

SPEEDY AD

EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL REPORT

As of 31.03.2020

SPEEDY AD

Sofia

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

31 MARCH 2020

I. IMPORTANT DEVELOPMENTS DURING THE 4th QUARTER OF 2019**1. Core Activity**

In the first quarter Speedy AD has continued to implement its long term strategy to affirm and expand its positions in the B2B segment while simultaneously actively evolve online and individual clients segments through development of the office network and introduction of attractive services and building capacity for supplying convenient and quality service to clients.

The favorable market environment in the beginning of the year allowed to sustain high revenue growth during the period. Major changes were caused by virus epidemic and imposed state of emergency. The related limitations in activities and movement on national level raised serious responsibilities and challenges in front of the company as an important component for functioning of the economy and the society in extraordinary circumstances.

Speedy AD assumed utterly cautious its responsibility for protecting the health of its employees and clients while continuing conducting its business in a due manner. We instantly adopted strict rules for hygiene and prevention of spreading infections and code of conduct reflecting the new conditions as well as close monitoring for following the rule and imposing sanction in case of violation. All employees were equipped with personal protection gears – masks, helmets, gloves, disinfectants. The measures proved to be very successful – not a single case of infection were detected that allowed for maintaining the regular course of business.

Unprecedented situation affected all aspects of business and presented particular challenge to the company. The existing restrictive measures on one hand, resulted in a sharp decline of economic dynamic and on other hand, brought increase in online orders, respectively, our role in deliveries. The existing state of emergency affected only the last two weeks of March, a relatively short period to draw clear trends. Initial trend showed some detention in business segment that is overcompensated by jump in orders from individual clients. Overall, in the first quarter, the company sustain high pace of growth from the last year.

There is also a noticeable change in the clients' preferences regarding the point of delivery. While in the last years deliveries to/from office steadily were increasing, the last weeks showed growing number of requests for home deliveries at the expense of offices. Speedy AD manage the best network, capacity and software applications for deliveries to address thus we are extremely well positioned to meet the change in demand.

Initial disturbances in delivery chains, particularly international lines, that caused some delays and interruptions were largely overcome. That helped our service Speedy Balkan and deliveries in SEE to sustain its outstanding growth pace. Speedy AD established partnership with Greece leading carrier company, ACS, which replaced our existing partner Speedex. That gave us access to larger base of potential clients and along with expanding clients base and improving service quality in Romania give a solid base for continuing rapid development of our regional service.

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 is particularly attractive for individual clients that Speedy AD actively targeting. A dominant focus is on the quality of carrying out our services and currently clients has an option to send to us quickly and easily a feedback for each delivery they receive. It helps us to identify and respond accordingly in a timely manner for raised issues.

As of 31.03.2020

After sizable investments made in 2019, in Q1 2020 the intensity of the investment is more moderate. Acquired fixed assets amount to BGN 2.2m with commonly majority is flowing to our transportation fleet (BGN 1.3m). Slightly higher are investments in software, BGN 265k.

1.1 Revenues

The state of emergency was imposed in mid March, thus its impact on quarterly results is somehow limited considering that courier business was allowed to carry out its activities without limitations as long as it complies with new requirements. The revenue in the 1st quarter added 16% on annual basis, reaching BGN 37.5m in line with the pace from the last year.

Essential contribution to the good result came from e-commerce. Individual clients also increase its weight and currently accounts for significant part of total revenues.

International deliveries continue to outpace other segments and jumped with 33% y-o-y, mainly as a result of excellent performance of regional services Speedy Balkan which grew over 50% on annual basis.

Revenue structure, nonconsolidated

In BGN '000		Q1 19	Q1 20	Change
Local market		27 357	30 869	12.8%
	<i>% of total</i>	81.8%	79.7%	
International markets		5 009	6 650	32.8%
	<i>% of total</i>	15.0%	17.2%	
Other		1 092	1 189	8.9%
	<i>% of total</i>	3.3%	3.1%	
Number of parcels delivered		6 340	7 949	25.4%
Total revenues		33 458	38 708	15.7%

The number of parcels delivered hit near 8 mln that is 25.4% more than the same period of the last year. The higher growth in number of parcels is explained by increasing weight of individual clients and B2C segment.

Other operating revenues are also related with Speedy AD's core activity and are of recurring nature and consist primarily of renting out vehicle (BGN 818k for the period). Income from sale of amortized vehicles are also recurring and during the period stayed in line with the level of the last year because of the lower replacement rate.

1.2 Expenses

The largest share in the cost structure hold subcontractors and payroll that are heavily correlated with the number of parcels processed, therefore their increase is in line with parcels growth. Subcontractors costs growth lags behind with 14% increase, a positive effect on improved productivity and economies of scale in some regions resulting from higher orders flow.

In cash on delivery there is a growing share of clients paying with credit/debit cards that corresponds with additional bank charges. The new service "Smart control" and attached program for urging clients to provide a feedback through a SMS vastly increased the messages turnover and related communication costs.

As of 31.03.2020

Confined movement of employees brought down the expenditure for fuel and vehicle maintenance. The required measures for personal protection and prevention of virus spreading required considerable outlays for PPE, disinfectants, outfits and other consumables amounting to over BGN 500k

Costs structure, nonconsolidated

In BGN '000	Q1 19	Q1 20	Change
Cost of materials	1 579	1 922	21.7%
Cost of hired services	16 566	18 626	12.4%
Remuneration	7 555	9 450	25.1%
Other operating expenses	280	681	143.2%
Depreciation and amortization	3 115	3 528	13.3%
EBITDA	7 478	8 029	7.4%
Net profit	3 669	3 730	1.7%

All the remaining expenses variates near 2019 levels as a result of investment, economy of scales and operational restructuring aiming efficiency improvements. Bottom-line, the profitability before depreciation improved to 23.7% while net profit lagged with 12.4% improvement.

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 in the whole country services companies in various sectors of the economy. Accordingly, our business activity of the Company depends heavily on the overall economic growth, the general condition of business environment, and particularly the customer trust, and respectively, end consumption. A possible shrinking 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. Even though there has been a slight delay compared to 2018, the economies of the main markets on which the Company operates register stable growth which are expected to become positive and in the current year, both the main markets, Bulgaria and Romania, and the other Central and Eastern European countries are among the fastest growing on the continent, while Greece marked a significant recovery.

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 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 in Bulgaria has been limited and despite the slight increase in 2019 remained around 3%. This fact in combination with the high level of competition puts service prices under pressure. Speedy AD is maintaining its competitiveness and aims to improve its price formation 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, which form 15% of the Company's revenue. Most of the currency transactions are in EUR, 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 of BGN and EUR could have any significant impact on the financial result of the company in medium-term. With the acquisition of DPD Romania S.A. the number of transactions in RON increased and accordingly the exposure to currency risk will rise. The operations in RON occupy just a small segment of the total income structure and cannot cause any significant influence on the final result.

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.

As of 31.03.2020

		<u>31.03.2020</u>	<u>31.12.2019</u>
	<i>Notes</i>	BGN'000	BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	60 636	62 065
Intangible assets	4	2 074	2 077
Investments in subsidiaries	5	46 255	46 255
Loans to related parties	29	5 344	6 148
Deferred tax assets	6	363	362
Other non-current assets		380	380
Total non-current assets		115 052	117 287
Current assets			
Inventories	7	475	368
Trade receivables	8	19 268	19 950
Current part of long-term receivables from related parties	29	1 995	1 692
Other receivables and prepayments	9	2 002	1 967
Cash and cash equivalents	10	9 657	5 784
Total current assets		33 397	29 761
TOTAL ASSETS		148 449	147 048
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	39 590	21 858
Current profit	11.3	3 730	17 732
Total equity		68 801	65 071
Non-current liabilities			
Long-term interest bearing liabilities	12	42 497	44 480
Subsidies	13	-	34
Long-term provisions for pension benefits	14	266	258
Total non-current liabilities		42 763	44 772
Current liabilities			
Current part of long-term interest bearing liabilities	12	17 097	18 118
Accounts payable	15	8 042	8 131
Payables related to remunerations and for social security	16	4 882	4 672
Tax payables	17	2 174	2 410
Subsidies	13	73	95
Other current liabilities	18	4 617	3 779
Total current liabilities		36 885	37 205
TOTAL EQUITY AND LIABILITIES		148 449	147 048

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

As of 31.03.2020

	<u>31.03.2020</u>	<u>31.03.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues	37 519	32 366
Other revenues(losses) from the core activity, net	1 189	1 092
Costs of materials	(1 922)	(1 579)
Costs of external services	(18 626)	(16 566)
Compensation costs	(9 450)	(7 555)
Depreciation and amortization	(3 528)	(3 115)
Other operating expenses	(681)	(280)
Operating profit	<u>4 501</u>	<u>4 363</u>
Financial revenues	86	114
Financial expenses	(443)	(400)
Financial revenues/expenses, net	<u>(357)</u>	<u>(286)</u>
Profit before taxes	<u>4 144</u>	<u>4 077</u>
Income taxes	(414)	(408)
Net profit for the year	<u><u>3 730</u></u>	<u><u>3 669</u></u>
Total comprehensive income for the period	<u><u>3 730</u></u>	<u><u>3 669</u></u>
Earning per share		
BGN	0.70	0.68

As of 31.03.2020

	<i>Notes</i>	<u>31.03.2020</u>	<u>31.03.2019</u>
		BGN'000	BGN'000
Cash flows from operating activity			
Proceeds from customers		46 590	38 910
Payments to suppliers		(28 285)	(25 630)
Payments related to remunerations and for social security		(9 148)	(7 513)
Tax payments		(3 410)	(2 162)
Income tax paid		-	(347)
Paid interests and bank charges related to working capital financing		-	-
Other proceeds/payments, net		1 560	(2 369)
<i>Net cash flow from operating activity</i>		<u>7 307</u>	<u>889</u>
Cash flows from investing activity			
Purchase of plant and equipment		(445)	(520)
Proceeds from sale of plant and equipment		-	-
Extended loans to related parties		-	-
Repaid loans from related parties		499	332
Interests received from extended loans to related parties		86	151
Investments		-	(2 689)
Dividends received		-	-
Other cash flows from investing activity		-	-
<i>Net cash flow from investing activity</i>		<u>140</u>	<u>(2 726)</u>
Cash flows from financing activity			
Payments under financial lease agreements		(2 347)	(1 413)
Loans obtained		-	1 329
Repayment of long-term loans		(1 013)	(741)
Loans from related parties		-	-
Repayment of loans from related parties		-	-
Paid interests and bank charges		(201)	(165)
Dividends paid		-	-
<i>Net cash flow from financing activity</i>		<u>(3 561)</u>	<u>(990)</u>
Net change in cash and cash equivalents		<u>3 886</u>	<u>(2 827)</u>
Net effect of changes in exchange rates		(13)	(19)
Cash and cash equivalents on 1 January		5 784	7 412
Cash and cash equivalents on 31 March	9	<u>9 657</u>	<u>4 566</u>

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

As of 31.03.2020

		Share capital	Premium reserves	Statutory reserves	Retained earning	Total
	Notes	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as of 01 January 2019	19	<u>5 378</u>	<u>19 565</u>	<u>538</u>	<u>29 403</u>	<u>54 884</u>
Change in equity for 2019						
Issuance of shares		-	-	-	(7 529)	(7 529)
Distribution of profits, incl		-	-	-	(7 529)	(7 529)
* Reserves		-	-	-	-	-
* Dividends		-	-	-	(7 529)	(7 529)
Total comprehensive income for the year, incl		-	-	-	17 716	17 716
* Net income for the year		-	-	-	17 732	17 732
* Other comprehensive income, net of taxes		-	-	-	(16)	(16)
Balance as of 31 December 2019	19	<u>5 378</u>	<u>19 565</u>	<u>538</u>	<u>39 590</u>	<u>65 071</u>
Change in equity for 2020						
Distribution of profits, incl		-	-	-	-	-
* Reserves		-	-	-	-	-
* Dividends		-	-	-	-	-
Total comprehensive income for the year, incl.		-	-	-	3 730	3 730
* Net income for the year		-	-	-	3 730	3 730
* Other comprehensive income, net of taxes		-	-	-	-	-
Balance as of 31 March 2019	19	<u>5 378</u>	<u>19 565</u>	<u>538</u>	<u>43 320</u>	<u>68 801</u>

As of 31.03.2020

3. PROPERTY, PLANT AND EQUIPMENT

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:

	Buildings		Plant and equipment	Vehicles	Computers	Other	Total
	Right of use	Improvement of rented property					
Book value on 1 January (reported)	24 409	1 715	2 860	13 578	1 929	4 844	49 335
Acquired	14 431	2 122	610	11 107	875	769	29 914
Transfer	38	299		-38		-299	0
Written-off	-3 227	-1 281		-7 630	-502	-176	-12 817
Depreciation	-4 372	-565	-638	-5 495	-764	-674	-12 508
Written-off depreciation	1 125			6 956	60		8 141
Book value as of 31 December	32403	2 291	2 832	18 477	1 598	4 464	62 065
31 December 2019							
Initial value	39 403	5 992	6 100	39 457	6 272	7 442	104 666
Accumulated depreciation	-7 000	-3 701	-3 268	-20 980	-4 674	-2 978	-42 601
Book value	32 403	2 291	2 832	18 477	1 598	4 464	62 065
31 March 2019							
Book value as of 1 January	32 403	2 291	2 832	18 477	1 598	4 464	62 065
Acquired	0	35	83	1 272	150	381	1 921
Transfer							0
Written-off	0	0		-170	0	-75	-245
Depreciation	-1 207	-160	-177	-1 381	-155	-179	-3 259
Written-off depreciation	0			154	0		154
Book value as of 31 March	31 196	2 166	2 738	18 352	1 593	4 590	60 636
31 March 2019							
Initial value	39 403	6 026	6 183	40 560	6 422	7 748	106 342
Accumulated depreciation	-8 207	-3 861	-3 445	-22 207	-4 829	-3 157	-45 706
Book value	31 196	2 166	2 738	18 352	1 593	4 590	60 636

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	Acquisition of assets	Total
1 January 2019			
Book value at the beginning of the year	2 078	135	2 213
Acquired	871		871
Transfer		-82	-82
Depreciation	-925	0	-925
Book value at the end of the period	2 024	53	2 077
31 December 2019			
Initial value	7 912	53	7 965
Accumulated depreciation	-5 888	0	-5 888
Book value	2 024	53	2 077
	Software	Acquisition of assets	Total
1 January 2020			
Book value at the beginning of the year	2 024	53	2 077
Acquired	265		265
Transfer		0	0
Depreciation	-268	0	-268
Book value at the end of the period	2 021	53	2 074
31 March 2019			
Initial value	8 177	53	8 230
Accumulated depreciation	-6 156	0	-6 156
Book value	2 021	53	2 074

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

As of 31.03.2020

5. INVESTMENTS IN SUBSIDIARIES

As of 31 March 2019 the investments in subsidiaries are as follows:

	<u>31.03.2020</u>	Share	<u>31.12.2019</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%
Rapodo Express and Logistics EOOD	16,456	100%	16,456	100%
OMG Mobile EOOD	3,352	100%	3,352	100%
Total	46,255		46,255	

6. INVENTORIES

As of 31 March 2019 the inventories consist of:

	<u>31.03.2020</u>	<u>31.12.2019</u>
	BGN'000	BGN'000
Materials	374	289
Fuel	101	79
Total	475	368

7. TRADE AND OTHER RECEIVABLES

	<u>31.03.2020</u>	<u>31.12.2019</u>
	BGN'000	BGN'000
Receivables from customers	20,192	20,874
Less impairment	(924)	(924)
Receivables from customers, net amount	19,268	19,950
<i>including receivables from related parties (Note 29)</i>	<i>6,300</i>	<i>7,504</i>

The change of the impairment has been changed as follows:

	<u>2020</u>	<u>2019</u>
	BGN'000	BGN'000
At the beginning of the year	924	882
Impairments booked	-	42
Impairments recovered	-	-
Written-off impairments	-	-
At the end of the period	924	924

As of 31.03.2020

8. OTHER RECEIVABLES AND PREPAYMENTS

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Prepayments	817	1,039
Receivables from trustees	1,141	680
Deposits	44	44
Advances paid	-	13
Other receivables	-	191
Total	2,002	1,967

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Cash in vaults	3,547	996
Cash in bank accounts	5,631	4,236
Petty cash	479	552
Total	9,657	5,784

10. EQUITY**10.1 SHARE CAPITAL**

As of 31.03.2020 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, to a liquidation share and represent one voting right in the General Meeting of Shareholders of the Company.

	2020	2019
	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 March 2020	5,377,619	5,377,619

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

	31.03.2020		31.12.2019	
	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%

As of 31.03.2020

10.2 STATUTORY RESERVES

	<u>31.03.2020</u>	<u>31.12.2019</u>
	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

	<u>31.03.2020</u>	<u>31.12.2019</u>
	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 BGN 23 per share.

10.4 RETAINED EARNINGS

Changes of the *undistributed profit* is as follows:

	<u>31.03.2020</u>	<u>31.12.2019</u>
	BGN '000	BGN '000
Balance as of 1 January	39,590	29,403
Net profit for the year	3,730	17,732
Dividends distributed	-	(7,529)
Actuary losses from revaluations, net of taxes	-	(16)
Distribution for reserves	-	-
Balance as of 31 March 2019, including	43,320	39,590
<i>undistributed profit</i>	<i>39,590</i>	<i>21,858</i>
<i>current profit</i>	<i>3,730</i>	<i>17,732</i>

11. INTEREST BEARING LIABILITIES

The interest bearing liabilities as of 31 March 2019 include:

	<u>31.03.2020</u>	<u>31.12.2019</u>
	BGN'000	BGN'000
Payables related to acquisitions	10,649	10,475
Payables under financial lease agreements	46,480	49,165
Long-term bank loans	2,465	2,958
Total	59,594	62,598
<i>non-current part</i>	<i>42,497</i>	<i>44,480</i>
<i>current part</i>	<i>17,097</i>	<i>18,118</i>

Under a financial lease agreement, the Company has acquired machinery, computers, vehicles and equipment. As of 31.03.2020, the payables of the Company under financial lease agreements are the following:

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

As of 31.03.2020

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Payables under financial lease agreements	15,230	16,473
- Long-term part	9,671	10,369
- Short-term part	5,559	6,104
Total	15,230	16,473

The lease agreements consist of fixed lease payments and purchase option at the end of the term of the lease.
As of 31.03.2020, amount due under bank loans are the following:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Payables under bank loans received, incl.:	2,465	2,958
- <i>short-term part</i>	1,604	1,877
- <i>long-term part</i>	861	1,081
Total	2,465	2,958

12. TRADE AND OTHER PAYABLES

As of 31.03.2020, the trade and other payables include:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Trade payables	5,774	4,801
Payables to related parties	2,268	3,330
Payables for remunerations	3,762	3,611
Payables for social security	1,120	1,061
Taxes payable	2,174	2,410
Other payables	4,617	3,779
Total	19,715	18,992

13. REVENUES

The revenues of the Company consist of:

	31.03.2020	31.12.2018
	BGN'000	BGN'000
Revenues from courier services	37,519	32,366
Total	37,519	32,366

14. OTHER REVENUES

Other revenues of the Company consist of:

	31.03.2020	31.12.2018
	BGN'000	BGN'000
Revenues from renting out of vehicles	818	831
Other revenues	315	181
Financing	56	80
Total	1,189	1,092

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

As of 31.03.2020

15. COSTS OF MATERIALS

Costs of materials include:

	<u>31.03.2020</u>	<u>31.12.2018</u>
	BGN'000	BGN'000
Fuels	939	930
Delivery-related materials	555	468
Office materials and consumables	89	70
Uniforms	132	16
IT consumables	167	56
Other costs	40	39
Total	<u>1,922</u>	<u>1,579</u>

16. COSTS OF HIRED SERVICES

Costs of hired services consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Subcontractors	15,835	13,869
Rents	65	87
Communications and utility services	702	510
Vehicle maintenance	581	651
Insurance	315	290
Office/warehouse maintenance	240	173
Staff training	12	2
Marketing	161	229
Audit, consultant and other services	337	352
Other costs	176	194
Fees	202	143
Total	<u>18,626</u>	<u>16,566</u>

17. COMPENSATION COSTS

Compensation costs consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Salaries and wages	8,025	6,480
Social security contributions	1,425	1,075
Total	<u>9,450</u>	<u>7,555</u>

18. OTHER OPERATING COSTS

Other operating expenses of the Company consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Indemnities for parcels	120	161
Representation costs	26	27
Other costs	535	92
<i>incl. related with the state of emergencies</i>	420	-
Total	<u>681</u>	<u>280</u>

As of 31.03.2020

19. FINANCIAL INCOME

Financial income of the Company consists of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Interests income	86	114
Dividends	-	-
Total	<u>86</u>	<u>114</u>

20. FINANCIAL EXPENSES

Financial expenses of the Company consist of:

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Interest expenses	436	375
<i>incl. interests related to payables for acquisitions</i>	<i>174</i>	<i>293</i>
<i>incl. interests related to right of use</i>		
FX exchange loss, net	-	25
Other	7	-
Total	<u>443</u>	<u>400</u>

21. TAXES

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

	<u>31.03.2020</u>	<u>31.03.2019</u>
	BGN'000	BGN'000
Accounting profit before taxes	<u>4,144</u>	<u>4,077</u>
Increase	-	-
Decrease	-	-
Taxable net income	<u>4,144</u>	<u>4,077</u>
Income tax	(414)	(408)
Tax rate	10%	10%
Deferred taxes	-	-
Tax rate	10%	10%
Total income tax and deferred taxes	(414)	(408)
Net income	<u>3,730</u>	<u>3,669</u>

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

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

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

As of 31.03.2020

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

	<u>31.03.2020</u>	<u>31.03.2019</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Distributable net income /BGN'000. /	3,730	3,669
Weighted average number of shares	5,356,712	5,356,712
Earnings per share /BGN per share/	<u>0,70</u>	<u>0,68</u>

22.2 Dividends

No dividends distributed during the period.

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
Geopost S.A., France	Shareholder with significant influence
Speedy EOOD	Subsidiary
Geopost Bulgaria EOOD	Subsidiary
DPD S.A., Romania	Subsidiary
Rapido Express and Logistics EOOD	Subsidiary (since 01.10.2018)
OMG Mobile EOOD	Subsidiary (since 21.12.2018)
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 okazion EOOD	Company under common control
Omnicar rent EOOD	Company under common control
Bulrom gas 2006 OOD	Company under common control
Sofia City Logistic Park EOOD	Company under common control
Omnicar plus OOD	Company under common control
Omnicar Varna OOD	Company under common control
Sandrini Flo EOOD	Company related to key management
Star Perfomining	Company related to key management
Pit Box EOOD	Company under common control
Star ABC Invest EOOD	Company under common control

Ultimate owner Valery Harutyun Mektupchiyan.

Extended loans

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

As of 31.03.2020

As of 31 March 2019, Company's receivables from extended loans are as follows:

	31.03.2020	31.12.2019
	BGN'000	BGN'000
Dynamic Parcel Distribution S.A., Romania incl.	7,339	7,840
- principal	7,339	7,840
- interest	-	-
Total	7,339	7,840
<i>incl. current part</i>	<i>1,995</i>	<i>1,692</i>
<i>incl. non-current part</i>	<i>5,344</i>	<i>6,148</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

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Receivables from subsidiaries	4,618	6,314
Receivables from companies under common control	1,548	967
Receivables from shareholders with significant influence	134	223
Total	6,300	7,504

Trade and other payables to related parties

The payables to related parties include:

	31.03.2020	31.12.2019
	BGN '000	BGN '000
Trade payables, incl.	2,268	3,330
Payables to subsidiaries	1,756	2,862
Payables to companies under common control	512	468
Other payables, incl.	110	110
Deposits from the Members of the BoD	110	110
Total	2,378	3,440

The company has payables to the BoD's members in amount of BGN 110 thousand /31.12.2019 – BGN 110 thousand/ in compliance with art. 240, para 1 of Commercial Code.

As of 31.03.2020

Commercial transactions with related parties*Sales to related parties*

	31.03.2020	31.03.2019
	BGN '000	BGN '000
	<u>27,044</u>	<u>11,849</u>
Subsidiaries	22,548	7,754
Companies under common control	3,982	3,278
Shareholders with significant influence	514	817

Purchases from related parties

	31.03.2020	31.03.2019
	BGN '000	BGN '000
	<u>6,205</u>	<u>5,046</u>
Companies under common control	3,104	2,936
Subsidiaries	3,101	2,110

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, Pit Box EOOD and Star ABC invest EOOD and maintenance of vehicles from Omnicar Auto OOD.

INFORMATION under Appendix 9 from regulation 2 of FSC

- 1. Information about change of persons exercising control over the company.**
No change.
- 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 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.**
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