

QUARTERLY MANAGEMENT REPORT

AS OF 30 JUNE 2022

in compliance with art. 100o, par. 4 of POSA and art. 33, par. 1 of Ordinance 2 on the prospectuses for public offering of securities and admission for trading on regulated securities market and for disclosure of information by the public companies and other issuers of securities

„Speedy“ AD publish information in compliance with art. 7 Regulation (EU) № 596/2014 on:

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I. IMPORTANT DEVELOPMENTS DURING THE 1st HALF OF 2022

1. Core Activity

Since the beginning of 2022, Speedy AD keeps growing intensively fueled by actively growing penetration of online commerce as well as picking up business activity. Notable changes in economic and political situation combined with varying COVID measures have affected company's operations both positively and negatively. The measures to limit the spread of the virus were largely removed in part of Europe during Q1 2022 that lowered the growth in online consumption and, respectively, the demand for courier services. After initial slow down, business activity and consumption markedly accelerated in the last months, that added to the demand of our services in Bulgaria. The growth of local deliveries increased to 30.4% in the 2nd quarter on an annual basis, significantly above 13.7% realized in the 1st quarter. B2B segment also had sizable contribution which in the last three months realized a record growth for the last years.

Deteriorating consumer confidence and political instability arising from war in Ukraine had negative effect on international deliveries to/from rest of Europe. As a result, Speedy CEE Economy (offering deliveries with COD to Hungary, Croatia, Slovenia, Slovakia, Czechia and Poland) and deliveries to rest of EU countries slightly decreased, outperforming average for the region performance. Significant potential of CEE countries attracted interest of new players that added to the competition and also contributed for the slowing Speedy's expansion in the region.

The largest segment in international deliveries, Speedy Balkan(to/from Romania and Greece) maintains its positions as the fastest growing segment during the 2nd quarter after initial drop in revenue during the first three months of the year.

We constantly work for providing various attractive services to our clients while simultaneously trying to structure them in a way that allows clients to easily navigate through our service mix and their pricing. It has allowed to expand our client base, particularly among individual clients which Speedy AD actively targets. The office network is in a constant process of expanding capacity and optimizing the locations. A dominant focus is on the quality of carrying out our services and currently clients have an option to send quickly and easily feedback for each delivery they receive. It helps us to identify and respond accordingly in a timely manner for raised issues.

The investments in fixed assets during the reporting period amount to BGN 9.3 m, below past periods levels following limited need for new logistic space (BGN 2.9 m) and slower delivery of transporting vehicles. The largest investments have been in lines for automatic parcels processing (BGN 4.2 m) and software and technical equipment (BGN 1.2 m).

1.1 Revenues

Courier services sales notably accelerated its increase to 18.7% yoy during the 2nd quarter (Q1 22: 12%) to BGN 115.7m supported mainly by local deliveries and rebound of regional service Speedy Balkan. Since 01 April were introduced 3.8% increase of fees for most of the services that also contributed to the top line. Outside Speedy Balkan, international deliveries shrunk for first time since service were introduced, due to deteriorating consumers confidence and military conflict in Ukraine that had deterring effect on same sectors of the economy.

Outstanding performance is result also of improved competitive position of the company as a result of competitive prices and improvement of the quality and convenience of the services offered. Well-developed office network and the lowest prices offered for deliveries between offices and automats keep promoting Speedy as a preferred supplier.

Revenue structure

In BGN '000	H1 21	H1 22	Change	Q1 21	Q1 22	Change
Local market	78 003	95 088	21.9%	38 408	50 078	30.4%
<i>% of total</i>	77.9%	80.1%		77.4%	80.9%	
International markets	19 546	20 669	5.7%	9 829	10 369	5.5%
<i>% of total</i>	19.5%	17.4%		19.8%	16.7%	
Other	2 614	2 904	11.1%	1 409	1 467	4.1%
<i>% of total</i>	2.6%	2.4%		2.8%	2.4%	
Number of parcels delivered	21 387	20 659	-3.4%	10 661	10 820	1.5%
Total revenues	100 163	118 661	18.5%	49 646	61 914	24.7%

Number of parcels delivered reached 20.7 m, 3.4% below last year. During 2nd quarter of 2021 Speedy altered the methodology for calculating the number of parcels that excluded some traffic from the count thus decreasing the count compared to previous methodology. On comparable basis the growth is maintained.

Other operating income also is related with the core business and are recurring in nature. During the quarter it consist largely from renting out vehicles (BGN 2.4 m for the period).

1.2 Expenses

Operating expenses are comprised mainly from subcontractors and remuneration expenses that account for over 83% of total operating expenses. Its size is correlated with the number of parcels processed. Year to date cost of subcontractors amount to BGN 50.5m (2021: BGN 43.5m) and increased 16.1% yoy.

Remuneration expenses keep the pace with sales growing to BGN 27.6m (2021: BGN 23.4m) or up 18.1% following the growing compensation levels as a result of tight labor market. Investments in automatization of parcels processing push up the productivity and make up for growing expenses.

In cash on delivery there is a growing share of clients paying with credit/debit cards that corresponds with additional bank charges, reaching BGN 1.3m (2021: BGN 814k). The new service "Smart control" and attached program for urging clients to provide feedback through a SMS considerably increased the messages turnover and related communication and utility costs with 62% to BGN 3m (2021: BGN 1.9m). During the period jump in electricity charges contributed significantly to the growing utility expenses.

Costs structure

In BGN '000	H1 21	H1 22	Change	Q1 21	Q1 22	Change
Cost of materials	4 743	5 447	14.8%	2 396	2 962	23.6%
Cost of hired services	50 983	60 010	17.7%	25 881	31 000	19.8%
Remuneration	23 401	27 636	18.1%	11 950	14 094	17.9%
Other operating expenses	999	1 396	39.7%	704	1 007	43.0%
Depreciation and amortization	8 295	9 924	19.6%	4 317	5 011	16.1%
EBITDA	20 037	24 172	20.6%	8 715	12 851	47.5%
Net profit	9 964	12 267	23.1%	3 669	6 759	84.2%

The remaining external services have minor variation and their impact on financial result is negligible.

Slower increase in cost of materials, compared to sales growth, is a result of shrinkage of all type of expenses with notable exception of fuel costs that are up 61% on annual basis. The limited oil supply combined with rebound in demand pushed the oil and fuels prices up. The impact of the change in fuel prices on the bottom line is largely mitigated as it is transferred to the end customer through “fuel fee” that is component of total price of the service. Higher price corresponds with higher end price for the client and vice versa.

Altogether, operating expenses rose 17.9% while the sales add 18.7%. Investments in efficiencies and 3.8% services fee increase set off record jump in price levels since the beginning of the year. As a result, EBITDA margin slightly improve to 20.4% (2021: 20%) and EBITDA grew with 20.6% yoy to BGN 23.2m.

High capital expenditures in the last year resulted in increase in depreciation costs that outpace overall growth. That is partially compensated with lower interest expenses following reduction of interest-bearing liabilities and full repayment of amounts due for acquisition of Rapido. As a result half-year net profit reached BGN 12.3m, that is 23.1% above 1st half of 2021.

1.3 Cash flows

Cash flow from operating activities (CFO) moved down to BGN 7.3m (2021: BGN 8.8m). Due to lower investments during the reporting period debt repayments exceeded the new borrowings that brought interest-bearing liabilities BGN 6.6m lower.

2. Corporate events

On 27.06.2022 Speedy AD hold its regular general meeting of shareholders. It was voted for dividend distribution in amount of BGN 21 510 476 or BGN 4 per share and approved “Mazaars” OOD as an auditor for 2022 financial report.

II. Main risks faced by the Company.

Speedy AD endeavours to keep a low risk profile by maintaining low levels of financial and operating leverage and high level of operating efficiency, by applying strict rules and procedures for management of activities and by strictly controlling their compliance, by diversifying its customers and suppliers.

Macroeconomic risk

Speedy AD operates countrywide servicing companies in various sectors of the economy. Accordingly, the business activity of the Company depends heavily on the general economic growth, the overall business conditions, and particularly the customer confidence, and respectively, final consumption. In case of downturn of the economy and consumption would put pressure on profit margins, and a possible strong and continuous setback of business activity could result in negative trends in sales. The Company is trying to minimize that risk by maintaining high levels of financial autonomy and by investing continuously in efficiency improvement, which enable it to operate at a significantly higher profitability compared to its competitors.

Over the last year, as a result of the COVID-19 pandemic and the restrictions imposed in the country, as well as in most countries around the world, the normal functioning of a number of economic sectors was disrupted, and the respective downturn was reported, by this downturn was mainly concentrated in several service sectors. Thanks to the boom in e-commerce, the Group companies have not been significantly affected, but the continuing restrictive measures in Europe pose the risk of an adverse mid-term effect. The slow economic recovery or new contraction in the Europe economy after withdrawal of fiscal stimulus would have meaningful effect on final consumption and, respectively, sales and profit.

Epidemiological risk

Even though so far there has not been an adverse impact on revenue, there are significant risks from the pandemic on the Group companies' operation. Operating in the conditions of contamination threat is related to significant additional expenses, which has a negative effect on profit margins. Virus outbreaks may disrupt the work and delivery schedule, which could impact service quality and customer satisfaction. So far, the Group actively manages the risk by means of procedures for prevention and protection from contamination, but the risks will only be significantly limited when there is a substantial decrease in the number of people infected.

Regulatory risk

The regulatory risk is related to the adoption of regulatory changes that could involve additional expenses or restrictions of the Company's activities. Currently, no implementation of any requirements that could either burden or involve additional expenses related to company activities is expected.

Over the last few years there has been an effect of the strict regulations related to personal data protection, the measures against money laundering, the trade in excise goods and taxation on e-shops, which necessitated changes in the activity of courier companies. Even through the regulations are related to some, though significant, additional expenses, these regulations do not impact the market position of the Company companies, as far as they refer to all market participants and do not effectively limit activities.

Interest rate risk

Speedy AD's interest payables have both fixed and floating interest rates. Accordingly, any general increase of interest rates would produce a negative effect on the Company. The subsidiaries bear

very limited risk as long as its liabilities comprise largely of right-of-use of properties where the negotiated payments (principle + interest) are not affected by interest rate levels. The strongly expansive money policy of leading central banks lowered the base interest rates. The policy of the European Central Bank is to maintain interest rates that stimulate economic development, therefore short-term and medium-term negative changes are not likely to occur.

Credit risk

Almost 80% of the income is generated by customers served on contractual basis, and the service is accordingly paid not at the time it is delivered but rather on a monthly basis. If economic situation worsens, the amount of overdue receivables may rise significantly. The Company has implemented a detailed and strict system of monitoring all due sums and the deadlines of payments, including an action plan in case of past dues.

Cash is kept in a way to minimize the risk. The servicing banks of the Company have the highest rating in the country.

Price risk

The price risk is linked to the general inflation rate in the country and the level of competition. Over the last few years, inflation was limited, but over the last year there is higher volatility of prices of goods and services with high risk of growing prices of some components to increase significantly expenses. Speedy AD is maintaining its competitiveness through investments in efficiency and processes optimization and aims to improve its price determination processes and control thereon, which allows us to improve profitability despite the price pressure.

The risk regarding the price level of supplies is related mainly with the price of the labour, which is the most significant factor in the cost structure. The low unemployment resulted in limited availability of qualified workers and respectively, a pressure for raise of compensations to attract new and retain existing employees. Substantial costs are also for fuel. The risk over the financial performance is limited, since the change in the price of oil is reflected in the fuel tax that is subject to monthly update and is payable by the clients. The highest weight has cost for subcontractors but they are also related with the costs of labour and fuel.

Currency risk

The Company's currency exposures originate in relation to the deliveries made from and to foreign countries. Most of the currency transactions are in euro, due to which the overall effect of foreign exchange translation is negligible. If BGN/EUR exchange rate remains fixed as it is now, we do not expect that fluctuations in the exchange rates would have any significant impact on the financial result of the company in medium-term. DPD Romania S.A. accounts for around 30% of combined revenue and depreciation of Romanian lei would have negative impact on sales and profit.

Liquidity risk

Liquidity risk is when the Company is unable to pay its maturing liabilities. The amount of the Company's current liabilities is considerable and is related to payments of leasing contracts, investment loans and suppliers.

To manage its liquidity, the Company plans to negotiate payments in accordance with estimated future cash flows. In addition, cash reserves and free overdraft funds are maintained to serve as buffering in case of adverse turn in the market situation and temporary shrinkage of cash proceeds. Until now, the Company has been generating a stable positive cash flow which allows us to make without any trouble all due payments on time and maintains good liquidity indicators.

INSIDER INFORMATION under art. 7 from Regulation EU 596/2014

There is no other insider information, except the already disclosed one, necessary for the shareholders to take investment decision regarding the shares of the company.

ADDITIONAL INFORMATION

1. Information about the changes in the accounting policy during the reporting period

During the reporting period, there are no changes in the accounting policy of “Speedy“ AD.

2. Information about business combinations in the group of “Speedy“ AD

No changes in the group has occurred.

3. Information about the results from the organizational changes in “Speedy“ AD /transformation, sale of companies of the economic group, in-kind contributions by the company, renting out of property, long-term investments, discontinuing of activity/

There are no organization changes, which are not disclosed in this document.

4. Management opinion regarding the expectation to achieve the announced financial forecasts for the current financial year

The Board of Directors of “Speedy“ AD did not publish any forecasts for 2022 results.

5. Information about the persons, holding directly or indirectly, at least 5 percent of the voting rights as of the end of the respective quarter, and the changes during the period

5.1. “Speedy Group” AD

As of 30.06.2022 г. – 1 080 438 shares, representing 20.09 % of the voting shares.

Valery Mektupchiyan controls “Speedy Group” AD and through the shares that he holds in “Speedy Group” AD, he also controls indirectly “Speedy“ AD.

5.2. Geopost SA

As of 30.06.2022, Geopost SA holds 3 754 142 shares, representing 69.81 % of the voting shares.

6. Information about the shares held by the members of the Board of Directors of the company at the end of the period and about the changes during the period

As of 30.06.2022

	Acquired during the period	Sold during the period	Number of shares held directly	# of shares held through related parties	Total directly and indirectly	Share in the capital held directly and indirectly
Valery Mektupchiyan	0	0	0	1 080 438	1 080 438	20,09%
Avak Terzian			1 800	0	1 800	0,03%

The members of the Board of Directors have no other special rights to acquire shares in the company.

7. Information about pending legal, administrative or arbitration proceedings, concerning obligations or receivables in amount of at least 10 percent of the equity of the issuer; if the total value of the obligations or receivables of the issuer in all instigated proceedings exceeds 10 percent of its equity, there shall be provided information separately about each of the proceedings

There are no legal or other proceedings with considerable value.

8. Information about the loans granted by the issuer or by any of its subsidiary, extended warranties or assuming of obligations, total to one person or any of its subsidiaries or including related parties, specifying the nature of the relationship between the issuer and the party, the amount of the outstanding principal, the interest rate, the maturity, the amount of the assumed obligation, conditions and term.

As of 30.06.2022 there are the following loans and guarantees extended

Name, in thousand BGN	Amount	Interest rate	Maturity	Purpose
DPD SA, Romania	919	3-5%	Дек 2023	Investment
TOTAL LOANS	919			

The loan is not collateralized.

9. Related parties' contracts during the reporting period, as well as changes in the existing contracts disclosed in the annual report that have significant influence over the financial position of the company as well as over its operating results.

During the period, there are no related parties' transactions with substantial amount and/or such that have substantially affected the financial standing or the results of the company during the reporting period. There are no related parties' transactions, which go beyond the regular business operations or considerably deviate from the market conditions.

All transactions between related parties are disclosed in the Appendix to the Financial Statement.

INFORMATION under Appendix 4 from regulation 2 of FSC

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

No change of persons exercising control over the company

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.

Not applicable.

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

No change of the company's auditor.

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.

Under investment loan agreement from 2014 with Unicredit Bulbank, a pledge was established to the commercial enterprises Geopost Bulgaria EOOD and DPD Romania AD

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.

Krasimir Tahchiev
Investor Relations Director

Valery Mektupchiyan
Executive Director