

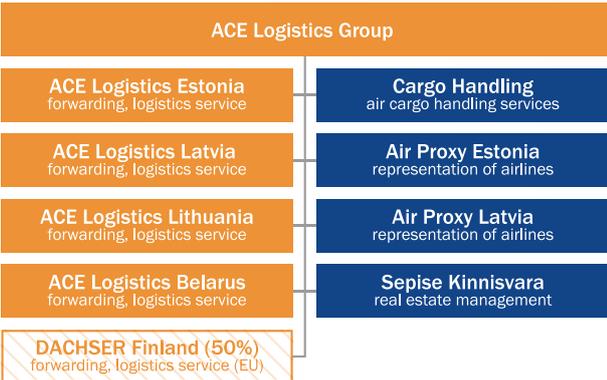
ace Logistics

Annual Report 2017



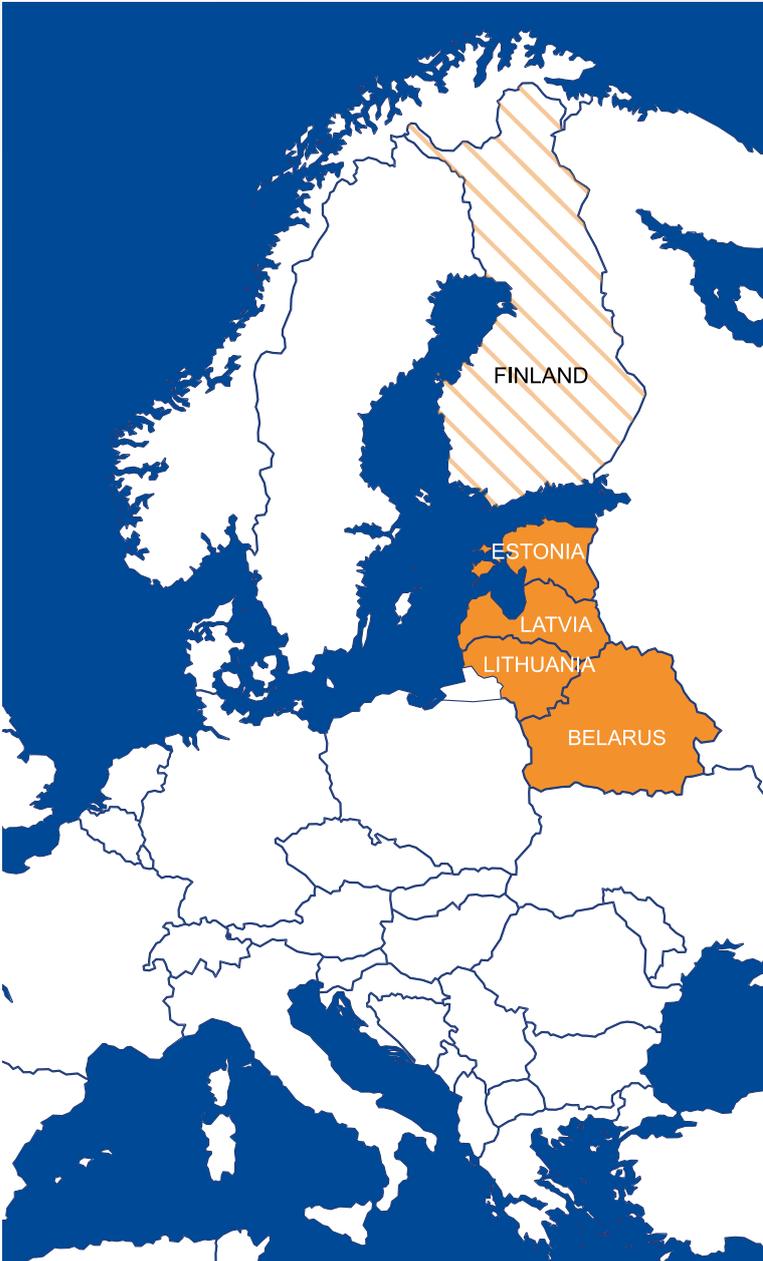
General

ACE Logistics Group consists of nine companies active in the field of logistics in Estonia, Latvia, Lithuania, Belarus and Finland.



ACE Logistics companies offer wide range of transport and logistics services. According to the long-term strategy, ACE Logistics companies render air, sea, road and rail transport services, as well as various warehousing and other related logistics services. Baltics and its neighbouring region have been identified as home market, whereas in countries without own presence, the Group make use of strong partners worldwide.

As a result, the company has professional partners everywhere around the globe.





Achievements

The year 2017 was especially memorable as celebration of 25-th anniversary and organizations in Latvia and Lithuania moved into their new modern premises.

It is a pleasure to announce that year of anniversary was another successful year for the whole ACE Logistics Group. Consolidated net turnover increased by +19% compared to the year before and reached the level of 27,2 Mio € in total. Number of shipments grew by +17% and in overall, Group also exceeded its main strategical financial goals – net profitability margin was 6,1% and return on equity (ROE) 39%.

On the whole, all business areas of the Group demonstrated a stable development. The biggest driver of growth was again road freight, where net sales grew by +25% compared to the year before. Established regular groupage cargo line hauls to and from many different intra-European destinations play a major role in the service portfolio of ACE Logistics. Daily direct connections to different countries in connection with European-wide transport network provide fast and flexible transport solutions to many of our customers, who see this as unique opportunity to shorten their supply chain lead times, coupled with reasonable cost

level. In addition to groupage, last couple of years special attention has been turned also to developing part- and full load segment, which is becoming more important and also the results are showing a steady positive trend.

Air- and sea freight showed also very solid growth, whereby airfreight net sales grew extraordinary by +23% and sea freight by +9%. Compared to road freight, air- and sea freight results are much more dependable on extraordinary or short-term business projects. Excellent growth of air freight volumes in 2017 namely resulted from this kind of projects. It is also worth to mention that rail + road transport solutions for imports and exports from/to Far-East are becoming more widely used by our customers, partly replacing traditional air- and sea freight solutions.

Customs clearance and warehousing services that are supporting activities to transport services also showed positive growth in 2017: customs clearance net sales grew by +55% and warehousing net sales by +15%.

Airport handling and airline representation volumes remained unchanged, net turnover even decreased slightly (-3%).





Business development

During 2017, special attention was placed on developing our online solution called e-ace.

Customers can use e-ace environment for sending their transport orders electronically, for tracking and tracing shipments online and also for calculating rates for their transport needs.

E-ace has become very widely used by our customers and as much as 90% of all received transport orders are now e-orders.

Using all these e-ace functionalities, our cooperation with many customers became much more effective as all parties save a lot of time due to not having to exchange information manually.

Eventually, this allows us to provide our services at a more competitive price level.

The future developments will be to open e-ace environment also for air- and sea freight shipments (so far it is available only for road transport), as well as to increase the user-friendliness in order to make the environment easier to use.





Management & Customer satisfaction

Maintaining professional and customer oriented service is the main strategic goal of the company. In order to further increase the reliability of our services, ACE Logistics Group companies have implemented ISO Quality and Environmental Management standards.

In 2017 we successfully passed recertification under ISO 9001:2015 and ISO 14001:2015 in the Baltic states. This should enable a further increase in quality and efficiency of the services offered by us.

The effect of the HR work is reflected in annual regular customer satisfaction surveys. The Customer Satisfaction Index remains very high. Over the countries, the Satisfaction Index averages out to 9.1 on 10-point scale.

The average Net Promoter Score is 75%. Similarly highly valued is the work of dedicated

subcontracted drivers and the reputation of ACE Logistics across the transport markets. Most of the responders of the survey would recommend ACE Logistics as a partner to both friends and acquaintances and continue to work with us in the future.

We are glad to say that unlike a few years ago, when the ratings of clients showed large differences between the countries, the latest results show equally high satisfaction across the board. This shows that establishing a quality management standard and standardizing our processes we have achieved a consistently high level of service in all countries despite differences in culture and business environment. We believe we can talk about even greater achievements next year.

Right now our focus is on automating work processes, which has already been well accepted by both ACE customers and our employees.





Our people

The group's companies are currently staffed by 140 employees. As the level of services in logistics depends heavily on a well trained professional workforce, the focus of HR is on maintaining low turnover of personnel. We are glad to see the business develop and grow with new employees joining our team.

At the same time we are proud of our stable and united workforce. In 2017 already 12 members of the ACE Logistics Group team worked here over 20 years.

This autumn we will be celebrating one colleague's 25th year at ACE. The majority of our employees have worked in ACE Logistics Group companies for more than 7 years, almost 1/3 of employees have been with the company for over 10 and 15 years. The factors behind such an achievement are the attention of management on HR, good opportunities for career development, interesting field of activity, pleasant internal climate, and good colleagues. Employee satisfaction surveys confirm that ACE Logistics provides a good work environment and career development opportunities. The average satisfaction rating of our Baltic employees in 2017 was 7.5 on 8-point scale.

ACE Logistics is also a very sought-after internship provider among the students of logistics. Every year, students in different countries are given the opportunity to get to know the practical side of the world of logistics. Options are numerous, ranging from a day of work shadowing to week-long observational internships or even longer work internships during summer months. This is a great opportunity to train newcomers and many interns have indeed become members of ACE Logistics team.

ACE has always offered employees still finishing their studies a flexible schedule, which is often brought out as a positive example in our satisfaction survey results.





Social responsibility and Sponsorship

Study of logistics

In order to get access to top level talent in logistics, ACE Logistics has been sponsor of the Logistics Seminar in Estonia from the very first year. Logistics Seminar is an annual event organized by students of logistics since 2000. The idea has evolved and the seminar has become a well-rooted tradition and one of the largest logistics events in Estonia. The mission of the Logistics Seminar is to give students of logistics practical experience in organizing an international event as well as to receive and exchange current information among students, lecturers and entrepreneurs.

In Latvia we also contribute to next generation and have at heart supporting the students and education. Cooperation runs various projects with Latvian Ministry of Education, German-Baltic Chamber of Commerce and numerous logistics companies. Also offering students of Riga State Technical School and universities options for various internships.

Sports

ACE Logistics support numerous athletes and sporting events. Continuous sponsorship agreement with NGO Adventure Sports Club Xdream for supporting successful adventure sports series called ACE Xdream. ACE Xdream is a sports event of experience, which assumes good physical shape and quick mind and where the foundation for success is smooth teamwork.

ACE Logistics continued also to support the Nordic combined team that resulted in good results in World Cup and Pyeongchang Olympic Games. Also being the official transport partner of the World Orienteering Championships in Estonia the summer on 2017. 367 athletes from 50 countries took part in the competition.





Supporting the socially disadvantaged

Cooperation with Tallinn support center JUKS, who's students' paintings we display and sell at our office lobby and from whom we commission the characteristic gifts for our customers and partners. The company branded wall calendars for 2016 and 2017 have also been commissioned from a talented artist of JUKS.

At Christmas, we helped talented children continue their studies, musical interest and sporting activities through the Union for Child Welfare.

Every summer, we participate at the charitable Office Rat Race and we are also their partner for logistics. The supporting amount raised every year it is donated for charitable purposes like tuition of children in orphanages or support for large families.

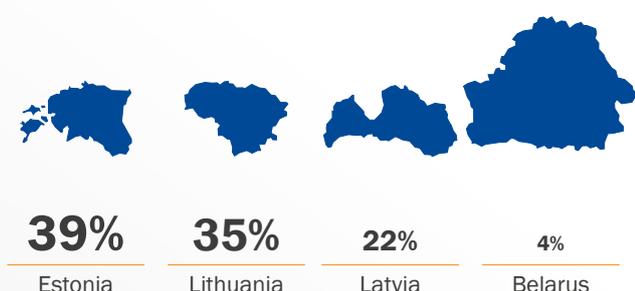
In Lithuanian we carried out a charity project with Relief Organization of the Order of Malta. In Latvia we support „Ozoli” Care and Support Center. On 2017 we gathered money to help the center in cooperation with a client campaign.

We celebrated Christmas with the children of ACE Logistics employees and the children at Ozoli by seeing the The Nutcracker ballet at the Latvia National Opera.

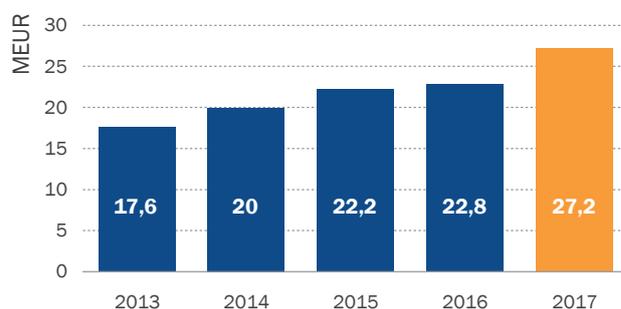


ACE Logistics in Numbers

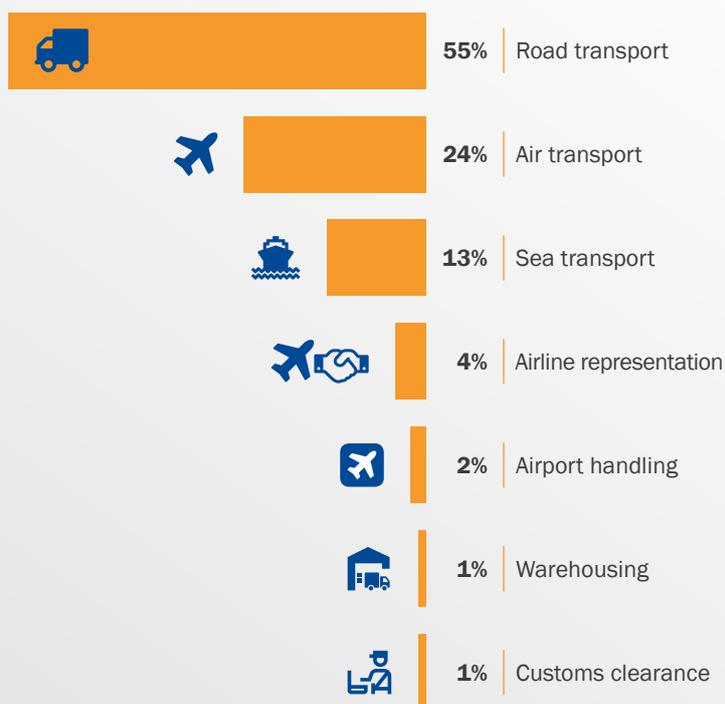
Net Sales per Country



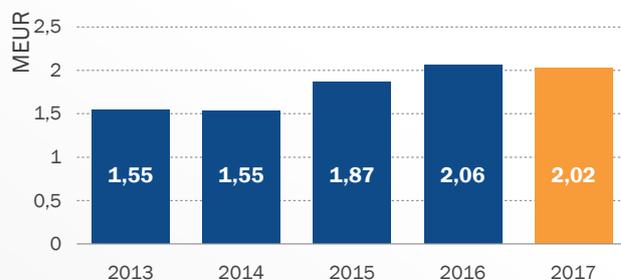
Consolidated Net Sales



Net Sales per Services

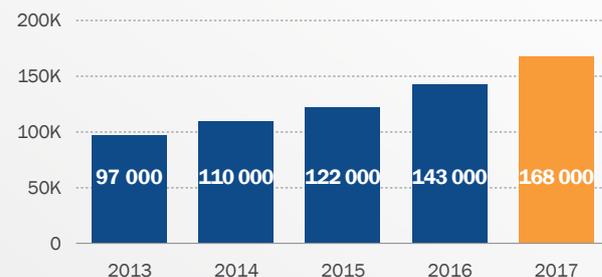


Consolidated EBT



Shipments

ACE shipments total (excluding Cargo Handling and Air Proxy shipments)





	2013	2014	2015	2016	2017
For the Year					
Consolidated Net Sales	17 592 607	19 959 583	22 193 450	22 801 605	27 212 474
Change of Net sales	-3%	13%	11%	3%	19%
EBT	1 547 030	1 536 464	1 867 872	2 060 656	2 024 035
Change of EBT	0%	-1%	22%	10%	-2%

Capital Ratios					
Return On Equity (ROE)	37%	38%	45%	44%	39%
Net profitability	7,0%	6,2%	7,1%	7,6%	6,1%

By the End of the Year					
Total assets	5 905 829	6 869 089	6 932 244	7 487 852	8 413 998
Share capital	28 116	28 116	28 116	28 116	28 112
Equity	3 208 297	3 284 308	3 695 842	3 657 468	3 853 355
Number of employees	113	113	121	131	134

Consolidated, EUR

2018 prospects



For 2018, we have set the goal of reaching a growth rate similar to previous year. It is indeed a very challenging target, but it can be achieved through direct customer contacts as well as implementing and further developing all the advantages that the e- environment can provide.

Further challenges for the company entail finding new growth opportunities through developing existing services, but also through working on new services and potential new markets.

I would like to thank all our employees, customers and partners, and to wish you all success!



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MD ACE Logistics Group

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