

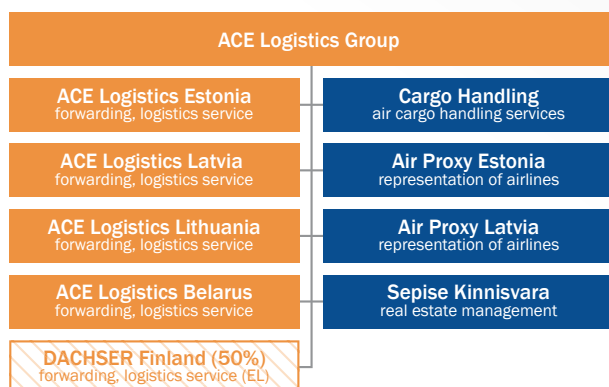


Annual Report 2018



ACE Logistics Group

ACE Logistics Group (hereafter also ACE) is a group of logistics firms operating in the Baltic and neighbouring countries.



ACE Logistics companies offer wide range of transport and logistics services. According to the long-term strategy, ACE 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 direct presence, ACE makes use of strategical partners worldwide. As a result, ACE has professional partners around the globe.

Vision

ACE's aim is to be one of the leading logistics service providers in the Baltic region.

Mission

ACE shall ensure persistent and long-term satisfaction of its three main stakeholders - customers, employees and shareholders.

Financial goals

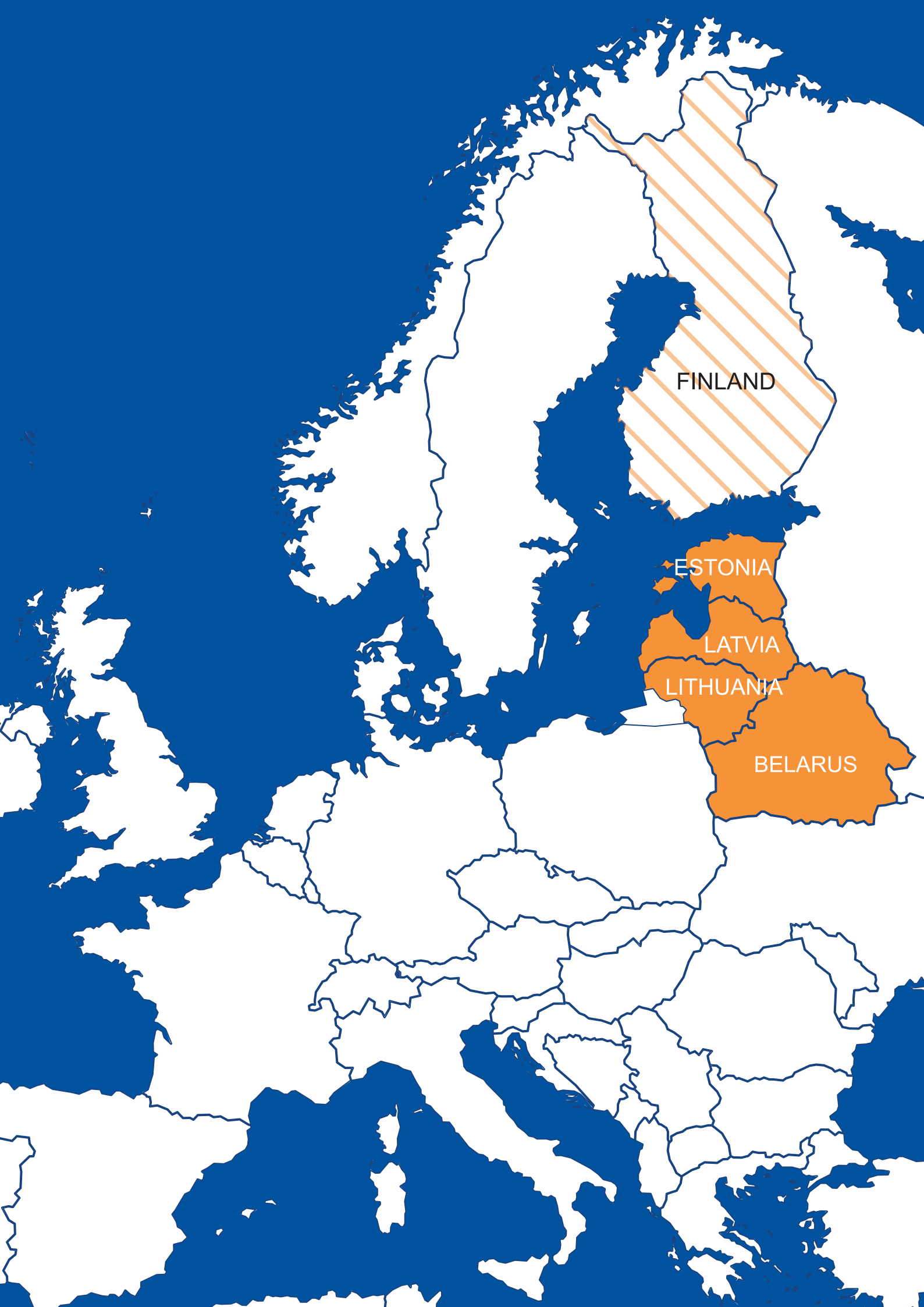
The main target of ACE is the steady increase of its value.

The increase of value is mainly assessed by long-term stable growth, profitability, return on equity and capability to pay dividends:

- Consolidated turnover growth shall exceed the growth of the logistics sector in the region and shall be twice the domestic GDP;
- Net profit margin shall be at least 5%;
- Return on equity shall be at least 30%.

Financial goals shall be achieved as the result of natural organic growth. At the same time, ACE is open to acquisitions and other modes of strategic partnerships. The policy for such partnerships in the home market is to retain majority ownership.

ACE investment policy foresees that needed investments are to be covered by cash-flow from its activities and by external capital. The principle of a "non-(hard)asset company" shall be maintained.



FINLAND

ESTONIA

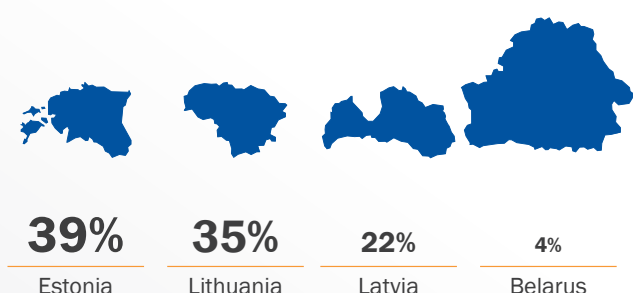
LATVIA

LITHUANIA

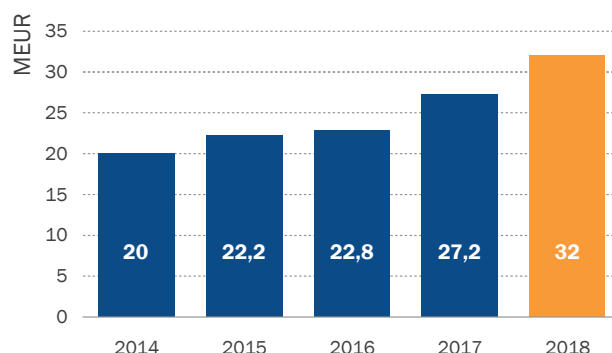
BELARUS

ACE Logistics in numbers

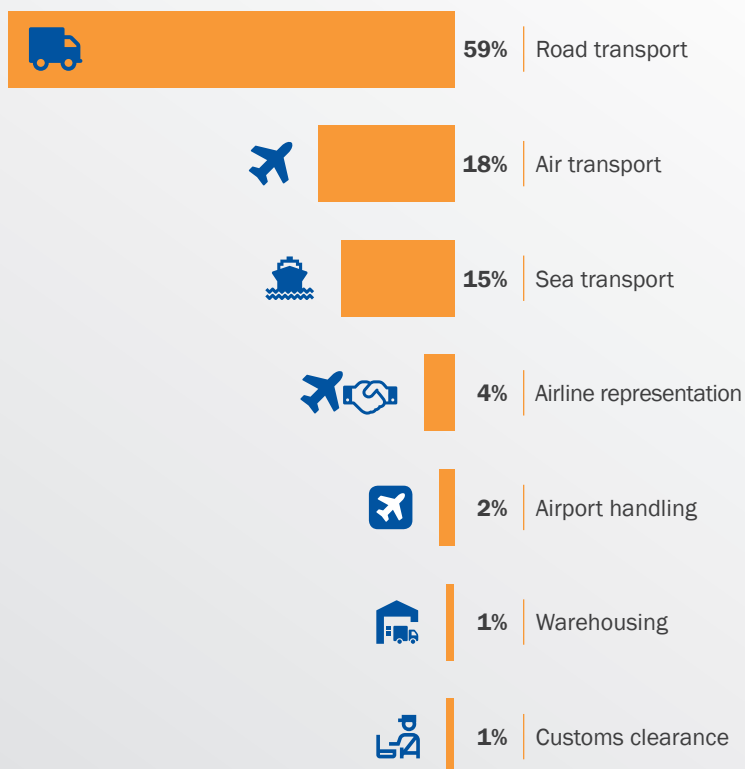
Net Sales per Country



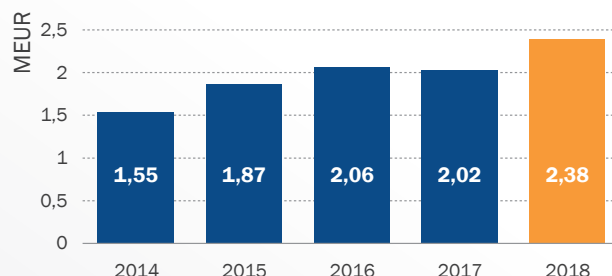
Consolidated Net Sales



Net Sales per Services

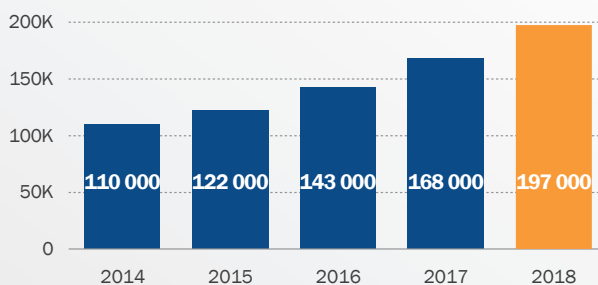


Consolidated EBT



Shipments

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





	2014	2015	2016	2017	2018
For the Year					
Consolidated Net Sales	19 959 583	22 193 450	22 801 605	27 212 474	31 981 897
Change of Net sales	13%	11%	3%	19%	18%
EBT	1 536 464	1 867 872	2 060 656	2 024 035	2 376 228
Change of EBT	-1%	22%	10%	-2%	17%

Capital Ratios					
Return On Equity (ROE)	38%	45%	44%	39%	42%
Net profitability	6,2%	7,1%	7,6%	6,1%	6,4%

By the End of the Year					
Total assets	6 869 089	6 932 244	7 487 852	8 413 998	9 691 033
Share capital	28 116	28 116	28 116	28 116	28 116
Equity	3 284 308	3 695 842	3 657 468	3 853 355	4 368 633
Number of employees	113	121	131	134	152

Consolidated, EUR



Achievements

In 2018, ACE Logistics Group consisted of 9 individual companies that are active in the field of logistics in Estonia, Latvia, Lithuania, Belarus and Finland.

I am very pleased to announce, that the financial year of 2018 was another year of sustainable growth for the whole ACE Logistics Group. Consolidated net turnover increased by +18% compared to year before and reached the level of 32 Million € in total. Number of shipments grew by +17% and, in overall, Group also exceeded its main strategic financial goals – net profitability margin was 6,4% and return on equity (ROE) 42%. Number of employees reached the level of 152.

On the whole, all business areas of the Group demonstrated a stable development. Similar to previous year, the biggest driver of growth was road transport, where net sales grew by +27% compared to year before.

Regular line hauls to and from different intra-European destinations play a major role in ACE Group road transport service portfolio. Daily direct connections to several hubs in connection with European-wide transport network provide fast and flexible transport solutions for our customers, who see this as a unique opportunity to shorten their supply chain lead times at reasonable cost level. During 2018, we were strengthening our current network set-up by adding additional capacity to existing line hauls, as well as utilizing the capacity more efficiently.

In recent years, in addition to network solutions for groupage cargo, special attention has been turned to developing part- and full load segment, which is becoming increasingly important for ACE year by year and these efforts are translating into positive growth trends.

Compared to road freight, air- and sea freight results are more dependable on extraordinary and short-term business projects. For example, excellent growth of airfreight volumes in 2017 (+23%) resulted from some of those projects and it did not continue in the same way during 2018 – as a result, total revenue from airfreight even decreased by -12% compared to year before. However, this was well forecasted.

At the same time sea- and rail freight volumes were showing very positive growth trends: +42% compared to previous year. It is also worth to mention that rail+road combination transport solutions for imports and exports from/to China are becoming more widely used by our customers, replacing traditional air- and sea freight direct transport solutions.

Customs clearance and warehousing services as supporting activities to transports also showed positive growth numbers: customs clearance net sales grew by +12% and warehousing net sales by +16%.

Airport handling and airline representation services showed also a positive stable growth trend in 2018, +10% and +6% respectively.



Business development

During 2018, we continued investments to further improve our IT systems. The main areas in this respect are in-house transport and warehouse management systems, as well as web-based solution (e-ace) for the customers' use.

During last couple of years, e-ace solution has become very popular and widely used among our customers. We have reached very high ratio of transport orders received as e-orders.

In autumn 2018, ACE Logistics participated in a growth program established by SEB and European Innovation Academy, which is aimed at helping companies to find new growth models and develop much faster than the market in general. For ACE Logistics, the goal for taking part in the program was to transform the e-ace environment into a more user-friendly tool that would allow to achieve the business results in as much automated and efficient manner as possible.

We consider digitization an inevitable step – especially when taking into consideration the fierce competition. Since the opening of the digital platform in 2014, the number of shipments transported by ACE Logistics has doubled by today. In addition to placing transport orders and tracking shipments, from 2017 onwards customers are also able to calculate transport costs directly in e-environment. We have noticed that since this option became available, the number of orders by many customers has significantly increased. This is because the system enables to calculate the cost in a convenient, quick and automated manner, thus saving time for the customer as well as for our sales staff.

Using all these e-ace functionalities, our co-operation with most of the customers became much more productive as both sides save valuable time by

changing information automatically and in a systematic way. Eventually, this allows ACE to provide its services to the customers at a more competitive price level.

The growth program helped to define ambitious goals and carry out the digitization of the business activities significantly faster. In addition to making the e-environment more user-friendly, we are planning to implement it more widely and effectively all over ACE Group companies.

In addition to digitization it is also crucial to develop the infrastructure. In 2018, ACE Logistics has bought a plot in Rae parish next to Tallinn for the new logistics centre. The construction is planned to start in 2019 and building is expected to be finished by early 2020.





As market share of ACE Group companies has grown fast, the total number of employees exceeds already 150. 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 2018, already 13 members of the ACE Logistics Group team had worked here for over 20 years. In autumn, we celebrated already the 25th year at ACE for one of our colleague. 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 years.

We believe the factors behind such an achievement are the management's attention to HR, good opportunities for career development, interesting field of activity, pleasant internal climate and good colleagues.

In satisfaction surveys, employees of ACE have mentioned our flexibility in terms of the working hours for students as a positive. ACE values education and professional employees, and has made every effort for students to be able to connect their studies and work. Every summer, 4-5 employees from ACE companies graduate their university studies. We have got great ideas for development from the degree theses that are focusing on ACE.

Also, the trainings offered by the company as well as career development opportunities in ACE have received positive ratings. The time spent together outside of office is certainly of no lesser importance. Every summer and winter, ACE organizes events for its employees. On the years of anniversary, all the

employees of ACE across countries are meeting to spend time together and get to know each other better. In addition to the above, we have done bicycle trips, went to theatre, played bowling and raced at the go-cart tracks.

ACE also values the families of our employees. The Christmas parties for children have already become a tradition at ACE. When a kid tells his parents, that he prefers to go to the ACE Christmas party instead of kindergarten Christmas party because the ACE party is much more fun then we take it as a huge compliment. On the "Go to work with parents" day, all the kids got to join their parents to work, looking around and observing what it is that we do. And who knows – maybe some of those kids now find the field of logistics to be their future dream job.





We are very proud that **Avo Möllits**, the head of IT at ACE Logistics Group, was elected by the IT Leadership Conference of 2018 to be Estonia's most influential IT leader.

In January 2019, the manager of IT at ACE Logistics Group, Avo Möllits, celebrated his 25th year of employment at ACE. This means that Avo has dedicated most of his post-university life to ACE. Avo is responsible for all IT support and development at ACE Group companies.

He has created and continuously developed a unique internal software that encompasses the functions of ordering the delivery service, tracking the shipment, calculating the prices, customer management system etc.

Avo has always remained a kind and humorous colleague who values a good joke, despite all the workload, responsibility and numerous requests and wishes of all the companies in the Group to supplement the programs. He is always an awaited guest at various events.

We are certain that the very good financial results of ACE Logistics Group also largely reflect Avo's work and that strong basis in IT is the foundation of future success of the company.





Our customers

Every year, ACE Logistics has a nice tradition of celebrating the company's birthday together with its great customers and partners. The year 2018 is especially remarkable as all the Baltic states celebrated together the 100th Anniversary of the Republic. It was a great opportunity to meet our good customers in Estonia, Latvia and Lithuania in a more festive atmosphere and thank them for their pleasant and long-term cooperation.

For several years, ACE Logistics has organized seminars for our clients in Estonia on various issues, where experts from different fields, our clients and our own employees speak about their experiences. The seminars have covered subjects such as insurance of goods, safe packaging of goods, Brexit, etc. These seminars have been well received by our customers, we have got positive feedback from these meetings and we try to carry out similar events in other countries in the near future, as well.

We have received good feedback on our services from our customers from all such meetings, including sales visits. This shows that we are on the right track in developing our services and our customer service level is highly valued, as well.

This is further confirmed by the customer satisfaction survey conducted at the beginning of 2019, which was carried out in three Baltic countries.

We are glad to note that the Customer Satisfaction Index remains as high as last year. In Baltic states, we received responses from over 400 customers. Across the countries, the Satisfaction Index averaged 9,1 of 10. The average Recommendation

Index is 77%. Most of the responders to the survey would recommend ACE Logistics as a partner to both friends and acquaintances, and continue to work with us in future. Also the convenience of placing orders as well as the speed of receiving price quotes were rated very highly.

As part of the growth program, we also carried out a customer satisfaction survey of the e-environment. We are happy to declare that general satisfaction with our e-environment is high. Over 92% of respondents are either satisfied or very satisfied with placing orders in e-environment. 62% of respondents are either satisfied or very satisfied with shipment tracking, and over 60% with the cost calculator.

Based on the feedback, we outlined the most crucial and critical points for us to consider when developing the e-environment further, which will hopefully lead to increased sales functionality of the e-environment already in next few months. This, in turn, will enable us to conduct sales more efficiently.





Social responsibility and sponsorship

ACE Logistics sponsors three main activities:

- **Study of logistics**, aimed at making the company known to future logistics specialists and to attract top talent.
- **Sports sponsorship**, focusing on movement and speed that reflect our image in the logistics sector.
- **Supporting socially disadvantaged people.** We do this because we care – not only about our employees and customers, but we also care about the less fortunate members of our society.

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 the year 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.

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 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 a flexible schedule to employees who are still finishing their studies, which is often highlighted as a positive example in our satisfaction survey.

Sports

ACE Logistics has a continuous sponsorship agreement with an NGO called Adventure Sports Club Xdream for supporting their successful adventure sports series called ACE Xdream. We have supported the ACE Xdream races already since the year 2008. ACE Xdream is a series of sports events requiring good physical shape as well as quick mind and where success is rooted in smooth teamwork. A number of our own employees participate in this competition actively.

In 2018, for the first time we sponsored the Sports day of school pupils from Tallinn. This is the largest smart orienteering competition for school pupils in Estonia. Sports day took place in the city center and old town of Tallinn during two days in autumn and brought together nearly 4000 school pupils. We are glad to do our bit in helping to change the sporting habits of children and who knows – maybe this even gives rise to talented offspring for the ACE Xdream competition.





Supporting the socially disadvantaged

At Christmas time, we continued to help talented children to carry out their studies, musical interest and sporting activities through the Union for Child Welfare. We are happy to have the opportunity to help children develop and in 2018 we supported them with 10 000 euros. In cooperation with Union for Child Welfare, a drawing competition called “Me in the changing digital world” was organized and with colleagues we picked out the illustration for ACE’s 2019 calendar. This drawing was made by 8 year-old Vika Uljanova from the 3rd grade of the state school of Narva old town. The calendars with her illustration are decorating the office walls of our customers.

We also continue our cooperation with the Tallinn support center JUKS. The paintings made by their students are decorating the walls of our office. Everyone can purchase the paintings and thus support the activities of JUKS.

Every summer, we participate at the charitable Office Rat Race and we are also their partner for logistics. The funds that are raised every year are donated for charitable purposes such as tuition of children in

orphanages or support for large families. In Lithuania, our company is involved in a charity project with the Order of Malta Relief Organization. In Latvia, ACE Logistics is the benefactor of a small rural orphanage in the Madona district, named Ozoli Care and Support Center.

World Cleanup Day

On September 15th in 2018, we took part in the World Cleanup Day with the Estonian company.

World Cleanup Day was the largest civic initiative in the history of our planet and it got started in Estonia. Nearly 18 million people from 157 countries joined forces on one special day to make a step towards a cleaner world and draw attention to the global garbage problem.

ACE Logistics decided to take part in this brave endeavor and supported the building and working of the Estonian Cleanup Day logistics team. At the same time, we called for all our employees and customers to map the garbage locations as well as to take part in the cleanup.



2019 prospects

For 2019, we have set ourselves the goal of reaching a growth rate similar to previous year. It is indeed a very challenging target and can only be realized through active sales policy, as well as by implementing and improving further our IT solutions together with our good partners and customers.

Further challenges for the company entail finding new opportunities for growth 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 wish you all success!



Andres Matkur
MD ACE Logistics Group



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