

SPEEDY AD

NON-CONSOLIDATED STATEMENT OF FINANCIAL STANDING

As of 31 December 2018

SPEEDY AD

Sofia

**EXPLANATORY NOTES
TO THE
NON-CONSOLIDATED FINANCIAL STATEMENT**

31 DECEMBER 2018

EXPLANATORY NOTES

Core Activity

During the last quarter of 2018, “Speedy” AD finalized the acquisition of 100% of its competitor “Rapido Express and Logistics” OOD. The latter will continue to operate as a separate company, while the value of the deal will depend on the achieved results during the 30 months period after the acquisition. The acquisition will strengthen the position of the company on the market and especially in e-commerce, where Rapido has a stronghold. The acquisition of Rapido will have a positive impact on the profitability of “Speedy” AD as a result of economy of scale.

The software company OMG, which during the past years had main role in developing new applications serving the core activity of “Speedy” AD and that were implemented not only in Bulgaria but in Romania and Greece as well, was acquired at the end of the year. The value of the deal is EUR 2 million, out of which 75% will be repaid in 5 years and the final deal value depends on retaining certain key employees of OMG during that period.

Part of the Company’s strategy for expanding its positions in the segment of individual customers, is the development of its office network. During the last year the overall renovation of the offices was finalized. The expansion and optimization continues with the focus on medium and small towns. By the end of 2018 the network reached 426 point-of-sales (incl. 56 APSs)

Since 01.09 were introduced a new pricelist named “Standard 24-hours+”. It is a solution offering considerably lower price level to clients for parcels deliveries from office to office. The price update continues our policy to enhance our presence in online trade as well as to make our pricing more simplified and transparent for clients. “Standard 24-hours+” is going to be the base in the pricing for all deliveries to / from address. In response to demand for pick up – drop off from / to address, to the tariff for delivery to / from office we will calculate supplemental fee for pick up from address and / or drop off to address. In order to promote APS service, we offered to clients 50% discount until 01.02.2019 for any delivery to / from APS.

Successfully continues the regional market development with the service Speedy Balkans, which is the best performing segment during the year. The main contributor are the deliveries from / to Romania but after the successful launch of the deliveries to / from Greece last year the latter also increase with a high pace. Speedy JSC acquired the DPD franchise for Greece. The activity will be carried out through the branch of Geopost Bulgaria registered in Thessaloniki. The company offers international deliveries to / from Europe through DPD network, while deliveries within Greece continue to be carried out through the local partner. Although at early stage, the service shows promising results.

The amount invested during the period is BGN 5.9 million, with over 60% of them are channeled for vehicles, BGN 1.2 million for maintenance and equipment for warehouses and offices and the rest is for technical equipment.

Financial results

Non-consolidated basis

The steps undertaken in the middle of last year for improving the pricing and services definition processes and standardising of the deliveries, initially resulted in a slowdown of revenue growth but in the end of last year and beginning of 2018 the trend rebounded. On annual base the growth of the revenues reached 18% and in Q4 2018 only, the increase is over 21%.

Growth is generally distributed across all segments and markets and mainly in those that the company is focused on during the past years - Speedy Balkans, individual customers. At the same time a high growth of over 10% remains in the traditional segment of corporate customers. The international deliveries continue to keep a high pace by adding almost 21% in 2018.

Revenue structure, non-consolidated

In BGN '000	2017	2018	Change	Q4 17	Q4 18	Change
Domestic market	88 737	105 041	18.4%	24 707	30 618	23.9%
<i>% of the total revenues</i>	82.7%	82.8%		81.4%	83.2%	
International market	14 074	16 984	20.7%	4 147	4 960	19.6%
<i>% of the total revenues</i>	13.1%	13.4%		13.7%	13.5%	
Others	4 553	4 909	7.8%	1 514	1 220	-19.4%
<i>% of the total revenues</i>	4.2%	3.9%		5.0%	3.3%	
Number of parcels delivered	17 710	22 294	25.9%	4 905	6 788	38.4%
Total revenues	107 364	126 934	18.2%	30 368	36 798	21.2%

Cost structure, non-consolidated

In BGN '000	2017	2018	Change	Q4 17	Q4 18	Change
Costs of materials	5 948	7 645	28.5%	1 714	2 707	57.9%
Costs of external services	56 301	66 380	17.9%	15 972	19 480	22.0%
Compensation costs	25 333	28 947	14.3%	7 302	8 549	17.1%
Other operating costs	2 252	1 578	-29.9%	717	499	-30.4%
Depreciation	8 050	8 005	-0.6%	2 076	1 905	-8.2%
EBITDA	17 530	22 384	27.7%	4 663	5 563	19.3%
Net profit for the period	8 354	13 229	58.4%	2 260	3 320	46.9%

The optimization in processes and costs cutting have affected positively current year as well. The effects are in the expenses with the largest share in the cost structure – subcontractors and payroll. Both are growing slower than revenue. The most considerable improvements are in “Other operating expenses” where decrease is in all items - Indemnities for parcels, representative expenses and others.

As a result, the profitability improves dramatically, EBITDA margin increased to 17.6%, compared with 16.3% in 2017 while the Net Income margin jumped to 10.4% compared to 7.8% in 2017. On annual base EBITDA increased with 27.7% and the Net income goes up with 58.4%. On the net income weighted also BGN 0.5m higher financial income – from dividends and interest income.

During Q4 2018 is reported a current expense for technical equipment bought in amount of BGN 800 thousand. Due to that there is a significant increase in costs of materials, especially during the last two quarters of the year. By eliminating this single effect the growth in costs of materials is with a lower pace compared to the change in revenues.

RISK FACTORS IN COMPANY OPERATIONS.

“Speedy“ AD aims at keeping a low-risk profile through maintaining a low level of financial and operating leverage, high level of efficiency, implementation of strict rules and procedures in operations and strict compliance, diversification of customer base and suppliers.

Macroeconomic risk

Speedy “AD covers the whole country and provides services to companies of different sectors of the economy. Hence, the activity of the company depends heavily on economic conditions and overall business environment. Potential shrinking of the economy and the consumption would affect the profit margins, while a considerable and prolonged slow-down in the business activity might lead to a negative trend in the revenues. The company mitigates the risk by maintaining a high level of financial independence and constantly invests in efficiency improvement, which allows to achieve profitability well above its competitors.

Regulatory risk

The regulatory risk is associated with adoption of regulations, which might result in additional costs or restrictions on the activity of the company. Currently, are not expected implementation of changes, which may encumber the activity or may involve additional costs.

Interest rate risk

All interests-bearing liabilities of “Speedy“ AD are with floating interest rates, EURIBOR and SOFIBOR. Respectively, the increase in the overall interest levels would have a negative effect on the company. The expansionary monetary policy of the leading central banks dampen the main interest rates and most likely these levels will be sustained in the medium term, and considerable negative change is unlikely.

Credit risk

Almost 80 % of the revenues are generated from customers under contracts and therefore the service is not paid, when rendered, but on a monthly basis. In case of deterioration of economic situation, the amount of the past-due receivables may increase considerably. The company has implemented a detailed and strict system to monitor the accounts payable and their maturity, as well as a procedure for action in case of overdue payment. Following the improvement in economic situation, the provisions for past-due payments considerably decreased during the recent years and the company was able to collect a substantial part of its receivables, which had already been provisioned. As a result, the total amount of the accumulated provisions are decreasing during the recent years.

The cash is kept with a view to the lowest risk. The banks of the company are with the highest rating in the country.

Price risk

The price risk is related to the average inflation level of the country and to the level of competition. After 2009, the inflation in the country is low and in 2014 it reached negative levels. That combined with the high competition, put pressure on the prices of the services. Thanks to investments in efficiency and improvement of the processes, “Speedy“AD manages to maintain its competitiveness and has an opportunity to achieve high profitability despite of the price pressure.

Currency risk

The exposures of the company’s currency incurred due to deliveries to and from abroad, whose share in the total revenues is currently low. The bigger part of the currency operations are carried out in EUR. Therefore, the total effect of the change in the exchange rates is negligible. The

increase in the international deliveries is one of the main sources of growth in the future, which is also expected to lead to an increase in the currency exposure in the long run. During this year, transactions were carried out in EUR, BGN and RON. If the fixed exchange rate BGN – EUR is maintained, in the medium term we do not envisage considerable effect on the financial result of the company caused by the changes in the exchange rates. After the acquisition of DPD Romania SA, transactions in RON increased substantially and, respectively, the currency risk exposure. The share in the total revenues of the operations in RON is small and do not have a considerable effect on the final result. The change in the BGN/RON exchange rate has a considerable effect on consolidation of DPD Romania SA, since the revenues constitute about 30 % of the consolidated revenues.

Liquidity risk

The liquidity risk is the risk that the company may not be able to meet its due payments. “Speedy“ AD has considerable payables related with the payment under lease agreements and to its suppliers.

When managing its liquidity, the company tunes its payments in accordance with the expected future cash flows. In addition, cash reserves are maintained as a buffer in case of potential unfavorable market and economic circumstances and, respectively, temporary shrinking of the cash proceeds. Up to now, the company generates considerable positive cash flow, which allows to meet maturing payments timeously and maintaining solid liquidity indicators.

NON-CONSOLIDATED FINANCIAL STATEMENTS

SPEEDY AD

AS OF 31.12.2018

SPEEDY AD**NON-CONSOLIDATED STATEMENT OF FINANCIAL STANDING**

As of 31 December 2018

		<u>31.12.2018</u>	<u>31.12.2017</u>
	<i>Notes</i>	<u>BGN'000</u>	<u>BGN'000</u>
ASSETS			
Non-current assets			
Property, plant and equipment	3	24,243	26,122
Intangible assets	4	2,292	2,603
Investments in subsidiaries	5	42,093	26,447
Loans to related parties	29	5,867	5,867
Deferred tax assets	6	263	263
Total non-current assets		<u>74,758</u>	<u>61,302</u>
Current assets			
Inventories	7	333	261
Trade receivables	8	18,093	12,126
Current part of long-term receivables from related parties	29	4,539	3,134
Other receivables and prepayments	9	1,715	3,845
Cash and cash equivalents	10	7,580	7,293
Total current assets		<u>32,260</u>	<u>26,659</u>
TOTAL ASSETS		<u><u>107,018</u></u>	<u><u>87,961</u></u>

SPEEDY AD**NON-CONSOLIDATED STATEMENT OF FINANCIAL STANDING**

As of 31 December 2018

EQUITY AND LIABILITIES**Equity**

Share capital	11.1	5,378	5,378
Statutory reserves	11.2	538	538
Premium reserves	11.2	19,565	19,565
Retained earnings	11.3	17,349	15,452
Current profit	11.3	13,229	8,350

Total equity**56,059** **49,283****Non-current liabilities**

Long-term interest bearing liabilities	12	8,984	13,531
Subsidies	13	119	439
Long-term provisions for pension benefits	14	157	157

Total non-current liabilities**9,260** **14,127****Current liabilities**

Current part of long-term interest bearing liabilities	12	8,248	8,501
Accounts payable	15	7,988	4,744
Payables related to remunerations and for social securities	16	4,691	3,660
Tax payables	17	1,348	1,562
Subsidies	13	320	320
Other current liabilities	18	19,104	5,764

Total current liabilities**41,699** **24,551****TOTAL EQUITY AND LIABILITIES****107,018** **87,961**

The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statements.

Executive Director:

Valery Mektupchiyan

Chief Accountant:

Stefka Levidzhova

SPEEDY AD**NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

as of 31 December 2018

	<i>Notes</i>	<u>31.12.2018</u> BGN'000	<u>31.12.2017</u> BGN'000
Revenues	19	122,025	102,811
Other revenues(losses) from the core activity, net	20	4,909	4,553
Costs of materials	21	(7,645)	(5,948)
Costs of external services	22	(66,380)	(56,301)
Compensation costs	23	(28,947)	(25,333)
Depreciation and amortization	3, 4	(8,005)	(8,050)
Other operating expenses	23	(1,578)	(2,252)
Operating profit		<u>14,379</u>	<u>9,480</u>
Financial revenues	24	865	407
Financial expenses	25	(545)	(571)
Financial revenues/expenses, net		<u>320</u>	<u>(164)</u>
Profit before taxes		<u>14,699</u>	<u>9,316</u>
Income taxes	26	(1,470)	(966)
Net profit for the year		<u>13,229</u>	<u>8,350</u>
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Premeasurements of defined benefit pension plans			4
	14	-	4
<i>Items that may be reclassified to profit or loss</i>		-	-
Other comprehensive income for the year, net of tax		<u>-</u>	<u>4</u>
Total comprehensive income for the year		<u>13,229</u>	<u>8,354</u>
Earnings per share			
BGN	27	2.47	1.56

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Chief Accountant:

Stefka Levidzhova

Приложения 31.12.2018 31.12.2017
BGN'000 BGN'000

SPEEDY AD**NON-CONCOLIDATED STATEMENT OF CASH FLOWS**

as of 31 December 2018

Cash flows from operating activity

Proceeds from customers	146,101	124,990
Payments to suppliers	(89,533)	(75,957)
Payments related to remunerations and for social security	(27,696)	(24,336)
Tax payments	(9,724)	(8,473)
Income tax paid	(1,302)	(784)
Other proceeds/payments, net	<u>2,068</u>	<u>3,218</u>
Net cash flow from operating activity	<u>19,914</u>	<u>18,658</u>

Cash flows from investing activity

Purchase of plant and equipment	(2,143)	(4,353)
Proceeds from sale of plant and equipment	321	304
Extended loans to related parties	(1,693)	(2,382)
Loans repaid from related parties	-	615
Interest on loan extended to related parties	636	480
Fixed asset investment	(2,200)	-
Dividends received	325	34
Other proceeds/payments from investing activity	<u>298</u>	<u>-</u>
Net cash flow from investing activity	<u>(4,456)</u>	<u>(5,302)</u>

Cash flows from financing activity

Payments under financial lease agreements	(5,981)	(5,838)
Proceeds from long-term loans	-	2,503
Repayment of long-term loans	(3,004)	(2,456)
Proceeds from extended loans to related companies	500	400
Repayment of loans from related companies	-	(400)
Paid interests and bank charges	(172)	(214)
Dividends paid	(6,444)	(6,030)
Issuance of equity	<u>-</u>	<u>42</u>
Net cash flow from financing activity	<u>(15,101)</u>	<u>(11,993)</u>

Change in cash and cash equivalents

Net effect of changes in exchange rates	(70)	(81)
Cash and cash equivalents on 1 st January	<u>7,293</u>	<u>6,011</u>
Cash and cash equivalents as of 31st December	<u>7,580</u>	<u>7,293</u>

The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statements.

Executive Director:

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Stefka Levidzhova

SPEEDY AD**EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENT**

AS OF 31.12.2018

		Share capital	Premium reserves	Statutory reserves	Retained earning	Total
	Notes	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as of 1 January 2017	19	5,336	19,565	534	21,482	46,917
Change in equity for 2017						
Issuance of shares		42	-	-	-	42
Distribution of profits, incl.		-	-	4	(6,034)	(6,030)
* Reserves		-	-	4	(4)	-
* Dividends		-	-	-	(6,030)	(6,030)
Total comprehensive income for the year, incl.		-	-	-	8,354	8,354
* Net income for the year		-	-	-	8,350	8,350
* Other comprehensive income, net of taxes		-	-	-	4	4
Balance as of 31 December 2017	19	5,378	19,565	538	23,802	49,283
Change in equity for 2018						
Distribution of profits, incl.		-	-	-	(6,453)	(6,453)
* Reserves		-	-	-	-	-
* Dividends		-	-	-	(6,453)	(6,453)
Total comprehensive income for the year, incl.		-	-	-	13,229	13,229
* Net income for the year		-	-	-	13,229	13,229
* Other comprehensive income, net of taxes		-	-	-	-	-
Balance as of 31 December 2018	19	5,378	19,565	538	30,578	56,059

The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statements.

Executive Director:

Valery Mektupchiyan

Chief Accountant:

Stefka Levidzhova

3. PROPERTY, PLANT AND EQUIPMENT

Non-consolidated Financial Statement as of 31 December 2018

SPEEDY AD**EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENT**

AS OF 31.12.2018

The property, plant and equipment of the company consist of machinery, equipment, vehicles, and other assets whose book value for the presented periods could be analyzed as follows:

	Plant and equipment	Vehicles	Computers	Investments in rented assets	Other	Total
31 December 2017						
Book value at the beginning of the period	2,600	15,399	2,018	2,202	4,957	27,176
Acquired	366	5,198	402	115	447	6,528
Written-off	-	(1,567)	(2,261)	-	(9)	(3,837)
Depreciation	(414)	(5,249)	(711)	(552)	(514)	(7,440)
Written-off depreciation	-	1,429	2,261	-	5	3,695
Book value at the end of the period	2,552	15,210	1,709	1,765	4,886	26,122
31 December 2017						
Initial value	4,708	35,437	5,140	4,363	6,623	56,271
Accumulated depreciation	(2,156)	(20,227)	(3,431)	(2,598)	(1,737)	(30,149)
Book value	2,552	15,210	1,709	1,765	4,886	26,122
31 December 2018						
Book value at the beginning of the period	2,552	15,210	1,709	1,765	4,886	26,122
Acquired	690	3,590	509	586	794	6,169
Written-off	-	(3,045)	(191)	-	(492)	(3,728)
Depreciation	(472)	(5,068)	(702)	(539)	(569)	(7,350)
Written-off depreciation	-	2,864	163	-	3	3,030
Book value at the end of the period	2,770	13,551	1,488	1,812	4,622	24,243
31 December 2018						
Initial value	5,398	35,982	5,458	4,949	6,925	58,712
Accumulated depreciation	(2,628)	(22,431)	(3,970)	(3,137)	(2,303)	(34,469)
Book value	2,770	13,551	1,488	1,812	4,622	24,243

4. INTANGIBLE ASSETS

The intangible assets of the Company consist of software, whose book value for the presented periods can be analysed as follows:

	Software	Cost of acquired assets	Total
31 December 2017			
Book value at the beginning of the year	1,992	915	2,907
Acquired	228	78	306
Written-off	-	-	-
Depreciation	(610)	-	(610)
Written-off depreciation	-	-	-
Book value at the end of the year	1,610	993	2,603
31 December 2017			
Initial value	6,159	704	6,863
Accumulated depreciation	(4,260)	-	(4,260)
Book value	1,899	704	2,603
31 December 2018			
Book value at the beginning of the year	1,899	704	2,603
Acquired	11	333	344
Written-off	-	-	-
Depreciation	(655)	-	(655)
Written-off depreciation	-	-	-
Book value at the end of the year	1,255	1,037	2,292
31 December 2018			
Initial value	6,170	1,037	7,207
Accumulated depreciation	(4,915)	-	(4,915)
Book value	1,255	1,037	2,292

5. INVESTMENTS IN SUBSIDIARIES

As of 31 December 2018, the investments in subsidiaries are as follows:

	<u>31.12.2018</u>	share	<u>31.12.2017</u>	share
	BGN'000		BGN'000	
Speedy EOOD	982	100%	982	100%
Geopost Bulgaria EOOD	8,165	100%	8,165	100%
DPD S.A., Romania	17,300	100%	17,300	100%
Rapido Express and logistics EOOD	11,735	100%	-	-
OMG Mobile EOOD	3,911	100%	-	-
Total	42,093		26,447	

6. INVENTORIES

As of 31 December 2018 in the value of inventories are included:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	BGN'000	BGN'000
Materials	258	153
Fuel	75	108
Total	333	261

7. TRADE AND OTHER RECEIVABLES

	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
	BGN'000	BGN'000	BGN'000
Receivables from customers	19,067	12,933	11,111
Less impairment	(974)	(807)	(1,111)
Receivables from customers, net amount	18,093	12,126	10,000
<i>including receivables from related parties (Note 29)</i>	<i>5,370</i>	<i>1,349</i>	

The change of the impairment has been changed as follows:

	<u>2018</u>	<u>2017</u>
	BGN'000	BGN'000
At the beginning of the year	807	922
Impairments booked	167	70
Impairments recovered	-	-
Written-off impairments	-	(185)
At the end of the period	974	807

8. OTHER RECEIVABLES AND PREPAYMENTS

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Receivables on payments made on behalf of related parties	-	1,192
Prepayments	745	901
Receivables from trustees	-	601
Deposits	742	673
Receivables on government grants	-	298
Receivables on payments made on behalf of third parties	-	159
Advances paid	228	19
Other receivables	-	2
Общо	1,715	3,845

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Pitty cash	1,943	4,571
Cash in bank accounts	5,358	2,570
Petty	279	152
Total	7,580	7,293

10. EQUITY**10.1 SHARE CAPITAL**

As of 31.12.2018 г. registered capital of the Company consists of 5,377,619 ordinary shares with par value of BGN 1 per share. All shares entitle to a dividend and to a liquidation share and represent one vote at the General Meeting of Shareholders of the Company.

	2018	2017
	Number of shares	Number of shares
Number of issued and fully paid-in shares:		
At the beginning of the year	5,377,619	5,377,619
Number of issued and fully paid-in shares	-	-
Number of shares, outstanding on 31 December 2018	5,377,619	5,377,619

The list of the main shareholders of the Parent Company is the following:

SPEEDY AD**EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENT**

AS OF 31.12.2018

	31.12.2018		31.12.2017	
	Number of shares	%	Number of shares	%
Speedy Group AD	3,500,367	65.09%	3,500,367	65.09%
Geopost SA, France	1,333,979	24.81%	1,333,979	24.81%
Other natural and legal entities	543,273	10.10%	543,273	10.10%
Total	5,377,619	100.00%	5,377,619	100.00%

10.2 STATUTORY RESERVES

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Statutory reserves	538	538
Total	538	538

The statutory reserves are formed from setting aside 10% of the net profit in accordance with the requirements of the Commercial Act and decision of the General Meeting of the shareholders. According to the requirements, the statutory reserves should be minimum 10% of the registered capital. These reserves are non-distributable.

10.3 PREMIUM RESERVES

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Premium reserves	19,565	19,565
Total	19,565	19,565

The share premium of the Company amounting to BGN 19,565 thousand is formed by the proceeds, received above the par value of the shares issued in 2014 with issue price per share BGN 23.

10.4 RETAINED EARNINGS

Changes of the <i>undistributed profit</i> is as follows:	31.12.2018	31.12.2017
	BGN '000	BGN '000
Balance as of 1 January	23,802	21,482
Net profit for the year	13,229	8,350
Dividends distributed	(6,453)	(6,030)
Actuary losses from revaluations, net of taxes	-	4
Distribution for reserves	-	(4)
Balance as of 31 September 2018, including	30,578	23,802
<i>undistributed profit</i>	<i>17,349</i>	<i>15,452</i>
<i>current profit</i>	<i>13,229</i>	<i>8,350</i>

11. INTEREST BEARING LIABILITIES

The interest bearing liabilities as of 31 December 2018 include:

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Payables under financial lease agreements	11,311	13,100
Long-term bank loans	5,921	8,932
Total	17,232	22,032
<i>non-current part</i>	<i>8,984</i>	<i>13,531</i>
<i>current part</i>	<i>8,248</i>	<i>8,501</i>

Under a financial lease agreement, the Company has acquired machinery, computers, vehicles and equipment.

As of 31.12.2018, the payables of the Company under financial lease agreements are the following:

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Payables under financial lease agreements	11,311	13,100
- Long-term part	6,028	7,558
- Short-term part	5,283	5,542
Total	11,311	13,100

The lease agreements consist of fixed lease payments and purchase option at the end of the term of the lease.

As of 31.12.2018, amount due under bank loans are the following:

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Payables under received loans from banks, incl.:	5,921	8,933
- <i>short-term part</i>		
- <i>long-term part</i>	2,965	3,012
Total	2,956	5,921
Payables under received loans from banks, incl.:	5,921	8,933

12. TRADE AND OTHER PAYABLES

As of 31.12.2018, the trade and other payables include:

	31.12.2018	31.12.2017
	BGN'000	BGN'000
Trade payables	5,230	3,013
Payables to related parties	2,758	1,731
Payables for remunerations	3,705	2,937
Payables for social security	986	723
Taxes payable	1,348	1,562

SPEEDY AD**EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENT**

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Other payables	19,104	5,764
Total	33,131	15,330

13. REVENUES

The revenues of the Company consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from courier services	122,025	102,811
Total	122,025	102,811

14. OTHER REVENUES

Other revenues of the Company consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from renting out of motor vehicles	3,329	3,130
Other revenues	1,260	910
Financing	320	513
Total	4,909	4,553

15. COSTS OF MATERIALS

Costs of materials include:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Fuels	3,738	3,263
Delivery-related materials	1,658	1,638
Office materials and consumables	335	296
Uniforms	312	257
IT consumables	1,204	280
Other costs	398	214
Total	7,645	5,948

16. COSTS OF HIRED SERVICES

Costs of hired services consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Subcontractors	51,011	43,053
Rents	4,380	3,553
Communications and utility services	1,812	1,531
Vehicle maintenance	2,821	2,884
Insurance	1,569	1,418
Office/warehouse maintenance	865	562
Staff training	170	204
Marketing	732	459
Audit, consultant and other services	1,799	1,540

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Other costs	733	764
Fees	488	333
Total	66,380	56,301

17. COMPENSATION COSTS

Compensation costs consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Salaries and wages	24,704	21,761
Social security contributions	4,243	3,572
Total	28,947	25,333

18. OTHER OPERATING COSTS

Other operating expenses of the Company consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Indemnities for parcels	572	969
Representation costs	433	618
Other costs	573	665
Total	1,578	2,252

19. FINANCIAL INCOME

Financial income of the Company consists of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interests income	537	373
Dividends	328	34
Total	865	407

20. FINANCIAL EXPENSES

Financial expenses of the Company consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interest expenses	426	542
FX exchange loss, net	89	-
Other	30	29
Total	545	499

21. TAXES

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The main components of the income taxes, as well as the relation between the tax costs and the accounting profit are explained as follows:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Accounting profit before taxes	14,699	9,521
Increase	-	149
Decrease	-	-
Taxable net income	14,699	9,670
Income tax	(1,470)	(967)
Tax rate	10%	10%
Deferred taxes	-	-
Tax rate	10%	10%
Total income tax and deferred taxes	(1,470)	(967)
Net income	13,229	8,554

22. EARNINGS PER SHARE AND DIVIDENDS**22.1 Earnings per share**

The earnings per share use distributable net income as a numerator.

Weighted average number of shares used for calculating EPS as well as distributable net income are presented below:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Distributable net income /BGN'000. /	13,229	8,554
Weighted average number of shares	5,356,712	5,377,619
Earnings per share /BGN per share/	2,47	1,60

22.2 Dividends

No dividends distributed in Q4.

23. RELATED PARTIES TRANSACTIONS

If not stated explicitly, the transactions with related parties are not carried out under special conditions and no guarantees were either granted or received. The recorded amounts are paid by wire.

Related Party	Type of relationship
Speedy Group AD	Parent Company

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Speedy EOOD	Subsidiary
Geopost Bulgaria EOOD	Subsidiary
DPD S.A., Romania	Subsidiary
Dragomir Winery Estate OOD	Company under common control
Transbankan group OOD	Company under common control
Transabalkan group Romania	Company under common control
Omnicar BG EOOD	Company under common control
Omnicar Auto OOD	Company under common control
Omnicar C EOOD	Company under common control
Omnicar oil EOOD	Company under common control
Omnicar rent EOOD	Company under common control
Bulrom gas 2006 OOD	Company under common control
Geopost S.A., France	Shareholder with significant influence

Extended loans

As of 31 December 2018, Company's receivables from extended loans are as follows:

	2018	2017
	BGN'000	BGN'000
Dynamic Parcel Distribution S.A., Romania incl.	10,406	9,001
- principal	10,369	8,736
- interest	37	265
Total	9,132	9,001
<i>incl. current part</i>	<i>5,867</i>	<i>5,867</i>
<i>incl. non-current part</i>	<i>4,539</i>	<i>3,134</i>

On 01.12.2014 the Company signed a contract with the subsidiary Dynamic Parcel Distribution S.A., Romania for extending a loan in amount of EUR 3,000 thousand with maturity 15.12.2020. The agreed interest rate is in the range between 3% and 5%.

With an Additional agreement from 01.04.2016 the extended amount is increased to EUR 5,000 thousand. The maturity of the additionally extended amount is 15.08.2020.

Trade and other receivables from related parties

	31.12.2018	31.12.2017
	BGN '000	BGN '000
Receivables from subsidiaries	4,959	1,029
Receivables from companies under common control	53	108
Receivables from shareholders with significant influence	358	212
Total	5,370	1,349

Trade and other payables to related parties

The payables to related parties include:

31.12.2018	31.12.2017
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SPEEDY AD**EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENT**

AS OF 31.12.2018

	BGN '000	BGN '000
Trade payables, incl.	2,648	1,498
Payables to subsidiaries	2,197	974
Payables to companies under common control	451	524
Other payables, incl.	110	233
Deposits from the Members of the BoD	110	110
Total	2,758	1,731

The company has payables to the BoD's members in amount of BGN 110 thousand (31.12.2017: BGN 110 thousand) in compliance with art. 240, para 1 of Commercial Code.

Commercial transactions with related parties*Sales to related parties*

	31.12.2018	31.12.2017
	BGN '000	BGN '000
	14,754	9,437
Subsidiaries	10,473	5,654
Companies under common control	3,328	3,210
Shareholders with significant influence	953	573

Purchases from related parties

	31.12.2018	31.12.2017
	BGN '000	BGN '000
	18,847	19,139
Companies under common control	12,028	13,883
Subsidiaries	7,536	5,256

The purchases of services from companies under common control include mainly transportation services made by Transbalkan group OOD, rentals from Sofia City Logistic Park EOOD and maintenance of vehicles from Omnica Auto OOD.

INFORMATION under Appendix 9 from regulation 2 of FSC

1. Information about change of persons exercising control over the company.

On 27.11.2018 a change in the members of the Board of Directors of Speedy AD was registered in the Commercial register. Cedric Favre-Lorraine was replaced by Robertus Teodorus Van Den Helder as a new member of The Board of Directors

2. Information about opened insolvency proceedings against the company or its subsidiary and all stages regarding to above mentioned proceedings.

No opened insolvency procedures.

3. Information about significant deals. The decision for signing, terminating and breaking a contract for joined ventures.

There are no significant deals.

4. Change of the company's auditor and reasons for it.

No change of the auditing company.

5. Information about pending legal, administrative or arbitration proceedings, concerning obligations or receivables of the company or its subsidiary in amount of at least 10 percent of the company's equity.

There are no legal or other proceedings with significant value.

6. Purchase, sale or pledge of shares in other companies by the issuer or by any of its subsidiary.

With resolution of the Registry Agency as of 11.10.2018, the acquisition of 100 % of the capital of "Rapido Express and Logistics" EOOD by Speedy AD was registered. The final price will depend on the achieved financial results of "Rapido" and will be due for period of 30 months. The valuation is expected to correspond with 4.5 to 5 times EBITDA of "Rapido Express and Logistics" EOOD.

On 21.12.2018 Speedy AD acquired 100% of the shares of the software company OMG Mobile OOD for the price of EUR 2 million – the acquisition was registered in the Commercial Register on 02.01.2019.

7. Other events which the company consider to be of importance for the investors in taking decision to acquire, sell or hold publicly offered securities.

No other events except already announced.



Executive Director:

/ Valery Mektupchiyan /