

# **SPEEDY AD**

**Sofia**

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

**31 MARCH 2019**

## EXPLANATORY NOTES

### **Core Activity**

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

The software company OMG, which during the past years had main role in developing new applications serving the core activity of “Speedy” AD and that were implemented not only in Bulgaria but in Romania and Greece as well, was 100% acquired at the end of the year. The value of the deal is EUR 2 million, out of which 75% will be repaid in 5 years

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

Speedy is constantly developing new functionalities to its services in order to increase the added value for its customers. The service Smart Control was fully implemented in the first quarter. It was created exclusively to satisfy the growing demands of the customers. Every recipient receives SMS, VIBER or e-mail at the moment a parcel is sent to him, for expected delivery on the next day with link to personalized page “SMART CONTROL”. After clicking the link or opening it in a browser, the recipient could find all information needed about: sender, the content of the parcel, amount due for payment on delivery and services (if there are any) and most importantly – a possibility to redirect the delivery to the nearest or another office/APS within the same township free of charge. With the new “SMART CONTROL” service, “PREDICT”, which was implemented in January 2019, the message for expected delivery after 21:00 h has an exact hour of delivery, with time frame of +/- 30 minutes on the next day. In this way the recipients will not wait SPEEDY’s courier unnecessarily and if they prefer they could easily confirm the delivery on this time range through their mobile telephone or they could redirect it to the nearest or another office/APS within the same township free of charge.

The amount invested during the period is BGN 2 million, with over 50% channeled in vehicles. Other more significant investments are in software and logistic network – for maintenance and equipment.

### **Financial results**

The steps undertaken in the middle of last year for improving the pricing and services definition processes and standardising of the deliveries, initially resulted in a slowdown of revenue growth and had an impact on the first half of 2018. But this laid the foundation of the followed-up growth and the improved profitability – on annual base the growth of the revenues reached 23.2% in Q1 2019 and the net profit goes up with 52%.

Significant impact over the growth has the acquisition of Rapido, which logistic on the domestic market was largely integrated with the Speedy AD's infrastructure. Even eliminating the acquisition effect, the growth of revenues speeds up thanks to the new implemented services and the more attractive pricing offered to the customers together with additional services and improved quality, supported by intensive marketing campaign. This attracted a significant number of individual customers, from which the revenues speeded-up with almost doubled pace. The latter has impact over the number of parcels, that went up to 6.3 million pieces – over 34% more on an annual base.

*Revenue structure, non-consolidated*

In BGN '000	Q1 18	Q1 19	Change
<b>Domestic market</b>	22 462	27 450	22.2%
<i>% of the total revenues</i>	82.0%	82.0%	
<b>International market</b>	3 816	4 916	28.8%
<i>% of the total revenues</i>	13.9%	14.7%	
<b>Others</b>	1 120	1 092	-2.5%
<i>% of the total revenues</i>	4.1%	3.3%	
<b>Number of parcels delivered</b>	4 718	6 339	34.4%
<b>Total revenues</b>	<b>27 398</b>	<b>33 458</b>	<b>22.1%</b>

*Cost structure, non-consolidated*

In BGN '000	Q1 18	Q1 19	Change
<b>Costs of materials</b>	1 461	1 579	8.1%
<b>Costs of external services</b>	14 455	16 566	14.6%
<b>Compensation costs</b>	6 405	7 555	18.0%
<b>Other operating costs</b>	301	280	-7.0%
<b>Depreciation</b>	2 073	3 115	50.3%
<b>EBITDA</b>	<b>4 776</b>	<b>7 478</b>	<b>56.6%</b>
<b>Net profit for the period</b>	<b>2 409</b>	<b>3 669</b>	<b>52.3%</b>

The optimization of processes and costs cutting, together with the acquisition of Rapido and realized economies of scales have a positive effect on the financial result. The more considerable increase is in “Subcontractors” expenses due to the growth in number of parcels processed. With the purpose of popularizing the new services the advertising campaign was intensified, which affected the marketing expenses. In the payments on delivery, growing number of customers use card as mean of payment which is related to the respective expenses for bank charges. All the rest expenses go up with a lower pace than the revenues or decrease, which leads to significant improvement in profitability – EBITDA margin reaches 22.4%, and the net income margin goes up to 11%. The new IFRS for accounting of leasings has a considerable effect on EBITDA, and the rent expenses, which were reported as costs for hired services in Q1 2018, are now reported in depreciation and interests.

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

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

### Macroeconomic risk

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

### Regulatory risk

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

### Interest rate risk

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

### Credit risk

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

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

### Price risk

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

### Currency risk

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

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

#### Liquidity risk

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

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

**NON-CONSOLIDATED FINANCIAL STATEMENTS**

**SPEEDY AD**

**AS OF 31.03.2019**

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

As of 31 March 2019

		<u>31.03.2019</u>	<u>31.12.2018</u>
	<i>Notes</i>	<b>BGN'000</b>	<b>BGN'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	47 612	49 335
Intangible assets	4	2 281	2 213
Investments in subsidiaries	5	46 255	46 255
Loans to related parties	29	8 259	8 259
Deferred tax assets	6	414	414
Other non-current assets		327	327
<b>Total non-current assets</b>		<b><u>105 148</u></b>	<b><u>106 803</u></b>
<b>Current assets</b>			
Inventories	7	395	331
Trade receivables	8	18 977	16 934
Current part of long-term receivables from related parties	29	1	2
	29	778	149
Other receivables and prepayments	9	1	2
	9	633	673
Cash and cash equivalents	10	4	7
	10	566	412
<b>Total current assets</b>		<b><u>27 349</u></b>	<b><u>29 499</u></b>
<b>TOTAL ASSETS</b>		<b><u><u>132 497</u></u></b>	<b><u><u>136 302</u></u></b>

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

As of 31 March 2019

**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	29 403	17 248
Current profit	11.3	3 669	12 155
<b>Total equity</b>		<b>58 553</b>	<b>54 884</b>

**Non-current liabilities**

Long-term interest bearing liabilities	12	39 128	40 133
Subsidies	13	39	119
Long-term provisions for pension benefits	14	178	178
<b>Total non-current liabilities</b>		<b>39 345</b>	<b>40 430</b>

**Current liabilities**

Current part of long-term interest bearing liabilities	12	18 846	19 280
Accounts payable	15	5 730	8 475
Payables related to remunerations and for social securities	16	4 607	4 659
Tax payables	17	1 578	1 407
Subsidies	13	320	320
Other current liabilities	18	3	6
		518	847
<b>Total current liabilities</b>		<b>34 599</b>	<b>40 988</b>

**TOTAL EQUITY AND LIABILITIES**

	<b>132 497</b>	<b>136 302</b>
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*The enclosed explanatory notes on pages 1 to 23 are an integral part of the financial statements.*

Executive Director:

Valery Mektupchiyan

Chief Accountant:

Stefka Levidzhova



	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues	32 366	26 278
Other revenues(losses) from the core activity, net	1 092	1 120
Costs of materials	(1 579)	(1 461)
Costs of external services	(16 566)	(14 455)
Compensation costs	(7 555)	(6 405)
Depreciation and amortization	(3 115)	(2 073)
Other operating expenses	(280)	(301)
<b>Operating profit</b>	<u><b>4 363</b></u>	<u><b>2 703</b></u>
Financial revenues	114	126
Financial expenses	(400)	(152)
<b>Financial revenues/expenses, net</b>	<u><b>(286)</b></u>	<u><b>(26)</b></u>
<b>Profit before taxes</b>	<u>4 077</u>	<u>2 677</u>
Income taxes	(408)	(268)
<b>Net profit for the year</b>	<u><b>3 669</b></u>	<u><b>2 409</b></u>
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Premeasurements of defined benefit pension plans	<u>-</u>	<u>-</u>
<i>Items that may be reclassified to profit or loss</i>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u><b>3 669</b></u>	<u><b>2 409</b></u>
<b>Earnings per share</b>		
BGN	<b>0.68</b>	<b>0.45</b>

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	<i>Notes</i>	<b>31.03.2019</b>	<b>31.03.2018</b>
		<b>BGN'000</b>	<b>BGN'000</b>
<b>Cash flows from operating activity</b>			
Proceeds from customers		38 910	32 832
Payments to suppliers		(25 630)	(20 753)
Payments related to remunerations and for social security		(7 513)	(6 261)
Tax payments		(2 162)	(2 475)
Income tax paid		(347)	-
Other proceeds/payments, net		(2 369)	(2 456)
<b>Net cash flow from operating activity</b>		<b>889</b>	<b>887</b>
<b>Cash flows from investing activity</b>			
Purchase of plant and equipment		(520)	(287)
Proceeds from sale of plant and equipment		-	19
Repaid loans to related parties		332	-
Interest on loan extended to related parties		151	(362)
Fixed asset investment		(2 689)	-
<b>Net cash flow from investing activity</b>		<b>(2 726)</b>	<b>(630)</b>
<b>Cash flows from financing activity</b>			
Payments under financial lease agreements		(1 413)	(1 542)
Proceeds from long-term loans		1 329	-
Repayment of long-term loans		(741)	(761)
Paid interests and bank charges		(165)	(159)
<b>Net cash flow from financing activity</b>		<b>(990)</b>	<b>(2 462)</b>
<b>Net change in cash and cash equivalents</b>		<b>(2 827)</b>	<b>(2 205)</b>
Net effect of changes in exchange rates		(19)	(20)
Cash and cash equivalents on 1 <sup>st</sup> January		7 412	7 293
<b>Cash and cash equivalents as of 31<sup>st</sup> March</b>	9	<b>4 566</b>	<b>5 068</b>

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		Share capital	Premium reserves	Statutory reserves	Retained earning	Total
	Notes	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Balance as of 1 January 2018</b>	19	<b>5 378</b>	<b>19 565</b>	<b>538</b>	<b>23 714</b>	<b>49 195</b>
<b>Change in equity for 2018</b>						
Distribution of profits, incl.		-	-	-	(6 453)	<b>(6 453)</b>
* Reserves		-	-	-	-	-
* Dividends		-	-	-	(6 453)	<b>(6 453)</b>
Total comprehensive income for the year, incl.		-	-	-	12 142	<b>12 142</b>
* Net income for the year		-	-	-	12 155	<b>12 155</b>
* Other comprehensive income, net of taxes		-	-	-	(13)	<b>(13)</b>
<b>Balance as of 31 December 2018</b>	19	<b>5 378</b>	<b>19 565</b>	<b>538</b>	<b>29 403</b>	<b>54 884</b>
<b>Change in equity for 2019</b>						
Total comprehensive income for the year, incl.		-	-	-	3 669	<b>3 669</b>
* Net income for the year		-	-	-	3 669	<b>3 669</b>
* Other comprehensive income, net of taxes		-	-	-	-	-
<b>Balance as of 31 March 2019</b>	19	<b>5 378</b>	<b>19 565</b>	<b>538</b>	<b>33 072</b>	<b>58 553</b>

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### 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	Investments in rented assets	Equipment	Vehicles	Computers	Other	Total
<b>December 2018</b>							
<b>Book value as of 1 January (reported)</b>	-	1 765	2 552	15 210	1 709	4 886	26 122
AFRS 16 translation of effects	26 027	-	-	38	-	-	26 065
<b>Book value as of 1 January (adjusted)</b>	<b>26 027</b>	<b>1 765</b>	<b>2 552</b>	<b>15 248</b>	<b>1 709</b>	<b>4 886</b>	<b>52 187</b>
Acquired	2 135	428	782	3 590	949	652	8 536
Transfer	-	60	-	-	1	(61)	-
Written-off	-	-	-	(3 046)	(191)	(66)	(3 303)
Depreciation	(3 753)	(538)	(474)	(5 078)	(704)	(570)	(11 117)
Written-off depreciation	-	-	-	2 864	165	3	3 032
<b>Book value as of 31 December</b>	<b>24 409</b>	<b>1 715</b>	<b>2 860</b>	<b>13 578</b>	<b>1 929</b>	<b>4 844</b>	<b>49 335</b>
<b>31 December 2018</b>							
<b>Initial value</b>	<b>28 162</b>	<b>4 851</b>	<b>5 490</b>	<b>36 019</b>	<b>5 899</b>	<b>7 148</b>	<b>87 569</b>
<b>Accumulated depreciation</b>	<b>(3 753)</b>	<b>(3 136)</b>	<b>(2 630)</b>	<b>(22 441)</b>	<b>(3 970)</b>	<b>(2 304)</b>	<b>(38 234)</b>
<b>Book value</b>	<b>24 409</b>	<b>1 715</b>	<b>2 860</b>	<b>13 578</b>	<b>1 929</b>	<b>4 844</b>	<b>49 335</b>
<b>March 2019</b>							
<b>Book value as of 1 January</b>	<b>24 409</b>	<b>1 715</b>	<b>2 860</b>	<b>13 578</b>	<b>1 929</b>	<b>4 844</b>	<b>49 335</b>
Acquired	13	222	36	1 016	114	248	1 649
Transfer	-	-	-	-	-	-	-
Written-off	-	-	-	(226)	(441)	-	(666)
Depreciation	(1 023)	(143)	(151)	(1 244)	(191)	(159)	(2 911)
Written-off depreciation	-	-	-	199	6	-	205
<b>Book value as of 31 March</b>	<b>23 399</b>	<b>1 794</b>	<b>2 745</b>	<b>13 323</b>	<b>1 418</b>	<b>4 933</b>	<b>47 612</b>
<b>31 March 2019</b>							
<b>Initial value</b>	<b>28 175</b>	<b>5 073</b>	<b>5 526</b>	<b>36 809</b>	<b>5 573</b>	<b>7 396</b>	<b>88 552</b>
<b>Accumulated depreciation</b>	<b>(4 776)</b>	<b>(3 279)</b>	<b>(2 781)</b>	<b>(23 486)</b>	<b>(4 155)</b>	<b>(2 463)</b>	<b>(40 940)</b>
<b>Book value</b>	<b>23 399</b>	<b>1 794</b>	<b>2 745</b>	<b>13 323</b>	<b>1 418</b>	<b>4 933</b>	<b>47 612</b>

#### 4. INTANGIBLE ASSETS

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

	Software	Cost of acquired assets	Total
<b>31 December 2018</b>			
<b>Book value at the beginning of the year</b>	1 899	704	2 603
Acquired	294	19	313
Transfer	588	(588)	-
Depreciation	(703)	-	(703)
<b>Book value at the end of the year</b>	<b>2 078</b>	<b>135</b>	<b>2 213</b>
<b>31 December 2018</b>			
Initial value	7 041	135	7 176
Accumulated depreciation	(4 963)	-	(4 963)
<b>Book value</b>	<b>2 078</b>	<b>135</b>	<b>2 213</b>
<b>31 March 2019</b>			
<b>Book value at the beginning of the year</b>	2 078	135	2 213
Acquired	-	281	281
Transfer	-	-	-
Depreciation	(213)	-	(213)
<b>Book value at the end of the period</b>	<b>1 865</b>	<b>416</b>	<b>2 281</b>
<b>31 March 2019</b>			
Initial value	7 041	416	7 457
Accumulated depreciation	(5 176)	-	(5 176)
<b>Book value</b>	<b>1 865</b>	<b>416</b>	<b>2 281</b>

## 5. INVESTMENTS IN SUBSIDIARIES

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

	<u>31.03.2019</u>	share	<u>31.12.2018</u>	share
	BGN'000		BGN'000	
Speedy EOOD	982	100%	982	100%
Geopost Bulgaria EOOD	8,165	100%	8,165	100%
DPD S.A., Romania	17,300	100%	17,300	100%
Rapido Express and logistics EOOD	16,456	100%	16,456	100%
OMG Mobile EOOD	3,352	100%	3,352	100%
<b>Total</b>	<b>46,255</b>		<b>46,255</b>	

## 6. INVENTORIES

As of 31 March 2019 in the value of inventories are included:

	<u>31.03.2019</u>	<u>31.12.2018</u>
	BGN'000	BGN'000
Materials	332	262
Fuel	63	69
<b>Total</b>	<b>395</b>	<b>331</b>

## 7. TRADE AND OTHER RECEIVABLES

	<u>31.03.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	BGN'000	BGN'000	BGN'000
Receivables from customers	19,859	17,816	11,816
Less impairment	(882)	(882)	(882)
<b>Receivables from customers, net amount</b>	<b>18,977</b>	<b>16,934</b>	<b>10,934</b>
<i>including receivables from related parties (Note 29)</i>	<i>6,511</i>	<i>6,182</i>	

*The change of the impairment has been changed as follows:*

	<u>2019</u>	<u>2018</u>
	BGN'000	BGN'000
<b>At the beginning of the year</b>	<b>882</b>	<b>807</b>
Impairments booked	-	75
Impairments recovered	-	-
Written-off impairments	-	-
<b>At the end of the period</b>	<b>882</b>	<b>882</b>

## 8. OTHER RECEIVABLES AND PREPAYMENTS

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Receivables on payments made on behalf of related parties	-	224
Prepayments	904	903
Receivables from trustees	-	871
Deposits	729	54
Receivables on payments made on behalf of third parties	-	179
Advances paid	-	41
Other receivables	-	401
<b>Total</b>	<b>1,633</b>	<b>2,673</b>

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Pitty cash	2,292	2,291
Cash in bank accounts	2,029	4,957
Petty	245	164
<b>Total</b>	<b>4,566</b>	<b>7,412</b>

## 10. EQUITY

### 10.1 SHARE CAPITAL

As of 31.03.2019 registered capital of the Company consists of 5,377,619 ordinary shares with par value of BGN 1 per share. All shares entitle to a dividend and to a liquidation share and represent one vote at the General Meeting of Shareholders of the Company.

	<b>2019</b>	<b>2018</b>
	<b>Number of shares</b>	<b>Number of shares</b>
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	-	-
<b>Number of shares, outstanding on 31 March 2019</b>	<b>5,377,619</b>	<b>5,377,619</b>

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

	<b>31.03.2019</b>		<b>31.12.2018</b>	
	<b>Number of shares</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>
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%

<b>Total</b>	<b>5,377,619</b>	<b>100.00%</b>	<b>5,377,619</b>	<b>100.00%</b>
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## 10.2 STATUTORY RESERVES

	<u>31.03.2019</u>	<u>31.12.2018</u>
	BGN'000	BGN'000
Statutory reserves	538	538
<b>Total</b>	<b>538</b>	<b>538</b>

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>31.03.2019</u>	<u>31.12.2018</u>
	BGN'000	BGN'000
Premium reserves	19,565	19,565
<b>Total</b>	<b>19,565</b>	<b>19,565</b>

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

## 10.4 RETAINED EARNINGS

Changes of the *undistributed profit* is as follows:

	<u>31.03.2019</u>	<u>31.12.2018</u>
	BGN '000	BGN '000
<b>Balance as of 1 January</b>	<b>29,403</b>	<b>23,802</b>
<i>Effects of applying AFRS 9</i>	-	(88)
Net profit for the year	3,669	12,155
Dividends distributed	-	(6,453)
Actuary losses from revaluations, net of taxes	-	(13)
Distribution for reserves	-	-
<b>Balance as of 31 March 2019, including</b>	<b>33,072</b>	<b>29,403</b>
<i>undistributed profit</i>	<i>29,403</i>	<i>17,248</i>
<i>current profit</i>	<i>3,669</i>	<i>12,155</i>

## 11. INTEREST BEARING LIABILITIES

The interest bearing liabilities as of 31 March 2019 include:

	<u>31.03.2019</u>	<u>31.12.2018</u>
	BGN'000	BGN'000
Investment liabilities	15,344	17,788



Liabilities under financial lease agreements	36,122	35,699
Long-term bank loans	6,508	5,926
<b>Total</b>	<b>57,974</b>	<b>59,413</b>
<i>non-current part</i>	<i>18,846</i>	<i>40,133</i>
<i>current part</i>	<i>39,128</i>	<i>19,280</i>

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

As of 31.03.2019, the liabilities of the Company under financial lease agreements are the following:

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Liabilities under financial lease agreements	11,242	11,311
- Long-term part	5,851	6,028
- Short-term part	5,391	5,283
<b>Total</b>	<b>11,242</b>	<b>11,311</b>

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

As of 31.03.2019, amount due under bank loans are the following:

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Liabilities under received loans from banks, incl.:	6,508	5,926
- <i>short-term part</i>	4,294	2,970
- <i>long-term part</i>	2,214	2,956
<b>Total</b>	<b>6,508</b>	<b>5,926</b>

## 12. TRADE AND OTHER PAYABLES

As of 31.03.2019, the trade and other payables include:

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Trade payables	3,237	5,750
Payables to related parties	2,603	2,725
Payables for remunerations	3,649	3,681
Payables for social security	958	978
Taxes payable	1,578	1,407
Other payables	3,408	6,847
<b>Total</b>	<b>15,433</b>	<b>21,388</b>

## 13. REVENUES

The revenues of the Company consist of:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from courier services	32,366	26,278
<b>Total</b>	<b><u>32,366</u></b>	<b><u>26,278</u></b>

#### 14. OTHER REVENUES

Other revenues of the Company consist of:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from renting out of motor vehicles	831	836
Other revenues	181	204
Financing	80	80
<b>Total</b>	<b><u>1,092</u></b>	<b><u>1,120</u></b>

#### 15. COSTS OF MATERIALS

Costs of materials include:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Fuels	930	791
Delivery-related materials	468	425
Office materials and consumables	70	67
Uniforms	16	-
IT consumables	56	131
Other costs	39	47
<b>Total</b>	<b><u>1,579</u></b>	<b><u>1,461</u></b>

#### 16. COSTS OF HIRED SERVICES

Costs of hired services consist of:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Subcontractors	13,869	11,037
Rents	87	963
Communications and utility services	510	462
Vehicle maintenance	651	568
Insurance	290	297
Office/warehouse maintenance	173	194
Staff training	2	42
Marketing	229	145
Audit, consultant and other services	352	424
Other costs	194	158
Fees	143	98
<b>Total</b>	<b><u>16,566</u></b>	<b><u>14,455</u></b>

#### 17. COMPENSATION COSTS

Compensation costs consist of:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Salaries and wages	6,480	5,472
Social security contributions	1,075	933
<b>Total</b>	<b><u>7,555</u></b>	<b><u>6,405</u></b>

## 18. OTHER OPERATING COSTS

Other operating expenses of the Company consist of:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Indemnities for parcels	161	120
Representation costs	27	96
Other costs	92	85
<b>Total</b>	<b><u>280</u></b>	<b><u>301</u></b>

## 19. FINANCIAL INCOME

Financial income of the Company consists of:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interests income	114	126
Dividends	-	-
<b>Total</b>	<b><u>114</u></b>	<b><u>126</u></b>

## 20. FINANCIAL EXPENSES

Financial expenses of the Company consist of:

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interest expenses	375	130
<i>incl. interests investment liabilities</i>	293	-
FX exchange loss, net	25	22
Other	-	-
<b>Total</b>	<b><u>400</u></b>	<b><u>152</u></b>

## 21. TAXES

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

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
<b>Accounting profit before taxes</b>	<b><u>4,077</u></b>	<b><u>2,677</u></b>
Increase	-	-

Decrease	-	-
<b>Taxable net income</b>	<b>4,077</b>	<b>2,677</b>
<b>Income tax</b>	<b>(408)</b>	<b>(268)</b>
Tax rate	10%	10%
<b>Deferred taxes</b>	-	-
Tax rate	10%	10%
<b>Total income tax and deferred tax</b>	<b>(408)</b>	<b>(268)</b>
<b>Net income</b>	<b>3,669</b>	<b>2,409</b>

## 22. EARNINGS PER SHARE AND DIVIDENDS

### 22.1 Earnings per share

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

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

	<u>31.03.2019</u>	<u>31.03.2018</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Distributable net income /BGN'000. /	13,229	2,409
Weighted average number of shares	5,356,712	5,356,712
<b>Earnings per share /BGN per share/</b>	<b>0,68</b>	<b>0,45</b>

### 22.2 Dividends

No dividends distributed for the reported quarter

## 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.

<b>Related Party</b>	<b>Related Party</b>
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 Logistic 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 oil 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 Сандрини Фло EOOD	Company related to Board Member
Star Perfomining	Company related to Board Member

Ultimate ownership Valeri Haroutun Mektouptchiyan.

### Extended loans

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

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Dynamic Parcel Distribution S.A., Romania incl.	10,037	10,408
- principal	10,037	10,372
- interest	-	36
<b>Total</b>	<b>10,037</b>	<b>10,408</b>
<i>incl. current part</i>	<i>1,778</i>	<i>2,149</i>
<i>incl. non-current part</i>	<i>8,259</i>	<i>8,259</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

	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from subsidiaries	6,058	5,698
Receivables from companies under common control	377	56
Receivables from shareholders with significant influence	76	428
<b>Total</b>	<b>6,511</b>	<b>6,182</b>

### Trade and other payables to related parties

The payables to related parties include:

<b>31.03.2019</b>	<b>31.12.2018</b>
-------------------	-------------------

	<b>BGN '000</b>	<b>BGN '000</b>
Trade payables, incl.	2,493	2,725
Payables to subsidiaries	1,926	2,192
Payables to companies under common control	567	533
Other payables, incl.	110	110
Deposits from the Members of the BoD	110	110
<b>Total</b>	<b>2,603</b>	<b>2,835</b>

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

### **Commercial transactions with related parties**

#### *Sales to related parties*

	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>5,934</b>	<b>2,672</b>
Subsidiaries	5,315	1,558
Companies under common control	556	837
Shareholders with significant influence	63	277

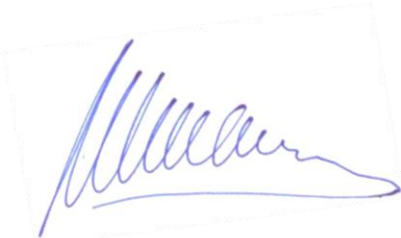
#### *Purchases from related parties*

	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>5,046</b>	<b>4,235</b>
Companies under common control	2,936	2,884
Subsidiaries	2,110	1,351

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

**INFORMATION under Appendix 9 from regulation 2 of FSC**

- 1. Information about change of persons exercising control over the company.**  
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.**  
There are no significant deals.
  
- 4. Change of the company’s auditor and reasons for it.**  
No change of the auditing company.
  
- 5. Information about pending legal, administrative or arbitration proceedings, concerning obligations or receivables of the company or its subsidiary in amount of at least 10 percent of the company’s equity.**  
There are no legal or other proceedings with significant value.
  
- 6. Purchase, sale or pledge of shares in other companies by the issuer or by any of its subsidiary.**  
Not applicable.
  
- 7. Other events which the company consider to be of importance for the investors in taking decision to acquire, sell or hold publicly offered securities.**  
No other events except already announced.



**Executive Director: .....**  
**/ Valery Mektupchiyan /**