROFIT FOR THE FINANCIAL YEAR	538 676	758 141
EQUITY HOLDERS OF THE PARENT	525 518	745 376
MINORITY INTEREST	13 158	12 765

ACE Logistics Group Cash Flow Statement

CONSOLIDATED IN EUR	2009	2008
Operating profit	673 581	931 679
Depreciation of fixed assets	101 477	117 360
Change in current receivables	146 863	318 931
Change in current liabilities	-556 774	-197 187
Interest received	6 072	17 471
Interest paid	-11 298	-27 445
Income tax paid	-122 290	-148 142
CASH FLOW FROM OPERATING ACTIVITIES	237 631	1 012 667
Acquisition of tangible assets	13 444	0
Sale of tangible assets	12 983	0
Purchase of fixed assets	-23 783	-38 519
CASH FLOW FROM INVESTING ACTIVITIES	2 644	-38 519
Repayment of loans	-87 144	-121 580
Paid dividends	-89 327	-705 926
CASH FLOW FROM FINANCING ACTIVITIES	-176 471	-827 506
TOTAL CASH FLOW	63 804	146 642
Cash at the beginning of the period	939 330	793 710
Cash at the end of the period	729 468	939 330
EFFECT OF EXCHANGE RATE CHANGES	1 722	-1 022
CHANGE IN CASH	-209 862	145 620

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

Goals and Strategy of ACE Logistics Group 2007-2011

MISSION

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

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

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

MAIN TARGET

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

FINANCIAL GOALS

- ▶ The growth in consolidated net sales shall exceed the average level in the market and reach two times the general economic growth of the area;
- ▶ Net profit margin shall be at least 5% annually;
- ▶ Return on equity is at least 30%. The financial goals can be achieved as the result of natural growth. At the same time the company is open to the possibility of acquisition of other firms.

STRATEGY Management

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

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

The strategy of the Group determines the avoid-



ance of competition between the companies of the Group.

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

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

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

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

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

Personnel

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

Services

ACE Logistics Group renders the following services:

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

Domestic Market

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

Strategic Liaisons

The Group values highly persistent business relationships with cooperation partners and remains loyal to them.

Infrastructure

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



My career at ACE began as a customs broker, which was my first experience in the logistics field.

As ACE expanded, I started working in the airfreight department. The experience gained from there gave me a good foundation for continuing as a sales executive in airfreight forwarding.

For the past 3,5 years I have been working as the quality and personnel manager, being responsible for the managing and improving of ACE's quality management system. As a personnel manager it is my job to keep an eye on the personal development and well-being of our employees. It is important to me that all of our people be motivated to work in our company and that they wish to learn and develop their skills, which in turn helps us offer our clients a high quality service.

Without our clients and business partners there wouldn't be ACE, so I find it to be of the highest importance to be able to offer a professional and customer-oriented service. I believe that my current master's course studies in service design will allow me to put my newly gained knowledge into good and effective use.

I value highly the friendly working environment at ACE, along with the well-balanced and thoughtful leadership. I'm certain that all this is also being reflected by our satisfied and loyal staff – we have called to life 10 and 15-year ACE workers' clubs, which are welcoming new members in a festive manner year after year.

Inge Parring

Quality and Personnel Manager
ACE Logistics Group



I have been working at ACE for quite some time now, perhaps only a few years short of the oldest company in the Group. One of the most essential reasons for having tied myself to this company for so long are the people who work here. As for the ACE Group as an employer, I value most the fact that they know how to plan for long-term and avoid taking any unnecessary risks.

For my part I focus on keeping myself constantly up-to-date with developments in the IT field, and by analysing the potential ways in which these could be used to benefit our customers and employees.

I find it most encouraging to see all the companies within the Group in constant progress, coming up with new ideas and propositions that also need support from our information system.

The year 2009 was especially interesting, for the preparations that were made to offer a thoroughly updated road-freight service, will also enable faster transportation and a opportunity for our customers to track their deliveries.

Avo Möllits
IT Manager
ACE Logistics Group



I started working for ACE during my trainee period in the summer of 2005 in the company's terminal. Beginning from April 2007 I have been working as a sales executive, being responsible mainly for road freight export and our Scandinavian routes.

My personal goal is to maintain and further develop our existing customer-relations while also bringing new clients to the company. My wish is that our clients be truly satisfied with our services and that they feel confident enough to recommend us to others. In my daily work my aim is to increase the amount of outgoing deliveries and our export-oriented traffic.

I value ACE's clients who care for the services we offer for the advantages they bring instead of simply choosing by price. I value clients who are ready and willing to try out our various services and who enjoy using new opportunities!

I appreciate very much how ACE values its workers and supports their personal growth, allowing me for example continue my studies while working. I like the fact that our company has all its procedures firmly in place while at the same time being open to new ideas and proposals. ACE is a large enough company to be able to provide high quality services, yet also small enough to be flexible and consider Your personal opinion!

Martin Raud
Sales Executive
ACE Logistics Estonia

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