

**SPEEDY AD**

**CONSOLIDATED STATEMENT OF FINANCIAL STANDING**

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as of 31 December 2018

**SPEEDY AD**

**Sofia**

**EXPLANATORY NOTES  
TO THE  
CONSOLIDATED FINANCIAL STATEMENT**

**31 DECEMBER 2018**

## 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 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 and the final deal value depends on retaining certain key employees of OMG during that period.

Part of the Company’s strategy for expanding its positions in the segment of individual customers, is the development of its office network. During the last year the overall renovation of the offices was finalized. The expansion and optimization continues with the focus on medium and small towns. By the end of 2018 the network reached 426 point-of-sales (incl. 56 APSs)

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. In order to promote APS service, we offered to clients 50% discount until 01.02.2019 for any delivery to / from APS.

Successfully continues the regional market development with the service Speedy Balkans, which is the best performing segment during the year. The main contributor are the deliveries from / to Romania but after the successful launch of the deliveries to / from Greece last year the latter also increase with a high pace. Speedy JSC acquired the DPD franchise for Greece. The activity will be carried out through the branch of Geopost Bulgaria registered in Thessaloniki. The company offers international deliveries to / from Europe through DPD network, while deliveries within Greece continue to be carried out through the local partner. Although at early stage, the service shows promising results.

The investments during the period are for the amount of BGN 13.3 million and half of them are in vehicles. The rest, BGN 5 m are channeled in equipment and computers, mostly in Romania.

### **Financial results**

On consolidated basis the growth in revenues speed up to 16.2% regardless of the lower growth during the first half, when the revenues in Romania shrunk. Similarly to the last quarter of 2017, the reason is the termination of contracts with clients where the company realized insufficient profit, incl. its largest client. To a lesser extent, lower sales followed the increase in fees and replacement of ERP system. The measures undertaken in Bulgaria in the mid 2017 for improving the pricing and services defining processes and standardising of the deliveries, initially resulted in a slowdown of revenue growth but in the end of 2017 and beginning of 2018 the trend rebounded.

During the second half of the year the sales growth is generally evenly distributed across all markets as well as segments and services. Due to the record-high growth in Romania, the consolidated revenues only for the last quarter increase with 30% on annual base. Most dynamic are particularly in the segments that the company is focused on during the last years – Speedy Balkans and the individual customers. At the same time the high growth with over 10% in the traditional segment of the corporate customers remain.

*Revenue structure, consolidated*

In BGN '000	2017	2018	Change	Q4 17	Q4 18	Change
<b>Domestic market</b>	88 737	106 602	20.1%	24 707	34 225	38.5%
<i>% of the total revenues</i>	56.0%	57.9%		57.8%	61.5%	
<b>International market</b>	62 868	68 876	9.6%	16 531	18 872	14.2%
<i>% of the total revenues</i>	39.7%	37.4%		38.7%	33.9%	
<b>Others</b>	6 829	8 652	26.7%	1 491	2 598	74.2%
<i>% of the total revenues</i>	4.3%	4.7%		3.5%	4.7%	
<b>Number of parcels delivered</b>	26 429	30 956	17.1%	6 979	10 257	47.0%
<b>Total revenues</b>	<b>158 434</b>	<b>184 130</b>	<b>16.2%</b>	<b>42 729</b>	<b>55 695</b>	<b>30.3%</b>

*Cost structure, consolidated*

In BGN '000	2017	2018	Change	Q4 17	Q4 18	Change
<b>Costs of materials</b>	7 109	9 686	36.2%	2 037	3 629	78.2%
<b>Costs of external services</b>	95 941	106 741	11.3%	26 217	32 641	24.5%
<b>Compensation costs</b>	32 133	38 036	18.4%	9 208	11 691	27.0%
<b>Other operating costs</b>	3 874	3 158	-18.5%	921	1 289	40.0%
<b>Depreciation</b>	10 676	11 416	6.9%	2 766	3 020	9.2%
<b>EBITDA</b>	<b>19 377</b>	<b>26 509</b>	<b>36.8%</b>	<b>4 346</b>	<b>6 445</b>	<b>48.3%</b>
<b>Net profit for the period</b>	<b>6 774</b>	<b>12 677</b>	<b>87.1%</b>	<b>1 183</b>	<b>2 867</b>	<b>142.3%</b>

Except the acceleration of revenues growth, the undertaken measures for optimization of processes and cost cutting of Bulgarian's operations as well as the new logistic scheme together with the reorganization of transportation in Romania lead to significant improvement of the profitability. EBITDA margin increased to 14.4% compared to 12.2% in 2017, while the net income went up to 6.9% in comparison with 4.5% in 2017.

The most significant impact have the expenses with the highest share – subcontractors, which increase with 8%. The most considerable improvements are in “Other operating costs”, where decrease is due to large reduction in Indemnities for parcels, that go down with almost 40% despite the increased volumes. During Q4 2018 is reported a current expense for technical equipment bought in amount of BGN 800 thousand. Due to that there is a significant increase in costs of materials, especially during the last two quarters of the year. By eliminating this single effect the growth in costs of materials is with a lower pace compared to the change in revenues.

As a result EBITDA climbed with 37% up to BGN 26 million and the net income reached the record-breaking BGN 12.68 million. The pace is even more clear during the last quarter, where Net income increased with 142% and EBITDA risen with over 48%.

The number of parcels delivered reached over 30 m, where the increase is in line with sales growth. In Romania the number of parcels is considerably lower after cutting deliveries with lower than

demanded profitability which lead to increase in the average price per parcel with 29% and the profitability as well.

## **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.

**CONSOLIDATED FINANCIAL STATEMENTS**

**SPEEDY AD**

**AS OF 31.12.2018**

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

as of 31 December 2018

		<u>31.12.2018</u>	<u>31.12.2017</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	35 898	34 468
Goodwill and Intangible assets	4	36 822	22 438
Deferred tax assets	5	272	265
Other long term receivables	6	241	213
<b>Total non-current assets</b>		<u><b>73 233</b></u>	<u><b>57 384</b></u>
<b>Current assets</b>			
Inventories	7	655	417
Trade receivables	8	26 135	19 716
Other receivables and prepayments	9	3 365	3 538
Cash and cash equivalents	10	14 915	12 663
<b>Total current assets</b>		<u><b>45 070</b></u>	<u><b>36 334</b></u>
<b>TOTAL ASSETS</b>		<u><b>118 303</b></u>	<u><b>93 718</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11.1	5 378	5 378
Statutory reserves	11.2	19 347	19 341
Current profit	11.2	25 992	20 796
<b>Total equity</b>		<u><b>50 717</b></u>	<u><b>45 515</b></u>
<b>Non-current liabilities</b>			
Long-term interest bearing liabilities	12	12 186	13 652
Deferred tax liabilities		963	963
Subsidies	13	119	439
Long-term provisions for pension benefits	14	157	157
<b>Total non-current liabilities</b>		<u><b>13 425</b></u>	<u><b>15 211</b></u>
<b>Current liabilities</b>			
Current part of long-term interest bearing liabilities	12	8 699	8 557
Accounts payable	15	14 762	9 014
Payables related to remunerations and for social securities	16	5 967	4 221
Tax payables	17	1 561	1 664
Subsidies	13	320	320
Other current liabilities	18	22 852	9 216
<b>Total current liabilities</b>		<u><b>54 161</b></u>	<u><b>32 992</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>118 303</b></u>	<u><b>93 718</b></u>

*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



**SPEEDY AD****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

as of 31 December 2018

		<u>31.12.2018</u>	<u>31.12.2017</u>
	<i>Notes</i>	<b>BGN'000</b>	<b>BGN'000</b>
Revenues	19	175 478	151 605
Other revenues(losses) from the core activity, net	20	8 652	6 829
Costs of materials	21	(9 686)	(7 109)
Costs of external services	22	(106 741)	(95 941)
Compensation costs	23	(38 036)	(32 133)
Depreciation and amortization	3, 4	(11 416)	(10 676)
Other operating expenses	23	(3 158)	(3 874)
<b>Operating profit</b>		<b>15 093</b>	<b>8 701</b>
Financial revenues	24	142	-
Financial expenses	25	(894)	(575)
<b>Financial revenues/expenses, net</b>		<b>(752)</b>	<b>(575)</b>
<b>Profit before taxes</b>		<b>14 341</b>	<b>8 126</b>
Income taxes	26	(1 664)	(955)
<b>Net profit for the year</b>		<b>12 677</b>	<b>7 171</b>

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Executive Director:

Valery Mektupchiyan

Chief Accountant:

Stefka Levidzhova

**SPEEDY AD****CONCOLIDATED STATEMENT OF CASH FLOWS**

as of 31 декември 2018

	<i>Notes</i>	<u>31.12.2018</u>	<u>31.12.2017</u>
		<b>BGN'000</b>	<b>BGN'000</b>
<b>Cash flows from operating activity</b>			
Proceeds from customers		203 841	175 874
Payments to suppliers		(133 084)	(118 191)
Payments related to remunerations and for social security		(35 727)	(30 647)
Tax payments		(11 205)	(9 469)
Income tax paid		(1 304)	(784)
Other proceeds/payments, net		<u>3 073</u>	<u>3 764</u>
<b>Net cash flow from operating activity</b>		<b><u>25 594</u></b>	<b><u>20 547</u></b>
<b>Cash flows from investing activity</b>			
Purchase of plant and equipment		(5 326)	(6 863)
Proceeds from sale of plant and equipment		325	314
Fixed asset investment		(2 200)	-
Other proceeds/payments from investing activity		<u>298</u>	<u>-</u>
<b>Net cash flow from investing activity</b>		<b><u>(6 903)</u></b>	<b><u>(6 549)</u></b>
<b>Cash flows from financing activity</b>			
Issuance of equity		-	42
Payments under financial lease agreements		(6 435)	(5 874)
Proceeds from long-term loans		-	2 503
Repayment of long-term loans		(3 270)	(2 456)
Paid interests and bank charges		(191)	(209)
Dividends paid		<u>(6 444)</u>	<u>(6 030)</u>
<b>Net cash flow from financing activity</b>		<b><u>(16 340)</u></b>	<b><u>(12 024)</u></b>
<b>Net change in cash and cash equivalents</b>		<b><u>2 351</u></b>	<b><u>1 974</u></b>
Net effect of changes in exchange rates		(99)	(378)
Cash and cash equivalents on 1 <sup>st</sup> January		<u>12 663</u>	<u>11 067</u>
<b>Cash and cash equivalents as of 31<sup>st</sup> December</b>	9	<b><u><u>14 915</u></u></b>	<b><u><u>12 663</u></u></b>

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Executive Director:

Valery Mektupchiyan

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**SPEEDY AD****EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**

AS OF 31.12.2018

	Share capital	Statutory reserves	Premium reserves	FX translation effects	Retained earning	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Balance as of 31 December 2016</b>	<b>5 336</b>	<b>534</b>	<b>19 565</b>	<b>(361)</b>	<b>19 655</b>	<b>44 729</b>
Issuance of shares	42	-	-	-	-	42
<i>Change in equity for 2017</i>						
Distribution of profits, incl.	-	4	-	-	(6 034)	<b>(6 030)</b>
<i>Reserves</i>		4			(4)	-
<i>Dividends</i>	-	-	-	-	(6 030)	(6 030)
Total comprehensive income for the year, incl.	-	-	-	(401)	7 175	<b>6 774</b>
<i>Net income for the year</i>	-	-	-	-	7 171	<b>7 171</b>
<i>Other comprehensive income, net of taxes</i>	-	-	-	(401)	4	<b>(397)</b>
<b>Balance as of 31 December 2017</b>	<b>5 378</b>	<b>538</b>	<b>19 565</b>	<b>(762)</b>	<b>20 796</b>	<b>45 515</b>
<i>Change in equity for 2018</i>						
Distribution of profits, incl.	-	-	-	-	(6 453)	<b>(6 453)</b>
<i>Reserves</i>						-
<i>Dividends</i>	-	-	-	-	(6 453)	(6 453)
Total comprehensive income for the year, incl.	-	-	-	6	12 677	<b>12 683</b>
<i>Net income for the year</i>	-	-	-	-	12 677	<b>12 677</b>
<i>Other comprehensive income, net of taxes</i>	-	-	-	6		<b>6</b>
Other changes	-	-	-	-	(1 028)	<b>(1 028)</b>
<b>Balance as of 31 December 2018</b>	<b>5 378</b>	<b>538</b>	<b>19 565</b>	<b>(756)</b>	<b>25 992</b>	<b>50 717</b>

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Executive Director:

Valery Mektupchiyan

Chief Accountant:

Stefka Levidzhova

### 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:

	Plant and equipment	Vehicles	Computers	Machinery	Investments in rented assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>31 December 2017</b>						
<b>Book value at the beginning of the period</b>	<b>4 812</b>	<b>18 491</b>	<b>2 281</b>	<b>5 271</b>	<b>2 963</b>	<b>33 818</b>
FX revaluation	(77)	(81)	(68)	(28)	(35)	(289)
Acquired	410	5 418	1 004	2 547	866	10 245
Transfer	(608)	-	820	(212)	-	-
Written-off	(198)	(2 216)	(2 282)	(9)	-	(4 705)
Depreciation	(1 024)	(6 107)	(875)	(520)	(677)	(9 203)
Transfer of depreciation	695	-	(638)	(57)	-	-
Written-off depreciation	198	1 998	2 278	5	-	4 479
FX effect on depreciation	29	40	49	1	4	123
<b>Book value at the end of the period</b>	<b>4 237</b>	<b>17 543</b>	<b>2 569</b>	<b>6 998</b>	<b>3 121</b>	<b>34 468</b>
<b>31 December 2017</b>						
<b>Initial value</b>	<b>7 746</b>	<b>40 302</b>	<b>8 127</b>	<b>8 889</b>	<b>6 095</b>	<b>71 159</b>
<b>Accumulated depreciation</b>	<b>(3 509)</b>	<b>(22 759)</b>	<b>(5 558)</b>	<b>(1 891)</b>	<b>(2 974)</b>	<b>(36 691)</b>
<b>Book value</b>	<b>4 237</b>	<b>17 543</b>	<b>2 569</b>	<b>6 998</b>	<b>3 121</b>	<b>34 468</b>
<b>31 December 2018</b>						
<b>Балансова стойност в началото на периода</b>	<b>4 237</b>	<b>17 543</b>	<b>2 569</b>	<b>6 998</b>	<b>3 121</b>	<b>34 468</b>
FX revaluation	-	-	-	-	-	-
Acquired	3 451	5 887	1 590	115	607	11 650
From acquisitions	2 935	4 027	(2 410)	-	-	4 552
Written-off	(992)	(6 239)	(1 203)	-	-	(8 434)
Depreciation	(1 117)	(6 159)	(1 126)	(555)	(724)	(9 681)
Purchased	(1 050)	(1 156)	(42)	(39)	-	(2 287)
Written-off depreciation	4	4 183	1 438	-	5	5 630
FX effect on depreciation	-	-	-	-	-	-
<b>Book value at the end of the period</b>	<b>7 468</b>	<b>18 086</b>	<b>816</b>	<b>6 519</b>	<b>3 009</b>	<b>35 898</b>
<b>31 December 2018</b>						
<b>Initial value</b>	<b>13 140</b>	<b>43 977</b>	<b>6 104</b>	<b>9 004</b>	<b>6 702</b>	<b>78 927</b>
<b>Accumulated depreciation</b>	<b>(5 672)</b>	<b>(25 891)</b>	<b>(5 288)</b>	<b>(2 485)</b>	<b>(3 693)</b>	<b>(43 029)</b>
<b>Book value</b>	<b>7 468</b>	<b>18 086</b>	<b>816</b>	<b>6 519</b>	<b>3 009</b>	<b>35 898</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:

	Goodwill and rights acquired under business combination	Software	Cost of acquired assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000
<b>31 December 2017</b>				
Book value at the beginning of the year	18 902	3 121	915	22 938
FX revaluation	(328)	(70)	-	(398)
Acquired	-	1 015	296	1 311
Written-off	-	289	(289)	-
Depreciation	(534)	(939)	-	(1 473)
FX effect on depreciation	28	32	-	60
<b>Book value at the end of the year</b>	<b>18 068</b>	<b>3 448</b>	<b>922</b>	<b>22 438</b>
<b>31 December 2017</b>				
Initial value	19 692	9 145	922	29 759
Accumulated depreciation	(1 624)	(5 697)	-	(7 321)
<b>Book value</b>	<b>18 068</b>	<b>3 448</b>	<b>922</b>	<b>22 438</b>
<b>31 December 2018</b>				
Book value at the beginning of the year	18 068	3 448	922	22 438
Acquired	-	316	-	316
From acquisitions	14 493	1 296	333	16 122
Written-off	-	(5)	-	(5)
Depreciation	(548)	(1 187)	-	(1 735)
Purchased	-	(314)	-	(314)
<b>Book value at the end of the year</b>	<b>32 013</b>	<b>3 554</b>	<b>1 255</b>	<b>36 822</b>
<b>31 December 2018</b>				
Initial value	34 185	10 752	1 255	46 192
Accumulated depreciation	(2 172)	(7 198)	-	(9 370)
<b>Book value</b>	<b>32 013</b>	<b>3 554</b>	<b>1 255</b>	<b>36 822</b>

**6. INVENTORIES**

As of 31 December 2018 in the value of inventories are included:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Materials	580	309
Fuel	75	108
<b>Total</b>	<b>655</b>	<b>417</b>

**7. TRADE AND OTHER RECEIVABLES**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Receivables from customers	28,095	21,265
Less impairment	(1,960)	(1,549)
<b>Receivables from customers, net amount</b>	<b>26,135</b>	<b>19,716</b>
<i>including receivables from related parties (Note 29)</i>	<i>460</i>	<i>371</i>

**8. OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables and prepayments include:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Long term receivables	241	213
Short-term receivables and prepayments	3,365	3,538
<b>Total</b>	<b>3,606</b>	<b>3,751</b>

As *other long-term receivables* as of 31.12.2018 are presented deposits for the long-term rental contract (operating lease) of real estates.

*Other short-term receivables and prepayments* include:

	<b>30.09.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Prepayments	1,174	1,376
Deposits	847	770
Receivables from trustees	-	601
Receivables on government grants	-	298
Tax receivables	312	284
Receivables on payments made on behalf of third parties	-	159

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Advances paid	245	19
Other receivables	787	31
<b>Total</b>	<b>3,365</b>	<b>3,538</b>

**9. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Pitty cash in vaults	5,180	4,571
Cash in bank accounts	9,299	7,929
Petty cash	436	163
<b>Total</b>	<b>14,915</b>	<b>12,663</b>

**10. EQUITY****10.1 SHARE CAPITAL**

As of 31.12.2018 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 have one voting right at the General Meeting of Shareholders of the Company.

	<b>2018</b>	<b>2017</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 December 2018</b>	<b>5,377,619</b>	<b>5,377,619</b>

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

	<b>31.12.2018</b>		<b>31.12.2017</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>

**10.2 STATUTORY RESERVES**

<b>31.12.2018</b>	<b>31.12.2017</b>
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	BGN'000	BGN'000
Statutory reserves	538	538
<b>Total</b>	<b>538</b>	<b>538</b>

The statutory reserves are formed from distributing 10% of the net profit in compliance 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>31.12.2018</u>	<u>31.12.2017</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 Parent 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.

The FX translation reserves BGN 756k, negative ((31.12.2017 г.: BGN 762 negative) is formed as a result of revaluation of financial report during consolidation from local currency in the Group's reporting currency.

**10.4 RETAINED EARNINGS**

Changes of the <i>undistributed profit</i> is as follows:	<b>31.12.2018</b>	<b>31.12.2017</b>
	BGN '000	BGN '000
<b>Balance as of 1 January</b>	<b>20,796</b>	<b>19,655</b>
Net profit for the year	12,677	7,171
Dividends distributed	(6,453)	(6,030)
Actuary losses from revaluations, net of taxes	-	4
Distribution for reserves	-	(4)
Other changes	(1,028)	-
<b>Balance as of 31 December</b>	<b>25,992</b>	<b>20,796</b>
<i>undistributed profit</i>	<i>13,315</i>	<i>13,625</i>
<i>current profit</i>	<i>12,677</i>	<i>7,171</i>

**11. INTEREST BEARING LIABILITIES**

The interest bearing liabilities as of 31 December 2018 include:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	BGN'000	BGN'000
Payables under financial lease agreements	14,964	13,277



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Long-term bank loans	5,921	8,932
<b>Total</b>	<b>20,885</b>	<b>22,209</b>
<i>non-current part</i>	<i>12,186</i>	<i>13,652</i>
<i>current part</i>	<i>8,699</i>	<i>8,557</i>

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

As of 31.12.2018, the payables of the Company under financial lease agreements are the following:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Payables under financial lease agreements	14,964	13,277
- Long-term part	9,230	7,732
- Short-term part	5,734	5,545
<b>Total</b>	<b>14,964</b>	<b>13,277</b>

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

As of 31.12.2018, amount due under bank loans are the following:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Payables under received loans from banks, incl.:	5,921	8,932
- <i>short-term part</i>	<i>2,965</i>	<i>3,012</i>
- <i>long-term part</i>	<i>2,956</i>	<i>5,920</i>
<b>Total</b>	<b>5,921</b>	<b>8,932</b>

**12. TRADE AND OTHER PAYABLES**

As of 31.12.2018, the trade and other payables include:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Trade payables	14,202	8,490
Payables to related parties	560	524
Payables for remunerations	4,409	3,205
Payables for social security	1,558	1,016
Taxes payable	1,561	1,664
Other payables	22,852	9,216
<b>Total</b>	<b>45,142</b>	<b>24,115</b>

**13. REVENUES**

The revenues of the Group consist of:

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	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from courier services	175,478	151,605
<b>Total</b>	<b><u>175,478</u></b>	<b><u>151,605</u></b>

**14. OTHER REVENUES**

Other revenues of the Group consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Revenues from renting out of motor vehicles	4,078	4,953
Other revenues	4,254	1,361
Financing	320	515
<b>Total</b>	<b><u>8,652</u></b>	<b><u>6,829</u></b>

**15. COSTS OF MATERIALS**

Costs of materials include:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Fuels	4,100	3,425
Delivery-related materials	2,654	1,638
Office materials and consumables	339	820
Uniforms	312	257
IT consumables	1,842	755
Other costs	439	214
<b>Total</b>	<b><u>9,686</u></b>	<b><u>7,109</u></b>

**16. COSTS OF HIRED SERVICES**

Costs of hired services consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Subcontractors	82,295	76,144
Rents	6,808	5,753
Communications and utility services	2,700	2,315
Vehicle maintenance	2,962	2,954
Insurance	1,856	1,590
Office/warehouse maintenance	1,301	915
Staff training	354	264
Marketing	1,258	878
Audit, consultant and other services	1,825	3,407
Other costs	4,452	1,167
Fees	930	554

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AS OF 31.12.2018

<b>Total</b>	<b>106,741</b>	<b>95,941</b>
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**17. COMPENSATION COSTS**

Compensation costs consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Salaries and wages	30,409	24,870
Social security contributions	7,627	7,263
<b>Total</b>	<b>38,036</b>	<b>32,133</b>

**18. OTHER OPERATING COSTS**

Other operating expenses of the Company consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Indemnities for parcels	1,273	2,085
Representation costs	433	618
Other costs	1,452	1,171
<b>Total</b>	<b>3,158</b>	<b>2,953</b>

**19. FINANCIAL INCOME**

Financial income of the Company consists of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interests income	142	-
<b>Total</b>	<b>142</b>	<b>-</b>

**20. FINANCIAL EXPENSES**

Financial expenses of the Company consist of:

	<u>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interest expenses	839	545
FX exchange loss, net	55	30
<b>Total</b>	<b>894</b>	<b>575</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>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
<b>Accounting profit before taxes</b>	<b>14,341</b>	<b>8,126</b>
Increase	-	-
Decrease	-	-
<b>Taxable net income</b>	<b>14,341</b>	<b>8,126</b>
<b>Income tax</b>	<b>(1,664)</b>	<b>(955)</b>
Tax rate	10%	10%
<b>Deferred taxes</b>	-	-
Tax rate	10%	10%
<b>Total income tax and deferred taxes</b>	<b>(1,664)</b>	<b>(955)</b>
<b>Net income</b>	<b>12,677</b>	<b>7,171</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>31.12.2018</u>	<u>31.12.2017</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Distributable net income /BGN'000. /	12,677	7,171
Weighted average number of shares	5,356,712	5,356,712
<b>Earnings per share /BGN per share/</b>	<b>2,37</b>	<b>1,34</b>

### 22.2 Dividends

No dividends distributed in 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>Type of relationship</b>
Speedy Group AD	Parent Company
Speedy EOOD	Subsidiary
Geopost Bulgaria EOOD	Subsidiary

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DPD S.A., Romania	Subsidiary
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
Geopost S.A., France	Shareholder with significant influence

**Trade and other receivables from related parties**

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Receivables from companies under common control	102	159
Receivables from shareholders with significant influence	358	212
<b>Total</b>	<b>460</b>	<b>371</b>

**Trade and other payables to related parties**

The payables to related parties include:

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
Trade payables, incl.	450	524
Payables to companies under common control	450	524
Other payables, incl.	110	125
Deposits from the Members of the BoD	110	110
Interest payables under loan from ultimate Parent	-	15
<b>Total</b>	<b>560</b>	<b>649</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**

<i>Sales to related parties</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
	<b>4,281</b>	<b>3,790</b>
Companies under common control	3,328	3,210
Shareholders with significant influence	953	580

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**SPEEDY AD****EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**

AS OF 31.12.2018

	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<i>Purchases from related parties</i>		
Companies under common control	12,028	12,864

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 Omnicar Auto OOD.

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

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

On 27.11.2018 a change in the members of the Board of Directors of Speedy AD was registered in the Commercial register. Cedric Favre-Lorraine was replaced by Robertus Teodorus Van Den Helder as a new member of The Board of Directors.

**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.**

With resolution of the Registry Agency as of 11.10.2018, the acquisition of 100 % of the capital of "Rapido Express and Logistics" EOOD by Speedy AD was registered. The final price will depend on the achieved financial results of "Rapido" and will be due for period of 30 months. The valuation is expected to correspond with 4.5 to 5 times EBITDA of "Rapido Express and Logistics" EOOD.

On 21.12.2018 Speedy AD acquired 100% of the shares of the software company OMG Mobile OOD for the price of EUR 2 million – the acquisition was registered in the Commercial Register on 02.01.2019.

**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.**

**8. No other events except already announced.**



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