

---

## **QUARTERLY MANAGEMENT REPORT**

**AS OF 30 JUNE 2016**

**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 FIRST HALF OF 2016 AND THEIR EFFECT ON THE FINANCIAL RESULTS

### 1. Core Activity

#### 1.1 Revenue

Speedy Jsc. has remained entirely focused on the development of its main activity – courier services. Specific emphasis has been put on the development of the international and the pallet services as well as on the expanding of the network and the range of services. Beside acquisition in Romania, the company has established partnerships with companies in other neighbouring countries. Thus, it has been able to offer to its client deliveries to/from Romania and Greece at the same tariff as to domestic market. Continues the development of the PUDO network, though with a slower pace and the future efforts will be focused on its optimization and gradual expansion. As of the end of the quarter the number of SPS offices exceeded 200, thus, the total number of offices reached 310 point. By mid of the year 65 of the offices has been refurbished in line with the company's new vision that aim at improving functionality of the working place and to customers' services experience.

During the 1<sup>st</sup> half started introduction of a network of automated post stations (APS). Currently 21 are in operations and by the end of the year their number to exceed 50. APS provides convenience in sending and receiving packages with no need to contact our agents or employees. They are located in key points (retail stores, malls) which allows our clients to use them with an extended working hours. The ASP are part of the our new service, "Speedy post", that offers to the clients opportunity to send parcels in four sizes up to 20 kg in our office network at exceptionally low prices. A new contract with Western Union provides another services to our clients through part of our office network – international money transfers.

On consolidated basis, the company works actively towards an accelerated expansion in Romania through widening of the range of services and investing in increasing the capacity of the logistic network. This years has started implementation of completely new transport scheme, including construction of new logistic hubs.

#### Revenue structure, non-consolidated

In BGN '000	H1 15	H1 16	Change
<b>Domestic market</b>	33 515	38 055	13.5%
<i>% of the total revenues</i>	82.3%	80.8%	
<b>International market</b>	4 675	6 044	29.3%
<i>% of the total revenues</i>	11.5%	12.8%	
<b>Others</b>	2 533	3 021	19.3%
<i>% of the total revenues</i>	6.2%	6.4%	
<b>Number of parcels delivered</b>	6 384	7 493	17.4%
<b>Total revenues</b>	<b>40 723</b>	<b>47 120</b>	<b>15.7%</b>

During the last years, Speedy Jsc considerably expand the size of its activities, but still the company invests in significant efforts and resources to maintain its pace of growth through expansion of its logistic network and introduction of new services. During the H1 2016 revenue from courier

services continue to grow with BGN 5,9m. Total sales were up 15,9% with international deliveries reaching 29,3% and approached 13% share in the revenues. As a result of intensive investments in operations, higher marketing spending and improvement in the macroeconomic environment, the growth has accelerated both on annual and quarterly basis. Pallet services and international deliveries has continued to maintain higher pace but improvement is realized in the core segment of parcels to corporate clients as well. The latter still contributes the most for the incremental sales. During the previous year the focus was on developing regional market with Speedy Balkans service, which is now the main contributor for the high growth in this segment, especially deliveries to/from Romania.

The other revenues jumped by 19,3%. They were related mostly with the company's core activity and recurring. Since 2013, Speedy Jsc. has been relying increasingly on subcontractors in various stages of logistic process in order to optimize its expenses. The excess vehicles have been rented out to the subcontractors, which has become a new source of revenue.

#### *Revenue Structure, consolidated*

In BGN '000	H1 15	H1 16	Change
<b>Domestic market</b>	33 515	38 055	13.5%
<i>% of the total revenues</i>	58.27%	55.73%	
<b>International market</b>	20 895	25 628	22.6%
<i>% of the total revenues</i>	36.33%	37.53%	
<b>Others</b>	3 108	4 607	48.2%
<i>% of the total revenues</i>	5.40%	6.75%	
<b>Number of parcels delivered</b>	9 347	11 511	23.2%
<b>Total revenues</b>	<b>57 518</b>	<b>68 290</b>	<b>18.7%</b>

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. This year has started implementation of entirely new transport scheme that is going to improve the effectiveness of the logistic and form a solid ground for the further expansion. The investments in combination with much higher dynamic of the Romanian carrier market allowed the growth to reach 29% in the last quarter after over 20% growth in 2015.

The expansion of PUDO network allowed the company to take advantage of the booming in e-commerce in the last 2 years. Besides, the offices have positive effect on costs of delivery and provide convenience to the individual clients. The smaller size of the parcels typical for individual customers resulted in lower average revenue per parcel, which explains higher growth in the number of parcels processed compared to the sales growth.

The proceeds from rent and sale of amortized vehicles were key contributor for the increase in "Other revenues".

#### 1.2 Expenses

Since 2015 the company has worked intensively on capacity expansion and building the network for the new services. Many of the investments are expensed when occurred and respectively, resulted in significant increase of operating costs. The capacity extension and the new services lead up their

utilization and until better loaded, the efficiency lags behind the one of existing activities. It resulted in lower operating profit on the local market as well as in Romania, where this process started after acquisition. Significant restructuring was largely completed by the end of 2014 and the expenses comparable on annual basis.

*Cost Structure, non-consolidated*

In BGN '000	H1 15	H1 16	Change
Costs of materials	2 865	2 906	1.4%
Costs of external services	18 616	23 549	26.5%
Compensation costs	8 409	10 041	19.4%
Book value of goods sold	801	883	10.2%
Other operating costs	450	789	75.3%
Depreciation	3 354	4 487	33.8%
<b>EBITDA</b>	<b>9 582</b>	<b>8 952</b>	<b>-6.6%</b>
<b>Net profit for the period</b>	<b>7 980</b>	<b>3 874</b>	<b>-51.5%</b>

In the first half of the year the profitability deteriorates due to considerable hike in the operating expenses – most notably for subcontractors, remuneration and rents. Lower oil prices brought the fuel costs down, while the rest of the expenses stayed stable or increased with a pace below the revenues.

In the end of 2015 and the beginning of 2016 the capacity of logistic centres were increased considerably. That is associated with higher expenses for rents and appointment of additional staff and, respectively, more compensation costs. In order to improve motivation of the subcontractors, their compensation was raised and the opening of new haul line, where Speedy foresee potential, still have not reached level of effectiveness. It led to higher payments to subcontractors compared to sales growth.

In the 2<sup>nd</sup> quarter EBITDA decrease slowed down to 2,4% (6,6% for the half year) and EBITDA Margin went down from 23,5% to 19%. The growing traffic and better capacity utilization should bring up the margins again.

The shrink in the bottom line is even larger due to higher depreciation costs following the intensive investments in the last year. The net income is down 27% on non-consolidated (after adjustment for the dividends received) and 35,7% on consolidated basis as a result of increased depreciation costs with BGN 1,13m and BGN 1,3m, respectively.

*Cost Structure, consolidated*

In BGN '000	H1 15	H1 16	Change
Costs of materials	3 413	3 397	-0.5%
Costs of external services	31 693	40 198	26.8%
Compensation costs	10 757	12 824	19.2%
Book value of goods sold	801	883	10.2%
Other operating costs	588	1 129	92.0%
Depreciation	4 229	5 526	30.7%
<b>EBITDA</b>	<b>10 266</b>	<b>9 859</b>	<b>-4.0%</b>

<b>Net profit for the period</b>	<b>4 861</b>	<b>3 125</b>	<b>-35.7%</b>
----------------------------------	--------------	--------------	---------------

On a consolidated basis the results include the operations in Romania where the development strategy is similar to the one for the local market – high growth, combined with investments in capacity expansion and introduction of new services. The latter, combined with the efforts for active expansion of the market presence has resulted in a sizable marketing expenses that reached BGN 446k for the first half of 2016.

On other hand, as far as traditional activities are concerned, the efficiency has improved after lowering the share of costs of materials, mostly fuel and vehicle maintenance.

The intensity of the investments accelerated – during the first 6 months they exceed BGN 11m. As usual, the largest are channelled to the transportation. Unlike previous periods, the rest of the investments exceeds those in vehicles. The investments in the logistic centers and in the point-of-sales amounted to BGN 6,7m. Major part of it were for purchase of automated post stations, equipment for logistic centers and PC equipment. In the main hub in Sofia were implemented a new sorting line that nearly tripled the processing capacity of the hub. It also allow introduction of bulk loading of parcels, which improve the utilization of vehicles. Clients are able to make card payments through POS terminals. Currently, the option exists only in part of office network and the plans are by the end of the year all offices and carriers to be equipped with respective devices. It is convenience for the clients but also electronic payments are going to limit the costs associated with cash payments.

1.3 Important events after the reporting date.

No such events.

1.4 Future developments.

During 2016 we plan to extend the program for human resources development in order to boost the motivation, initiative and entrepreneurship.

The PUDO (Speedy Parcel Shop) network has been completed to a large extent and further efforts will aim its optimization and expansion of partnership network. In 2016 has started the modernization of the office network that will improve the operations and the quality of the client servicing.

The development of the „PalletOne“ product and the expansion of infrastructure servicing it will remain a focus.

Intensive development of logistic network continues with building and extending of logistic hubs and furnishing them with a modern equipment that will improve productivity.

**2. Corporate events**

On 14.06.2016 was held the General Meeting of Shareholders of Speedy Jsc, where were taken decision for dividend distribution in amount of BGN 6 029 588.47 or BGN 1,13 per share. Pricewaterhouse Coopers were chosen as an auditor for 2016 and 2017. Were approved maximum amount of variable remuneration for the members of BoD that have contracts with Speedy Jsc.

---

## II. 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.

#### ***Trends in the business areas, in which SPEEDY and its subsidiaries operate***

The total number of registered operators are relatively large but in 2013 56 companies carried out active operations. Out of them, the top 5 companies generate 67% of total proceeds. The market leader on courier segment is Speedy Jsc with 30% share in non-universal services and 24% of the total postal market. The company has the advantage to operate in the largest and the fastest growing segment of the postal market and the achieved increase in revenue outpace the market as a whole and , respectively, its market share constantly expands. The main competitor is Econt express Ltd with a market share close to Speedy’s. Despite the registration requirement and regulatory agency, the non-universal segment is largely open with low entry barriers. The role of the regulator is limited to establishment of standards of services and guaranteeing minimum quality of the services, which actually is beneficial for the market and the companies with long term and strategic vision for the business.

According to the official annual report for 2014 of the Communications Regulation Commission, Bulgarian market of postal services amounts to BGN 301m, incl. BGN 245m from courier services. The market has been rapidly recovering in the last years with a pace between 6% and 10%. In 2013 its size topped its peak in 2008. The last year was highly successful for carrier services with a growth of over 16%. The main contributors are courier services which comprise 69% of the market and are the fastest growing segment.

In the niche where “Speedy” operates (large parcels and corporate customers), the competition is less intensive and the other companies with identical focus are considerably smaller. In the medium term, no significant changes in the area are expected as the main competitors are targeting other market niches.

There is no official statistics for the market in Romania. Based on managements estimates, the total size of the postal services market is considerably bigger than the Bulgarian, exceeding BGN 1 bn. The biggest market player is the Romanian posts with about 37 % market share. The leader in the courier services segment is Fan courier with over 20 % market share. The international parcels

---

constitute a considerable part of the courier services and three of the top five courier companies - DHL, TNT and UPS – operate exclusively on the international market.

During the last two years the Romanian economy is among the fastest growing in Europe and, respectively, the expectations about the development of the courier services market are to develop with rates above the EU average.



---

### **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**

Valery Mektupchiyan is a CEO and owner with 100% of the capital in “M Kastel” Ltd, headquartered in Sofia, Vitosha district, 3 Okolovrasten pat Street.

### **INSIDER INFORMATION regarding events, occurred during the past quarter**

**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.

#### **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 2016 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 shares with voting rights and their share in the total votes in the general meeting of the shareholders in the company:

As of 30 June 2016 – 3 544 367 shares, representing 66.42 % 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 June 2016, Geopost SA holds 1 333 979 shares, representing 25 % 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 June 2016:

	Acquired 2 <sup>nd</sup> quarter of 2016	Transferr ed 2 <sup>nd</sup> quarter of 2016	Number of shares held directly	Number of shares held through related parties	Total directly and through related parties	Share in the capital held directly and through related parties
Valery Mektupchiyan	0	0	0	3 544 367	3 544 367	66.42%
Danail Danailov	0	0	360	0	0	0.01%

The members of the Board of Directors have no 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 June 2016, loans are granted to DPD SA, Romania, subsidiary of Speedy Jsc.

Name, in thousand BGN	Amount	Interest rate	Maturity	Purpose
DPD SA, Romania	6 197	4.5%	15.12.2020	Investment
<b>TOTAL LOANS</b>	<b>6 197</b>			

The loans is not collateralized.

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

In 2016, 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.

Krasimir Tahchiev  
Investor Relations Director

Valery Mektupchiyan  
Executive Director