

---

## **QUARTERLY MANAGEMENT REPORT**

**AS OF 30 JUNE 2018**

**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**

## I. IMPORTANT DEVELOPMENTS DURING THE 1ST HALF OF 2018

### 1. Core Activity

#### *1.1 Revenue*

Speedy AD traditionally has strong positions in servicing corporate customers and large parcels. Together with the growth in the traditional segments, the Company do its utmost to expand the customer's base and particularly individual customers and on-line trade. The actions undertaken in order to achieve the that are:

- The expansion of "Speedy Post" service, that gives clients the opportunity to send parcels in 4 sized up to 20 kg between offices at very attractive prices.
- The expansion of the APS network which is essential element in the new postal service of the company – "Speedy Post". In the middle of the year a contract with the retail chain Billa was signed for placing APSs in their locations where a suitable area is available. This has allowed for speeding up the network expansion
- The expansion of the office network. After redesign of the offices during the past year, this year the expansion has targeted small villages with population of 5 000 to 15 000.

As a result, during the first half of 2018 the revenues from services from and to individuals significantly increased their share in the total revenues. After its start, "Speedy Post" turned into the fastest growing segment in the mix of services.

In May negotiations for 100% acquisition of "Rapido Express and Logistics" OOD were announced. The successful conclusion of the negotiations will improve the positions of "Speedy" AD in servicing deliveries in the very fast growing online trade.

#### *Revenue structure, non-consolidated*

In BGN '000	H1 17	H1 18	Change	Q2 17	Q2 18	Change
<b>Domestic market</b>	42 580	46 095	8.3%	22 252	23 682	6.4%
<i>% of the total revenues</i>	83.18%	80.11%		84.2%	78.6%	
<b>International market</b>	6 602	8 957	35.7%	3 172	5 092	60.6%
<i>% of the total revenues</i>	12.90%	15.57%		12.0%	16.9%	
<b>Others</b>	2 009	2 489	23.9%	995	1 369	37.6%
<i>% of the total revenues</i>	3.92%	4.33%		3.8%	4.5%	
<b>Number of parcels delivered</b>	8 729	9 840	12.7%	4 396	5 121	16.5%
<b>Total revenues</b>	<b>51 191</b>	<b>57 541</b>	<b>12.4%</b>	<b>26 419</b>	<b>30 143</b>	<b>14.1%</b>

Since the beginning of the year Speedy AD has recovered its growth pace after the slow up at the end of 2017 and realized a rise of 12.4% yoy, while in Q2 the pace speeds up from 10.6% in Q1 18 to 14.1% in Q2 18 compared to the respective period in the past year.

During the period, the focus continued to be on the regional market's development with the service Speedy Balkans, which contributes for near 36% increase in the revenues from international deliveries yoy on non-consolidated basis. The deliveries from and to Romania made up the core of it, but after the successful start during the last year, the deliveries to Greece also rise with high pace. Speedy AD obtained the franchise of the DPD network for Greece. The activity will be realized

through the subsidiary Geopost Bulgaria, through registered branch in Thessaloniki. The company offers international deliveries to / from Europe through DPD network, while deliveries within Greece are going to continue to be executed through the local partner. Beside the early stage, the activity confirms our expectations for significant growth potential.

*Revenue Structure, consolidated*

In BGN '000	H1 17	H1 18	Change	Q2 17	Q2 18	Change
<b>Domestic market</b>	42 580	46 095	8.3%	22 252	23 682	6.4%
<i>% of the total revenues</i>	55.2%	57.0%		57.1%	57.0%	
<b>International market</b>	31 007	30 724	-0.9%	15 055	15 631	3.8%
<i>% of the total revenues</i>	40.2%	38.0%		38.6%	37.6%	
<b>Others</b>	3 594	4 109	14.3%	1 694	2 217	30.9%
<i>% of the total revenues</i>	4.7%	5.1%		4.3%	5.3%	
<b>Number of parcels delivered</b>	13 297	13 113	-1.4%	6 651	6 802	2.3%
<b>Total revenues</b>	<b>77 181</b>	<b>80 928</b>	<b>4.9%</b>	<b>39 001</b>	<b>41 530</b>	<b>6.5%</b>

On consolidated basis the revenues growth is significantly lower, 5% yoy due to the 10% realized decrease in Romania's revenues. Just like in Q4 2017 the slow down is due to termination of contracts with customers which the company has serviced at low profitability, including its largest customer. To a lesser extent, the shrink is due to increase in prices and the implementation of a new operative software completed at the end of the last year. The impact of the restructuring on the sales will be temporary. From the beginning of the year the subsidiary compensates the decrease and in Q2 the activity in Romania restored the levels from the previous year.

The subsidiary in Romania has a different profile and the focus is on B2C services and international deliveries. After the acquisition, Speedy Jsc. has actively developed its presence on Romanian market by widening the range of offered services and expanding its logistic network. As a result, the revenues from local deliveries increased its share in the revenues structure of DPD Romania sizably. During this year entirely new logistic scheme is in place, more adequate to the expanded market presence in the country and provides a solid base for further expansion.

Growth is realized in "Other revenues" which are related with the main activity of the company and are of recurring nature. The growth in revenues is due to incomes from rentals of vehicles in Bulgaria as well as in Romania which reached BGN 1.7 m on non-consolidated base and BGN 2.6 m on consolidated base.

The number of deliveries reached 13.1 mln, while in Bulgaria the increase is proportional with the revenues. In Romania there is a significant decrease in the number of delivered parcels due to the cut down of deliveries with lower profitability which increased the average price for a parcel.

*1.2 Expenses*

The expenses' growth compared to the revenues is with lower pace which leads to improvement in the profitability. With low level of investments during the last quarters, the depreciation remained constant and the profitability and net profit significantly improves considerably.

*Cost Structure, non-consolidated*

In BGN '000	H1 17	H1 18	Change	Q2 17	Q2 18	Change
Costs of materials	2 901	3 083	6.3%	1 411	1 622	15.0%
Costs of external services	27 209	29 749	9.3%	13 895	15 294	10.1%
Compensation costs	11 950	13 020	9.0%	5 999	6 615	10.3%
Other operating costs	1 132	748	-33.9%	372	447	20.2%
Depreciation	3 944	4 116	4.4%	2 002	2 043	2.0%
<b>EBITDA</b>	<b>7 999</b>	<b>10 941</b>	<b>36.8%</b>	<b>4 742</b>	<b>6 165</b>	<b>30.0%</b>
<b>Net profit for the period</b>	<b>3 514</b>	<b>6 152</b>	<b>75.1%</b>	<b>2 369</b>	<b>3 743</b>	<b>58.0%</b>

The announced measures for improvement of the pricing rules, the classification of services and the standardization of the parcels in the middle of the last year, as well as the optimization of processes and the cut of expenses have an impact during the current year. The higher capacity utilization after the expansion during the previous years also contributed positively.

The most considerable is the impact on the expenses for subcontractors and remunerations, while the costs for fuel are with limited change on annual basis. The significant improvement is achieved in “Other operating expenses”, where decrease is in all items, with indemnities for parcels slammed 52%. There is a decrease in expenses for communications and vehicles’ maintenance as well.

As a result, EBITDA rose 37% on annual basis, while the net profit is up 75%. EBITDA margin recovers and for Q2 exceeds 20%, whereas net income margin reaches 12.4%.

*Cost Structure, consolidated*

On a consolidated basis the results include the operations in Romania and Geopost Bulgaria (Speedy Ltd has no activity).

In BGN '000	H1 17	H1 18	Change	Q2 17	Q2 18	Change
Costs of materials	3 395	3 773	11.1%	1 652	1 990	20.5%
Costs of external services	47 484	46 509	-2.1%	23 531	22 957	-2.4%
Compensation costs	15 192	16 864	11.0%	7 658	8 584	12.1%
Other operating costs	2 005	1 083	-46.0%	810	505	-37.7%
Depreciation	5 226	5 628	7.7%	2 644	2 818	6.6%
<b>EBITDA</b>	<b>9 105</b>	<b>12 699</b>	<b>39.5%</b>	<b>5 350</b>	<b>7 494</b>	<b>40.1%</b>
<b>Net profit for the period</b>	<b>2 989</b>	<b>5 872</b>	<b>96.5%</b>	<b>2 134</b>	<b>4 036</b>	<b>89.1%</b>

On consolidated base the improvement is even more significant due to the improved profitability of DPD Romania. The implemented new logistic scheme and the overall reorganization of the transportation lead to decrease of cost for subcontractors with 25%, which is the main contributor for the improvement in profitability. There is a significant decrease in costs for indemnifications which went down with almost 65% (59% for the whole Group). The reduction of non-profitable activities also contributed.

The consolidated net financial result for the period nearly doubled, while EBITDA reaches BGN 12.7 m or 39.5% increase in comparison with half-year of 2017. On consolidated basis the EBITDA margin reaches 15.7%, while the net profit – 7.3%

---

After the intensive investments during the past years, in Bulgaria the invested funds for the period amounts BGN 1.3 m for maintenance and limited expansion of the existing capacity. The distribution is constant across assets type – vehicles, plant and equipment, logistic hubs. Still more significant are the investments in Romania, where for development of the logistic network were invested BGN 2.1 in machinery, equipment and computers. The investments in software are totalled BGN 268 thousand, mainly in Bulgaria.

## **2. Corporate events**

**On 26.06.2018** was held the General Meeting of Shareholders of Speedy Jsc, where were taken decision for dividend distribution in amount of BGN 6 453 142.80 or BGN 1,20 per share and approved a maximum amount of variable remuneration of the members of the Board of directors that could receive from the company.

---

## **II. RISK FACTORS IN COMPANY OPERATIONS.**

Group “Speedy“ 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

Group “Speedy“ covers the whole country, as well as the territory of Romania and Greece, 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.

---

The price risks associated with suppliers stem mainly from the cost of labor. The low level of unemployment narrowed the supply of qualified workers, and respectively, induced upward pressure on remunerations in order to attract new and to retain existing employees. Other significant expenses are for rent and fuel. Both are with limited effects on financial results, considering long term nature of rental contracts with regulated change in the price, while changes in the fuel price is transferred to client through fuel fee with monthly adjustment. Subcontractors has the highest weight in the cost structure but they also are related with costs of labor and fuel.

#### 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.

---

### **III. Information about transactions with own shares under art. 187e of the Commercial Act**

The company has not traded with its own shares.

### **IV. Participation of the board members in commercial companies as unlimited liability partners, ownership of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managing directors or board members**

No changes in the last quarter.

### **INSIDER INFORMATION under art. 7 of Regulations (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 public 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. Speedy AD has started negotiations for acquisition of 100% of the capital of “Rapido Express and Logistics” OOD as the deal is a subject to the approval of the Commission for protection of competition

#### **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 2018 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 in the votes that the persons hold during the period since the end of the previous quarter**

##### *5.1. “Speedy Group” AD*

Number of voting shares and their share in the Company’s votes of The General Meeting of Shareholders:

As of 30.06.2018 – 3 500 367 shares, representing 65.6 % of the voting shares.

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

##### *5.2. Geopost SA*

As of 30.06.2018, Geopost SA holds 1 333 979 shares, representing 24.81% 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 since the end of the previous quarter**

As of 30.06.2018:

	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	3 500 367	3 500 367	65,09%
Avak Terziyan			1 800	0	1 800	0,03%
Danail Danailov	0	0	2 160	0	2 160	0,04%

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 30.06.2018 there are the following loans and guarantees extended.

Name, in thousand BGN	Amount	Interest rate	Maturity	Purpose
DPD SA, Romania	9 132	4,5%	15.12.2020	Investment
<b>TOTAL LOANS</b>	<b>9 132</b>			

The loan is not collateralized.

**9. Information about related parties' transactions.**

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 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